

Conference Name: Australian Centre for Entrepreneurship Research Exchange Conference
2013

Conference Location: Queensland University of Technology, Gardens Point

Conference Date: 6 – 8 February, 2013

ISBN: 978-1-921897-55-9

Editor: Per Davidsson

Paper Title: Theorising about the role of HR Innovation in the Competitive Advantage of
Firms

Authors: Upamali Amarakoon, Jay Weerawardena and Martie-Louise Verreynne The
University of Queensland

Submitting Author Contact Information:

Martie-Louise Verreynne

The University of Queensland, Australia

m.verreynne@business.uq.edu.au

Theorising about the role of HR Innovation in the Competitive Advantage of Firms

Abstract

Despite growing interest in innovation, the role of HR innovation in creating competitive advantage remains an area of ambiguity. This paper presents a conceptual framework of the HR innovation-based competitive advantage process. Drawing from previous studies in innovation, strategic human resource management, entrepreneurship and competitive strategy literature, the framework conjectures that a firm's competitive strategy orientation and entrepreneurial HR management enable it to achieve greater HR innovation, which then underpins competitive advantage. The relationship between entrepreneurial HR management and HR innovation is stronger in the presence of greater top management support. In addition to providing testable theoretical hypotheses, the framework presents a feasible path for practitioners to undertake HR innovation in their firms. It also provides valuable insights to policy planning aimed at improving firm competitiveness through HR initiatives.

Keywords: HR innovation, Competitive advantage, Entrepreneurial HR professionals

Introduction

Innovation is widely accepted as an essential prerequisite for firms to survive and be competitive. Innovation enables firms to gain positional advantage through cost leadership and/or differentiation (Porter 1990), and thus has become an area of substantial interest for both scholars and practitioners (Hailey, Farndale & Truss 2005). Innovation is the generation, development, and implementation of new ideas or behaviours *new* and *value adding* to the adopting firm (Damanpour 1991). It is conceptualised to capture innovative changes in multiple value creating activities of firms (Porter 1990, Schumpeter 1934). As such, a typology of innovation consisting of *technical* and *non-technical* innovations has gained prominence in the literature over the last few decades (Damanpour, 1991, Hailey et al. 2005, Porter 1990, Rothwell 1992).

Although there is evidence to suggest that both types of innovation lead to competitive advantage, innovation literature has primarily focused on technical innovation (product and process), paying limited attention to non-technical innovations such as human resource (HR) innovation (Hailey et al., 2005; Hamel, 2006). Such research is important, seeing that competitive advantage gained through HR innovation that is not easily imitable (Barney 1991, Barney & Wright 1998) and therefore is a vital source of competitive advantage (Bharadwaj, Varadarajan & Fahy 1993, Cooke & Saini 2010, Liu, Baskaran & Li 2009).

In a parallel development, the strategic human resource management (SHRM) literature has grown in significance over the last few decades focuses on HR management (HRM) strategies including HR innovation (Hailey et al. 2005), organizational performance (Boxall 1998, Huselid 1995) and competitive advantage (Cooke & Saini 2010, Wright et al. 2005). Despite growing calls for considering HR as a source of competitive advantage (Becker & Huselid 2006, Schuler & Jackson 1987), evidence suggests that only a few firms pursue HR innovation as a strategic initiative to gain competitive advantage (Barney & Wright 1998, Huselid & Becker 2011). It is argued that HR professionals, who should drive HR innovation-based competitive advantage process, are either unaware of the specific benefits of HR innovation or unable to convince their firms of those benefits (Barney & Wright, 1998; Becker & Huselid 2006, Huselid & Becker 2011). This has contributed to heterogeneity in HRM approaches among firms (Becker, Huselid, & Beatty 2009), which is reflected in the

fragmented nature of the literature (Becker & Huselid 2006, Cooke & Saini 2010). It is further exasperated by limited availability of empirically tested guidelines on how HR innovation can be effectively developed to gain competitive advantage (Barney & Wright 1998, Becker & Huselid 2006, Huselid & Becker 2011). All these point towards the need for a framework that can explain the role of HR innovation in competitive advantage.

This paper therefore draws from multiple streams of literature to develop a framework of HR innovation-based competitive advantage. The remainder of this paper is structured as follows: First, literature on innovation-based competitive strategy and SHRM is summarised with an emphasis on the HR innovation-competitive advantage linkage. This is used second, to develop a conceptual framework that includes a set of testable propositions. Finally, implications of the framework for theory and practice are discussed.

Innovation-based competitive strategy

Innovation is the process that ensures new ideas or behaviors add value to the adopting firm (Damanpour 1991). This allows firms to gain competitive advantage by conceiving new ways to deliver superior value to customers (Porter 1990). Value is created when buyers' costs are lowered or their performance is improved in ways that the buyers cannot match by purchasing from competitors (Porter 1990). Accordingly, innovation enables firms to gain competitive advantage in cost leadership and/or differentiation (Porter 1990).

Innovation in the above context includes improvements in both technology and methods or ways of performing managerial or other functions. Accordingly, HR innovation within a firm may include new and value adding in HR practices, jobs, employee relationships, firm structure and its culture. Consequently innovation, regardless of its type, is a key strategic option for firms to gain competitive advantage. However, because innovation theory and practice primarily focus on technical innovations (e.g. Calantone, Chan, & Cui 2006, Deshpande & Farley 2004, Kleinschmidt & Cooper 1991) an important avenue of gaining competitive advantage is neglected. HR innovation in particular has received limited attention (Hailey et al. 2005). HR innovation, when implemented effectively in firms, is socially complex (Barney & Wright 1998) and not easily imitable or substitutable (Barney 1991, Barney & Wright, 1998). Therefore, at a time when firms look for non-traditional sources of competitive advantage, HR innovation can serve as one of the most viable options.

HR innovation and competitive advantage within SHRM literature

The SHRM literature has grown in significance over the past few decades and has progressed along several themes. Of particular relevance in this paper is the strategic importance of HR in the value creation process. This stream of literature focuses primarily on employee characteristics and employee management practices.

Employee characteristics include the knowledge, experience, skill and commitment of employees, along with their relationships with each other and with those outside the firm (Barney & Wright 1998). According to the resource based view (RBV) employee characteristics are valuable, rare, socially complex, firm-specific and not easily imitable or substitutable, nature of employee characteristics of a firm can provide a source of sustained competitive advantage (Barney 1991, Snell, Youndt & Wright 1996). However, availability of resources alone provides an insufficient explanation of firm performance and value creation (Amit & Schoemaker 1993, Wright, Dunford & Snell 2001). The RBV's emphasis on resources, assigns little insight into the process of transforming the resources into

competitive advantage (Mosakowski & McKelvey 1997, Williamson 1999) and the role of firm's key decision makers (Penrose 1959). Therefore, the explanation of the RBV about the potential of employee characteristics to derive sustained competitive advantage is limited. A firm possessing valuable, rare, not easily imitable or substitutable employee characteristics, is a required, but may not be a sufficient condition for creating competitive advantage.

The stream of literature focusing on *the ways of managing employees to create value* suggests that effective HR systems and practices lead to proximal, attitudinal and behavioural outcomes, such as reduced absenteeism/turnover (Huselid 1995, Richard & Johnson 2004), improved levels of job satisfaction, employee loyalty and commitment (Guest & Conway 2011). These systems and practices include, but are not limited to, appropriate approaches to select the right person for the right job, train and develop employees, reward and recognition, performance management, and manage employee relationships. These systems and practices also contribute to distal firm level outcomes such as improved degree of creativity, innovation, quality of goods and services, and productivity (Arthur 1994, Becker & Huselid 1998, Huselid 1995), through which HR influences firm profitability and competitive position (Guest 1997, Guest & Conway 2011, Wright et al. 2005). The literature suggests that effective HR systems and practices are designed, developed, and implemented by entrepreneurial HR managers (Grant 1991, Penrose 1959:85, Teece, Pisano & Shuen 1997) who transform resources for value creation of the firm (Ray, Barney & Muhanna 2004, Becker & Huselid 2006, Wright & McMahan 1992). However, effectiveness of HRM depends on the degree to which HR practices are linked to firm's competitive strategy and operational goals (Becker & Huselid 1997, Huselid & Becker 2011).

Empirical evidence from the SHRM literature shows that HR innovation can drive (e.g. Barney & Wright 1998, Reed 2001) and/or support (e.g. Chang, Gong & Shum 2011, Reed 2001) change/ innovation in a firm. For example, Southwest airlines was able to sustain its competitive advantage over several decades in a highly volatile industry by having a differentiated, novel, and value adding approach to managing its HR (Barney & Wright 1998). HR innovation from this perspective generally includes creating complex routines of the firm, developing specialized jobs, strengthening interpersonal relationships among employees, and creating a unique culture (Barney, 1991). However, in spite of its potential, the extant literature has paid limited attention to examine the role of HR innovation in a firm's competitive advantage process (Becker & Huselid, 2006; Huselid & Becker, 2011).

Towards a conceptual framework of HR innovation-based competitive advantage process

To address these issues, a conceptual framework is proposed in Figure 1. Building on the key themes related to HR innovation-based competitive advantage in SHRM, innovation, competitive strategy and entrepreneurship literature, the framework suggests that HR innovation is driven by firm's competitive strategy orientation and entrepreneurial HR professionals. HR innovation supports competitive advantage, which is manifested in HR-based performance outcomes. Conforming to guidelines of building social science frameworks by Keats and Bracker (1988), this framework incorporates fewest necessary constructs that exert the greatest impact on the phenomenon of interest. The key constructs and the proposed theoretical propositions of the emergent framework are presented in following sections.

Insert Figure 1 around here

Competitive strategy orientation of the firm: a driver for HR innovation

A firm's strategic orientation is a deliberate selection of activities in its value chain; providing positional superiority based on greater customer value and/or lower relative cost (Porter 1985, 1990). Both superior value and lower cost is associated with differentiated practices of the firm aiming at innovation and quality improvement and/or productivity improvement (Schuler & Jackson 1987).

Literature on the behavioural view of HR strategy suggests that successful implementation of competitive strategy requires a unique set of HR practices eliciting a unique set of employee behaviours and attitudes (Arthur 1994, Becker & Huselid 2006, Gratton 1997, Guest 1990, Huselid 1995). Evidence shows that firms adopting cost advantage as a strategy implement HR practices focused on cost minimization, and generally focus on standardized training and development, designing narrow jobs and short-term oriented job descriptions (Arthur 1994, Schuler & Jackson 1987). Similarly, firms adopting differentiation as a strategy, implement HR practices focused on innovation and quality improvement, and generally involve in improving the level of employee participation and commitment, training on group work (Arthur 1994).

Consider the turnaround of Continental airline in mid 1990s as an example. Continental airlines faced near bankruptcy in early 1990s with very low ratings for customer satisfaction and on-time services. Double handling and delays were very common resulting massive costs to the airline (Bethune 1999). Then CEO of Continental airlines Gordon Bethune and his management team decided to differentiate Continental as an on time service provider (Bethune 1999). Consequently, Continental introduced a new *on time bonus*, an incentive scheme which allowed employees to receive a bonus every time the airline was at the top of the industry in on time performance, which was often attributed for Continental's turnaround (Boissieu 1995). It not only improved employee morale, but also helped saving massive expenditures resulted from delays and double handling. As a result, Fortune magazine named Continental airlines as the most admired global airline in 2004, a title they earned for four more consecutive years (Norwood & Wegg 2002). Continental airlines is a good example of how the competitive strategic orientation of a firm drives HR innovation and how HR innovation can be effectively utilised to gain differentiation and/or cost advantage and thereby gain competitive advantage.

Therefore, based on the literature and the empirical evidence discussed above, the following proposition is advanced:

P1: Competitive strategy orientation of a firm positively relates to HR innovation.

HR professionals' entrepreneurship: a driver for HR innovation

As discussed earlier, HR innovation implies a change and/or introduction of HR practices that are new and value creating to the adopting organization. HR innovation does not take place in isolation, but is facilitated by one or more HR professional(s). This requires HR professionals to demonstrate innovative, proactive, and risk taking behaviour. The behavioural approach to entrepreneurship conceptualises entrepreneurship with the ability to initiate change, innovate, and rapidly react to environmental changes, including conditions of uncertainty, with an intention to exploit opportunities (Covin & Slevin 1986, Naman & Slevin 1993, Stevenson 1983, Zahra, Sapienza & Davidson 2006). The manager's ability to identify/create opportunities, willingness to undertake change, and their ability to implement changes are essential for higher levels of firm performance, including innovation (Lumpkin & Dess 1996,

Zahra, et al. 2006). Based on the above, we conceptualise HR managerial entrepreneurship as the process of opportunity identification or creation by HR management to create firm value.

To illustrate; a major Australian city council was incurring high HR related costs - mainly due to 20 per cent of their home carer staff leaving in the first three months after recruitment (Härtel & Fujimoto 2010: 228). The Aged and Disability Service (ADS) manager analysed the situation and identified that higher turnover rate is a result of poor understanding of the job role by employees at the time of recruitment. Addressing the issue, her team came up with an innovative recruitment and selection program that included multiple modes of advertising vacancies, information sessions and information packs on the role of a home carer, and a carefully designed selection process. As a result, the quality of the applicants improved significantly and the number of candidates who applied for positions reduced drastically, making the selection process more straightforward and less time consuming. At a time when the council was incurring high HR related costs, ADS team's decision to further invest on HR through innovative recruitment practices demonstrates their risk taking, innovative behaviour, thus is entrepreneurial. The team was convinced that the outcomes not only helped to address their problems, but also improved the image of the council in the community (Härtel & Fujimoto 2010:229).

The foregoing discussion suggests that HR managerial entrepreneurship is driving the design and implementation of HR innovation. Accordingly, the following proposition is advanced:

H2: HR managerial entrepreneurship positively relates to HR innovation

Top management support (Moderator)

Top management makes strategic decisions of a firm, and thus has a politically critical role in the amount of resources and autonomy provided to the HR department (Elenkov & Manev 2005, Taylor, Benschler & Napier 1996, Wright, Dunford & Snell 2001). Extant literature highlights the importance of top management support in a firm's endeavor to improve effectiveness and the competitive position (Barney, 1986; Wei & Lau, 2008), specifically related to innovations (Elenkov & Manev 2005). Research shows that the effective implementation of HR innovation requires the effort of the HR department to be well supported by the top management of the firm (Flood, Smith & Durfus 1996, Wolfe, Wright & Smart 2006).

Poor top management support in contrast, results in limited autonomy, recognition, and access to resources, required for implementation of HRM practices (Elenkov & Manev 2005; Whittaker & Marchington 2003). Hence, both literature and empirical evidence suggest that the degree of support by the top management determines how effectively the efforts of HR professionals lead to HR innovation. Based on the foregoing discussion, the following proposition is advanced:

H3: Top management support moderates the relationship between HR managerial entrepreneurship and HR innovation.

HR innovation and competitive advantage

As discussed earlier, competitive advantage is a positional superiority obtained by a firm either lowering buyers' costs or raising buyers' performance in ways the buyers cannot match by purchasing from competitors (Porter 1990). There is general consensus in SHRM and innovation literature that HR innovation leads to competitive advantage (Barney & Wright

1998; Becker & Huselid 1997; Chang et al. 2011; Huselid & Becker 2011). The literature on the HRM - competitive advantage linkage focuses both proximal (employee behavioral and attitudinal) and distal (firm level performance, market and financial) outcomes of HRM as indicators of competitive advantage (Boselie, Dietz & Boon 2005).

The empirical evidence supports the above claim in literature. For instance, as discussed earlier, by introducing on-time bonus, Continental airlines could improve employee morale and achieve higher levels of customer satisfaction and on-time services; leading to higher level of profitability and market share (Barney & Wright 1998, Bethune 1999, Norwood & Wegg 2002). It is also important to understand that HR innovation is not the only contributor for Continental's success. Therefore, it can be argued that HR innovation is essential, but may not be sufficient for firms to gain competitive advantage.

This clearly suggests that HR innovation can lead to proximal outcomes such as improved employee morale and reduced turnover as well as distal outcomes such as improved productivity, customer satisfaction and profitability. Accordingly, the relationship between HR innovation and competitive advantage is advanced as follows:

H4: HR innovation positively relates to firm competitive advantage

Implications for theory and practice

Although the literature on non-technical innovation-based competitive strategy has grown in significance, it is still limited and fragmented. A few attempts have been made to identify what drives HR innovation, what is the role of HR innovation in supporting firm competitive advantage, and what is the role of HR professionals in facilitating the process. There is a clear need for a conceptual framework that captures antecedents and consequences of HR innovation-based competitive advantage process to guide future research in this area. Thus, the main objective of this paper was to develop a framework of HR innovation-based competitive advantage process based on broader SHRM and innovation-based competitive strategy literature as well as published empirical evidence from SHRM literature, to facilitate academic and practitioner enquiry. This framework makes a number of theoretical and practical contributions.

From a theoretical perspective, the framework first addresses a long felt need in SHRM literature by identifying the antecedents of HR innovation and how HR innovation can lead to value creation. Therefore, it advances the current understanding on how firms create HR innovation and how HR innovation creates or supports competitive advantage. Second, addressing Huselid's and Becker's (2006) claim that SHRM literature fails to establish a clear link between firm HR and competitive advantage, our framework argues that HR can contribute to firm's competitive advantage through HR innovation, conditioned by alignment with firm's competitive strategy orientation and availability of entrepreneurial HR managers. But it is important to understand that HR innovation alone may not be sufficient to gain competitive advantage.

Third it expands Porter's (1990) value chain analysis ideas in how the framework conjectures that HR innovation can support and create firm value. Although Porter's (1990) value chain analysis recognises the role HR in a firm's innovation-based competitive advantage process, it does not facilitate a detailed examination of the value creating activities specifically coming under the purview of HR professionals. The framework offered in this paper considers HR innovation as a foundation for HR related value creation.

Fourth, this paper enables future research. It presents a set of testable hypotheses that can guide future research. Future research can focus on developing or adopting appropriate measures for the constructs presented in the framework. Empirical justification of the propositions will further advance the understanding on HR innovation-based competitive advantage. It can enhance the growing body of literature on HR innovation-based competitive advantage and serve as a foundation for research in HR-innovation-based competitive advantage.

Practically, given finite firm resources, it illustrates that managers should concentrate on effective utilization of valuable, rare, inimitable and non-substitutable resource combinations (Eisenhardt & Martin, 2000) by linking them to overall firm strategy to create competitive advantages. The framework provides a feasible path for practitioners to support competitive advantage process through HR innovation. Understanding the antecedents of the above process will also assist managers to undertake HR innovation and pursue strategies to gain competitive advantage. Therefore, the framework can serve as a guideline for practitioners to utilize HR innovation as a strategic option to gain superior performance. Subsequently, it contributes to addressing the heterogeneity in HRM approaches among firms.

The findings of this and subsequent empirical studies will provide valuable insights to policy planning aimed at improving firm competitiveness. Policy planners can encourage higher level of investment in HR innovation to support firms compete better. At the national level, a deep understanding on HR innovation-based competitive advantage will enhance the efforts of government policy planners to encourage overall firm competitiveness.

References

- Arthur JB (1994) Effects of human resource systems on manufacturing performance and turnover. *Academy of Management*, 37(3): 670-687.
- Barney J (1986) Firm resources and sustained competitive Advantage. *Journal of Management*, 17(1): 1231-1241.
- Barney J (1991) Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.
- Barney J and Wright PM (1998) On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1): 31-44.
- Becker BE and Huselid MA (1998) High performance work systems and firm performance: A synthesis of reaserch and managerial implications. *Resaerch in Personnel and Human Resource Management*, 16: 53-101.
- Becker BE and Huselid MA (2006) Strategic human resources management: Where do we go from here? *Journal of Management*, 32(6): 898-925.
- Becker BE, Huselid MA and Beatty RW (2009) *The differentiated workforce: Transforming talent into strategic impact*. Boston: Harvard Business Press.
- Bethune G (1999) *From worst to first*. NJ: John Wiley & Sons Inc.
- Bharadwaj SG, Varadarajan PR and Fahy J (1993) Sustainable competitive advantage in service industries: A Conceptual model and research propositions. *Journal of Marketing*, 57(October): 83-99.
- Boselie P, Dietz G and Boon C (2005) Commonalities and contradictions in HRM and performance research, *Human Resource Management Journal*, 15: 67-94.
- Boissueau C (1995) *Morale is higher as new managers and a return to profitability give workers a reason to have hope*. Houston Chronicle, Published on 22nd of October
- Boxall PF (1998) The Strategic HRM debate and the resource-based view of the firm. *Human Resource Management Journal*, 6(3): 59-75.
- Calantone RJ, Chan K and Cui AS (2006) Decomposing product innovativeness and its effects upon new product success. *Journal of Product Innovation Management*, 23(5): 408.
- Chang S, Gong Y and Shum C (2011) Promoting innovation in hospitality companies through human resource management practices. *International Journal of Hospitality Management*: 1-7.
- Cooke FL, and Saini DS (2010) (How) Does the HR strategy support an innovation oriented business strategy? An investigation of institutional context and organizational practices in Indian firms. *Human Resource Management*, 49(3): 377-400.
- Covin JG and Slevin DP (1993) A response to Zahra's "Critique and Extension" of the Covin-Slevin Entrepreneurship Model. *Entrepreneurship: Theory and Practice*, 17(4): 23-28.
- Damanpour F (1991) Organizational Innovation: A Meta-analysis of Effect of Determinants and Moderators. *Academy of Management Journal*, 34(3): 555-590.
- Deshpandé R and Farley JU (2004) Organizational culture, market orientation, innovativeness, and firm performance: An international research odyssey. *International Journal of Research in Marketing*, 21 (1).
- Eisenhardt KM and Martin JA (2000) Dynamic capabilities: What are they? *Strategic Management Journal*, 21: 1105-1121.
- Elenkov DS and Manev IM (2005) Top Management Leadership and Influence on Innovation: The Role of Sociocultural Context. *Journal of Management*, 31(3): 381-402.

- Flood PC, Smith KA and Derfus P (1996) Top Management Teams: A Neglected Topic in Strategic Human Resource Management. *Irish Business and Administrative Research*, 17(1): 1-17.
- Grant RM (1991) Analyzing resources and capabilities. In *Contemporary Strategic Analysis: Concepts, Techniques and Applications*. Robert M. Grant (Ed), Cambridge, MA: Basil Blackwell.
- Gratton L (1997) HR Strategy. *People Management*, 3(15): 22-27.
- Guest D (1990) HRM and the American dream. *Journal of Management Studies*, 27(4): 377-397.
- Guest D (1997) Human resource management and performance: A review on research agenda. *International Journal of Human Resource Management*, 8: 262-276.
- Guest D and Conway N (2011) The impact of HR practices, HR effectiveness and a strong HR system on organizational outcomes: A stakeholder perspective.. *International Journal of Human Resource Management*, 22(8): 1686-1702.
- Härtel CEJ, Fujimoto Y, Strybosh VE and Fitzpatrick K (2007) *Human Resource Management - Transforming Theory into Innovative Practice*. NSW: Pearson Education Australia.
- Hailey VH, Farndale E and Truss C (2005) The HR department's role in organizational performance. *The HR department's role in organizational performance*, 15(3): 49-66.
- Hamel G (2006) The why, what and how of management innovation. *Harvard Business Review*, 84(2): 72-84.
- Huselid MA (1995) The impact of human resource management practices on productivity, turnover and corporate financial performance. *Academy of Management*, 38(3): 635-672.
- Huselid MA and Becker BE (2011) Bridging macro and micro domains: Workforce differentiation and strategic human resource management. *Journal of Management*, 37(2): 421-427.
- Keats BW and Bracker JS (1988) Towards a theory of small firm performance: A conceptual model. *American Journal of Small Business Management*(Spring): 41-58.
- Kleinschmidt EJ and Cooper RG (1991) The impact of product innovativeness on performance. *Journal of Product Innovation Management*, 8(4): 240-251.
- Liu J, Baskaran A, and Li S (2009). Building Technological-Innovation-Based Strategic Capabilities at Firm Level in China: A Dynamic Resource-Based-View Case Study. *Industry & Innovation*, 16(4): 411-434.
- Lumpkin GT and Dess GG (1996) Clarifying entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 25(1): 135-172.
- Mahoney J and Pandian R (1992) The resource-based view within the conversation of strategic management, *Strategic Management Journal*, 13(5): 363-80.
- Naman JL and Slevin DP (1993) Entrepreneurship and the concept of fit: A model and empirical tests. *Strategic Management Journal*, 14: 137-153.
- Norwood T and Wegg J (2002). *North American Airlines Handbook* (3rd ed.). Sandpoint, ID: Airways International.
- Penrose ET (1959) The theory of the growth of the firm. *Oxford, Blackwell*.
- Porter ME (1985). *Competitive Advantage*: New York: Free Press.
- Porter ME (1990). *Competitive Advantage of Nations*: New York: Free Press.
- Ray G, Barney JB and Muhanna WA (2004). Capabilities, business processes, and competitive advantage: choosing the dependent variable in empirical tests of the resource-based view. *Strategic Management Journal*, 25(1): 23-37.
- Reed A (2001) *Innovation in human resource management- Tooling up for talent wars*. London: CIPD Publication.

- Reed R and DeFillippi R (1990). Causal Ambiguity, Barriers to Imitation, and Sustainable Competitive Advantage. *Academy of Management Review*: 15(1).
- Richard O and Johnson N (2004). High Performance Work Practices and Human Resource Management Effectiveness: Substitutes or Complements?. *Journal of Business Strategies*, 21: 133–148.
- Rothwell R (1992). Successful Industrial Innovation: Critical Factors for the 1990s. *R&D Management*, 22(3): 221-39.
- Schuler RS and Jackson SE (1987). Linking competitive strategies with human resource practices. *The Academy of Management Executive*, 1(3): 207-219.
- Schumpeter JA 1934. *The Theory of Economic Development*, Cambridge, MA: Harvard University Press.
- Snell SA, Youndt M and Wright PM (1996). Establishing a framework for research in strategic human resource management: Merging resource theory and organizational learning. *Research in personnel and human resources management*, 14: 61-90.
- Taylor S, Benschler S and Napier N (1996) Towards an integrative model of strategic international human resource management. *Academy of Management Review*, 21(4): 959-985.
- Teece DJ, Pisano G and Shuen A (1997) Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7): 509-533.
- Wei L and Lau C (2008). The impact of market orientation and strategic HRM on firm performance: the case of Chinese enterprises. *Journal of International Business Studies*, 39: 980-995.
- Whittaker S and Marchington M (2003). Devolving HR responsibility to the line: Threat, opportunity or partnership?. *Employee Relations*, 25(3): 245 - 261.
- Williamson O (1999) Strategy research: Governance and competence perspectives. *Strategic Management Journal*, 20: 1087-1108.
- Wolfe R, Wright PM and Smart DL (2006). Radical HRM innovations and competitive advantage: The moneyball story. *Human Resource Management*, 45(1): 111- 145.
- Wright PM, Dunford BB and Snell SA (2001). Human Resources and the Resource-Based View of the Firm. *Journal of Management*, 27: 701-721.
- Wright PM, Gardner TM, Maynihan LM and Allen MR (2005) The relationship between HR practices and firm performance: Examining the causal order. *Personnel Psychology*, 58: 409-446.
- Wright PM and McMahan G (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2): 295-320.
- Zahra SA, Sapienza, HJ and Davidson P (2006) Entrepreneurship and dynamic capabilities: a review, model and research agenda. *Journal of Management Studies*, 43(4): 917-955.

Figures

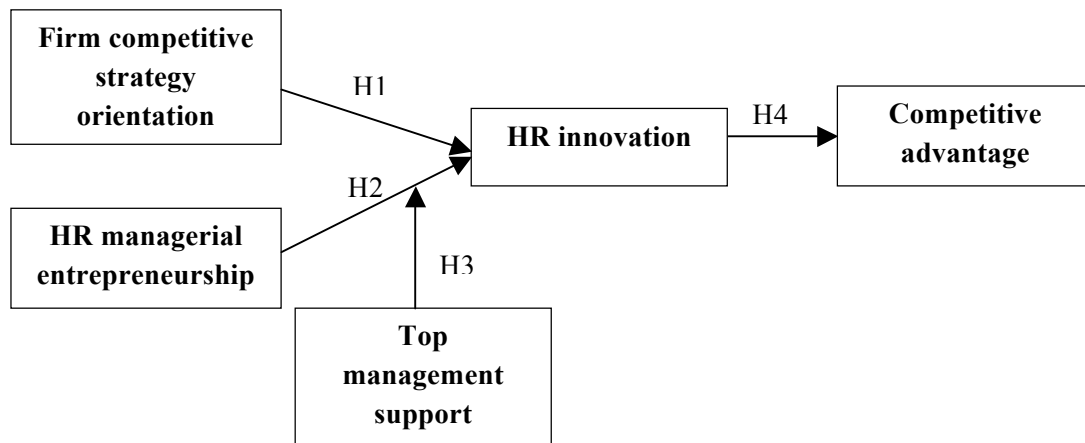


Figure 1: Framework of HR innovation-based competitive advantage process