

## INNOVATION STRATEGY IN HUMAN RESOURCES MANAGEMENT TO INCREASE ORGANIZATIONAL EFFECTIVENESS

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### **Abstract**

Innovation in human resource management (HR) is a key factor in increasing organizational effectiveness in the digital era and increasingly fierce global competition. This research aims to analyze innovation strategies in HR management and their impact on organizational effectiveness through a literature review approach. Various innovations in recruitment, training, performance management and employee welfare have been proven to increase employee productivity, engagement and job satisfaction. Research findings show that digitalization in recruitment, the application of technology-based learning such as e-learning and virtual reality (VR), as well as data-based performance management systems help organizations optimize workforce management. Additionally, innovations in employee wellbeing, such as flexible work policies and financial wellbeing programs, contribute to improving work-life balance. However, implementing this innovation faces challenges such as resistance to change, technological limitations, and a lack of digital skills among employees. This research contributes to the field of HR management by offering insight into innovative strategies that can be implemented to increase organizational effectiveness. Organizations that want to remain competitive need to adopt HR innovation strategically, with the support of strong leadership and investment in employee skills development. Thus, innovation in HR management can be a key driver for organizational sustainability and competitiveness in the future.

**Keywords:** innovation strategy, human resource management, organizational effectiveness.

### **INTRODUCTION**

Human resource management (HR) has a crucial role in determining organizational effectiveness. HR is not just an organizational asset, but also

the main factor that drives productivity, creativity and innovation. In an increasingly competitive business environment, organizations must have an HR strategy that is able to manage, develop and retain employees well (Khan et al., 2024). Human resources that are managed optimally can improve individual and collective performance, which ultimately contributes to achieving organizational goals. Therefore, effective HR management is a primary requirement for organizations to survive and develop amidst global change.

One important aspect of HR management is the application of innovation in various processes, such as recruitment, training, career development and performance evaluation systems. Innovations in HR management enable organizations to create more flexible, adaptive and growth-oriented work environments. The use of digital technology, for example, has changed the way organizations manage human resources, with data-based performance management systems, artificial intelligence in recruitment, and e-learning based training (Koster, 2024). With this innovation, organizations can improve operational efficiency and create a better work experience for employees.

However, implementing innovation strategies in HR management is not without challenges. One of the main challenges is resistance to change, both from management and employees. Many organizations still implement conventional systems and are reluctant to switch to more innovative methods due to concerns about the complexity or cost of implementation. In addition, a lack of understanding of the long-term benefits of HR innovation can also be a major obstacle to its implementation (JAFIR & AHMED, 2023). Therefore, a strategic and sustainable approach is needed to ensure that innovation can be implemented effectively without causing excessive resistance.

Apart from resistance to change, another challenge is the lack of digital skills among employees and management. Digital transformation in HR management requires understanding and skills in using new technology. However, not all organizations have a workforce that is ready to face this change (Muhammad & Naz, 2023). Therefore, organizations must invest in employee training and development so that they can adapt to the innovations implemented. By improving these skills, employees can more easily accept and adopt innovation strategies implemented by the organization.

Furthermore, innovation in HR management also faces obstacles in terms of regulations and company policies. Some organizations may be bound by strict labor regulations, which limit flexibility in implementing innovative

strategies. For example, implementing flexible work or remote work may not be in accordance with company policies that require the physical presence of employees (Jafir & Ahmed, 2023). Therefore, organizations need to adjust internal policies to support innovation without violating applicable regulations.

Apart from internal factors, global competition also influences the way organizations manage human resources. Organizations that do not quickly adapt to innovative trends in HR management risk falling behind more progressive competitors. In this context, companies need to continue benchmarking with other organizations that have successfully implemented innovation strategies in HR management. Thus, they can adopt best practices that have been proven effective in increasing organizational effectiveness (Das et al., 2024).

In facing these challenges, it is important for organizations to have a long-term vision in HR management. Innovation-based HR management must be supported by visionary leadership, an adaptive organizational culture, and a system that allows active employee involvement in the innovation process. With the right combination of strategies, organizations can create a more dynamic work environment and improve overall operational effectiveness (Karaboğa et al., 2022).

In conclusion, innovation strategies in HR management have a very important role in increasing organizational effectiveness. Even though there are various challenges in its implementation, organizations that are able to manage HR innovatively will have a significant competitive advantage. Therefore, developing innovative strategies in HR management must be a priority for organizations that want to survive and develop in the current era of globalization and digitalization.

## **RESEARCH METHOD**

The research approach used in this study is a literature review, which aims to analyze various previous studies related to innovation strategies in human resource management (HR) and their impact on organizational effectiveness. The literature review was chosen because it allows researchers to understand trends, concepts and empirical findings that have been studied in various previous studies. The selection of literature is based on several criteria, such as relevance to the research topic, publications within the last five to ten years to ensure up-to-date information, and sources from academic journals, books and research reports that have high credibility.

In the data collection process, this research uses secondary data sources originating from scientific journals, academic books, research reports, and conference articles that are relevant to the topic. The data obtained was then analyzed using the thematic analysis method, which aims to identify patterns, main concepts, and the relationship between HR innovation strategies and organizational effectiveness. Findings from various studies are synthesized to produce a more comprehensive understanding of the role of innovation in HR management. It is hoped that this analysis process can provide in-depth insight and contribute to the development of theory and practice in the field of HR management (Earley, M.A. 2014; Snyder, H. 2019).

## **RESULT AND DISCUSSION**

### **Identify Innovation Strategies in HR Management**

In the digital era and increasingly fierce business competition, organizations are required to adopt innovation strategies in human resource management (HR) in order to remain competitive and increase work effectiveness. Innovation in HR management can cover various aspects, such as recruitment, training, performance management and employee welfare (Redjeki et al., 2020). Implementing innovative strategies in this area not only increases productivity but also strengthens employee engagement and loyalty to the organization (Bhati, 2024).

One of the main innovations in recruitment is the use of artificial intelligence (AI) technology and big data to screen and select candidates more effectively. With an AI-based recruitment system, companies can analyze thousands of CVs automatically, assess candidate suitability with organizational culture, and predict potential employee performance based on historical data (Sharma & Dhingra, 2024). In addition, the use of AI-based video interviews can help identify candidate expressions, tone of voice and responses to provide a more objective assessment. This innovation helps companies speed up the selection process and reduce bias in decision making.

In training and development, innovation is also the main key in improving employee skills. Many organizations are now implementing e-learning and training based on virtual reality (VR) or augmented reality (AR) to create more interactive and effective learning experiences (Sivaji & Seethalapu, 2024). For example, VR-based training allows employees to simulate real work scenarios without risk, such as technical training in the manufacturing industry or simulated customer interactions in the service sector. In addition, a microlearning-based learning system that presents

training materials in the form of short videos and interactive modules makes it easy for employees to access training anytime and anywhere, according to their needs.

In the field of performance management, innovation is carried out by implementing systems based on analytics and real-time feedback. Traditional approaches that rely on annual evaluations are now starting to be abandoned and replaced with digital-based performance management systems that allow employees and managers to provide direct and continuous feedback. Some companies are also starting to use gamification in performance management, where employee achievements can be rewarded with points, badges, or work target-based prizes (Mahdia, 2024). This system not only increases transparency in performance appraisals but also increases employee motivation to achieve predetermined targets.

Apart from recruitment, training and performance management, innovation in employee welfare is also an important factor in increasing organizational effectiveness. Many organizations are now implementing technology-based wellness programs, such as digital health apps that allow employees to monitor their physical and mental fitness (Redjeki, 2021). Some companies also implement work flexibility by providing hybrid or remote work options, which have been proven to improve the balance between work and personal life. With a more flexible approach, employees can work more productively without feeling burdened by a rigid work environment (Nar et al., 2024).

Apart from that, innovation in employee welfare also includes the development of financial welfare programs, such as financial consultations, low-interest employee loans, or special investment platforms for employees. By helping employees manage their finances, organizations can reduce stress levels and improve employee mental well-being. This program not only contributes to job satisfaction but also reduces the turnover rate in the organization (Cuesta-Valiño et al., 2024).

Overall, innovative strategies in HR management provide a significant positive impact on organizational effectiveness. By implementing various innovations in recruitment, training, performance management and employee welfare, organizations can create a work environment that is more dynamic, productive and adaptive to change. Therefore, companies need to continue to develop and adapt HR innovation strategies to meet the needs of a modern workforce and increase their competitiveness in the global market.

## **The Impact of HR Innovation Strategy on Organizational Effectiveness**

Innovation strategies in human resource management (HR) have been proven to have a positive impact on organizational effectiveness. Various case studies show that companies that implement innovations in HR management, such as digitalization of recruitment, technology-based training systems, and flexible approaches to performance management, experience increased productivity and employee satisfaction (Md & Rajan, 2024). For example, research conducted on global technology companies such as Google and Microsoft shows that the application of artificial intelligence in the recruitment process and data-based performance analytics can increase efficiency in candidate selection and speed up managerial decision making.

Apart from that, literature studies also reveal that organizations that implement e-learning and virtual reality based training experience an increase in the effectiveness of employee learning. For example, in the healthcare industry, hospitals that use VR-based simulations for medical personnel training report significant improvements in the skills and readiness of their workforce. With this innovative approach, organizations can not only increase the competency of their workforce but also reduce the costs of conventional training which often requires greater time and resources (Shobeiri et al., 2024).

Technology-based performance management has also shown a positive impact on organizational effectiveness. Data-based performance evaluation systems allow managers to provide more objective and continuous feedback (Knowles, 2022). Studies in various multinational companies show that this approach can increase employee engagement, reduce stress levels due to ambiguity in performance appraisals, and help employees achieve predetermined targets. Additionally, the use of gamification in performance management also increases employee motivation, as they feel more appreciated for their achievements.

Although innovation strategies in HR offer many benefits, their implementation does not always go without obstacles. One of the main inhibiting factors is resistance to change, both from management and employees. Many organizations still maintain conventional systems in HR management due to a lack of understanding of the long-term benefits of innovation. Employees who are used to old methods also often feel reluctant to adapt to new technology because of concerns about drastic changes in work culture (Malik, 2022).

Apart from resistance to change, limited technology and human resources with digital skills are also challenges in implementing innovative HR strategies. Organizations that do not have adequate technological infrastructure will face difficulties in implementing data-based systems or automation in HR management (Malhotra et al., 2024). In addition, the lack of workers who have digital skills can hinder the effectiveness of implemented innovation programs. Therefore, companies must invest in training and developing digital skills for their employees in order to optimize the use of technology in HR management.

On the other hand, the supporting factor that plays a role in the success of HR innovation is support from organizational leadership. Leaders who have a strategic vision for HR transformation can encourage organizations to be more open to innovation (Sahoo, 2023). In addition, organizations that implement a flexible and adaptive work culture find it easier to adopt innovative strategies compared to organizations that have a rigid hierarchical structure. Therefore, progressive leadership and openness to change are key elements in the successful implementation of an HR innovation strategy.

Overall, the impact of innovation strategies in HR on organizational effectiveness is very significant, especially in terms of increasing productivity, employee engagement, and efficiency in workforce management. However, the successful implementation of this innovation is highly dependent on the organization's readiness to face existing challenges, such as resistance to change and technological limitations. With strong leadership support and investment in HR development, organizations can optimally utilize HR innovation strategies to achieve higher effectiveness in their operations.

### **Implications for Organizations**

Implementing innovation strategies in human resource management (HR) provides various opportunities for organizations to improve operational effectiveness, increase employee engagement, and create a more adaptive work environment. However, so that the implementation of HR innovation can run optimally, organizations need to have a strategic and planned approach (Gershon, 2024). One of the main recommendations is to build an organizational culture that supports innovation, where employees are given space to adapt to change and given the opportunity to participate in the development of innovative solutions in their work.

In addition, organizations must utilize technology effectively to automate and increase efficiency in HR management. For example, the use of artificial intelligence (AI) in recruitment, analytical systems in performance appraisals, and e-learning based learning can help organizations increase workforce productivity. Investment in HR technology that suits organizational needs can help companies compete in the digital era and ensure that innovation truly has a real impact on work effectiveness (Sarkar & Mishra, 2023).

One of the main challenges in implementing HR innovation is resistance to change, both from management and employees. Many individuals feel comfortable with existing work systems and are reluctant to adapt to new methods (Chowdhury, 2024). Therefore, it is important for organizations to implement effective change management strategies, such as providing training, supporting a gradual transition, and providing clear communication regarding the benefits of the innovation for employees and the organization as a whole.

Apart from resistance to change, limitations in terms of digital resources and skills are also challenges that need to be considered. Not all organizations have sufficient technological infrastructure to support innovation in HR management, and not all employees have adequate digital skills (Givan, 2024). Therefore, organizations must invest in developing employees' digital skills so that they can adapt to the new systems implemented. Continuous training and skills enhancement programs are necessary to ensure that the workforce is ready to face digital transformation in HR management.

On the other hand, implementing innovation in HR also provides great opportunities for organizations to increase competitiveness. Organizations that successfully implement innovation in recruitment, training and performance management can more easily attract and retain the best talent. With a work environment that is more flexible, data-driven, and oriented towards employee development, organizations can create a more productive and innovative workforce (Datta, 2023).

Furthermore, innovation in HR can also improve employee well-being and job satisfaction, which ultimately contributes to overall organizational effectiveness (Lay et al., 2024). For example, implementing flexible work policies, mental and financial wellbeing programs, and gamification-based reward systems can increase employee motivation and loyalty. Thus,



organizations can reduce turnover rates and increase retention of high-performing employees.

Overall, innovation strategies in HR management offer many benefits to organizations, but also require readiness to face emerging challenges. With careful planning, strong leadership support, and investment in technology and skills development, organizations can take advantage of HR innovation opportunities to create a more effective, adaptive and sustainable work environment.

## CONCLUSION

This research shows that innovation strategies in human resource management (HR) play an important role in increasing organizational effectiveness. Various innovations, such as digitalization of recruitment, technology-based training, data-based performance management systems, and more adaptive employee welfare programs, have been proven to increase productivity, employee engagement, and operational efficiency. Although implementing HR innovation faces challenges such as resistance to change and limited technological resources, strong leadership support, effective change management, and investment in employee skills development can help organizations overcome these obstacles and take advantage of existing opportunities.

This research contributes to the field of HR management by offering insight into innovation strategies that can be implemented to improve organizational effectiveness. The implications of these findings are not only relevant for companies that want to increase their competitiveness in the digital era, but also for academics and practitioners who are interested in developing innovation-based HR management theory and practice. As technology continues to develop and workforce dynamics change, organizations need to continue to adapt and develop sustainable HR innovation strategies to achieve long-term success.

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