Achieving Organizational Innovation Through HR bundling: A Contingency and Contextual Perspective in the Oil Marketing Sector of Pakistan

This paper empirically investigates the impact of the HR bundle on organizational innovation with the mediation effect of talent management in the oil marketing sector of Pakistan. The paper undertakes the quantitative analysis through a stratified random sample of 250 respondents, which undergone through various statistical analysis techniques. Finding depicts the positive significant relation of HR bundle on organizational innovation with the mediation effect of talent management. The findings allow managers to attain organizational innovation by contextual and contingency base HR bundling and talent management. The results contribute to the selection of relevant bundle that enables them to be innovative in the oil marketing sector of Pakistan. The major limitation of the paper is, it only considers the oil marketing sector but providing the theoretical foundation for future researches in another sector as well.

Key Words: HR Bundle, Contingency, Contextual, Organizational Innovation, Oil Marketing.

Introduction

The most alluring question about strategic human resource management literature related to the HR bundle is, which HR bundle must be included with the concern of its effect on individual and organizational outcomes (Jakson, Suhuler, & Jiang, 2014). Therefore, the main aim of the study is to provide the theoretical perspective for the selection of the HR bundle and its impact on organizational innovation of firms. There is three theoretical perspectives regarding HR practices i.e., universalistic, contingency and contextual perspective (Hauff, 2019). Valuable and talented employees provide creative ideas and transform this creativity into innovative goods and services. Organizational Innovation makes or breaks the organizations. Innovation is very crucial for improvement in product and new product development (Riitta, Sruthi, Micheel, Stefanos, & Zenios, 2014). Organizational Innovation is basically a source of competitive edge for individuals and firms simultaneously. Innovation is not limited to the product and services, moreover, spontaneous response to the internal and external environment lies under the umbrella of innovation (Damanpour, 1991).

Effective human resource management becomes a source of managing the talent for the organization. Managing talent has become a grave human resource challenge round the globe. So, for this purpose, an organization uses two strategies, buying the talent or building the talent. When organizations are buying the talent, they acquire the talented candidates which fulfill their needs by having the skills and qualities. On the other hand, organization when uses the strategy of building the talent, they use different tools for developing the talent by inserting different skills and qualities which are necessary to accomplish the organizational goals. Talent management is not only the buying and building the talent but furthermore, it is also very concerning about retaining these talented pools with the organization (Syed, Manzoor, Baduidin, & Ahmed, 2017).

A preliminary study was conducted to explore the HR practices that may have affected the organizational innovation for the development of a research framework in the context studied which is OMC working in Pakistan. Due to the newness of the study in a given context, a preliminary study


*PhD Scholar, Management Sciences, SZABIST Islamabad, Pakistan.
†Associate Prof, Management Sciences, SZABIST Islamabad, Pakistan. Email: shaziaakhter@gmail.com
was undertaken. The preliminary study was to find out whether HR practices prevail in the context of oil marketing companies in Pakistan and subsequently to determine which practices or set of practices called bundle possibly are the effective driver of the performance of the firm. The current research focuses on oil marketing companies (OMCs) in Pakistan. The choice of the context is grounded in the industry’s contribution to the economy and its exposure to human resource management.

Various human resource bundles are used by managers for the effective management of their talent. These HR bundles include (i) sourcing or recruiting, (ii) selection, (iii) training and development, (iv) succession and career development, (v) team development, (vi) performance management, (vii) engagement and retention, (viii) rewards and recognition and (ix) employer brand (Evelyn, 2015). The current set of bundles used in the study is selected on the basis of contingency and contextual approach of the theoretical perspectives whose assumption is equifinality which means that best can be achieved through different means or different HR bundles. So according to contingent and contextual approach, the HR bundles selected in the current study are recruitment and selection, training and development and performance appraisal.

Based on the interviews at the companies, the discovery was made that oil marketing companies did not practice all the human resource management practices at their organization, but they are actively using some of those practices which will help make researcher a bundle of those HR practices which are mostly used in OMCs in Pakistan. That bundle contains, recruitment and selection, training and development, performance appraisal, compensation management and employee involvement.

**Broad Problem Area**

The current research focuses on oil marketing companies (OMCs) in Pakistan. The choice of the context is grounded in the industries' contribution to the economy and its exposure to human resource management. According to statistics, oil marketing companies have a large share of economic growth. It has a high potential to become a driving factor in economic development. In the current era of high competition and in an industry important as oil marketing companies, it is necessary for the organization to strive for organizational innovation to remain competitive in the market. In the quest for organizational innovation, the organization needs to focus on utilizing their resources more effectively. Human is one of those resources which act as fuel for the organization to attain organizational innovation.

**Gap Analysis**

The current study identified three gaps pertaining to the topic under study. The first gap is, in the last three decades, strategic human resource management’s available literature has established the shared consensus that the focus should be on human resource bundles instead of the human resource management system because every bundle in the system influence the bundles of human resource management adopted in the organization. Many synergies between human resource bundles don’t align to date, their interactions and their outcomes (Boon, Hartog, & Lepak, 2019). Therefore, the study will address the above interaction and outcomes of the human resource bundle in a specific context.

The second gap of the study is an empirical investigation of the relationship between human resource bundles towards talent management has attracted the attention of many scholars specifically about the recruitment and selection and retentions of talent within the organization (Collings, Scullion, & Morley, 2007; Farndale, Scullion, Sparrow, 2010; Minbaeva & Cillings, 2013). Thus, it is very appealing to investigate the role of human resource bundles by comparing it with the emerging concept of talent management. Both, talent management and human resource bundles are thought of as promoting innovative environment when working simultaneously (Stokes, Liu, Simth, Leidner, Moore, & Caroline, 2016).

The third gap of the study is exploring the mediation effect of talent management between the HR bundle and organizational innovation of the firm.
Research Questions

The present study achieves the following objectives:

• To what extent the relationship exists between the HR bundle and talent management in the oil marketing sector of Pakistan?
• To what extent the relationship exists between talent management and organizational innovation in the oil marketing sector of Pakistan?
• To what extent the relationship exists between the HR bundle and organizational innovation in the oil marketing sector of Pakistan?
• To what extent the relationship exists between HR Bundle and organizational innovation when talent management act as a mediator in the oil marketing sector of Pakistan?

Literature Review

HR Bundles

Recruitment and selection are a set of activities designed to recognize and attract potential workforce while the selection is also set of pre-defined activities through which the best possible resource for the job is selected and appointed on the job (Chytiri, Filippaios, & Chytiris, 2018). Training and development programs are designed by human resource managers to provide the knowledge, skills and abilities about the responsibilities. (Halawi & Haydar, 2018). Training is the process of transforming the attitudes and behaviors of the workforce to align them with the organizational objectives. Development involves the preparation of a workforce for advance current responsibilities or in the near future. Performance appraisal help organizations to compare the actual performance of the employee with the perceived performance or set goal as per the standard established (Majid, 2016). If an employer uses the tool of the performance appraisal for counseling and resource planning then it strengthens the relationship between performance appraisals and employee retention (Bodjrenou, Ming, & Bomboma, 2016).

Compensation Management is a process compensating the efforts on employees in tasks performed by offering monetary values in exchange (Hee & Jing, 2018). Compensation package entails some basic features including salaries, allowances, incentives, promotion, bonuses and recognition (Onuorah, Okeke, & Ibekwe, 2019). Strong compensation management systems act as an inspiring factor to get better out of an employee in order to achieve the desired organizational outcomes (Jehangir, Sahibzada, Shahidjan, & Tariq, 2016).

Employee involvement means creating an environment where employees are encouraged to be a part of the decision-making process which impacts their performance (Heathfield, 2019). In order to increase the satisfaction of the employee, their participation and input in decisions in implementing change and new strategies are quite crucial for the organization. This helps improve the performance of the employee as they feel a sense of importance in the organization (Odero & Makori, 2018).

Talent Management

Talent management is a process that has four basic components including talent planning, talent acquisition, talent development and talent retention (Elanine, et al., 2010). Talent planning refers to the “action or series of actions undertaken by the firm for the purpose of identifying and attracting the potential applicants towards the firm” (Ployhart, 2006). The term talent acquisition is used to advocate the seeking of employees with the required skills and knowledge identified in the talent planning process. In insures that the talent meets, or exceeds the expectation standards (James, 2008)Talent development is the capacity of employees to get engaged in multitasking and managing various projects simultaneously and hold the capabilities to constantly learn new skills, standards and mode of working (Martin, 2009).Talent retention refers to “providing highly talented and capable employees with satisfactory workplace environment and spotting the knowledge and effort of employees through
recognition, and to provide them safe working conditions that offer them ample opportunities to be creative” (Collings, 2014).

**Organizational Innovation**

Organizational innovation is a term defined as the implementation of new ideas for the improvement of products and services. This innovation can be in the shape of implementation of new methods in the organizational process, methods to work in groups, workplace or operations. This innovation can be technical as well as non-technical (Waheed, Miao, Waheed, Ahmad, & Majeed, 2019). This process of organizational innovation involves the generation, performance of fresh ideas, thoughts, processes, operations, facilities, services or goods (Chibuzor, Jovita, & Onyemachi, 2019). Organizational innovation includes product innovation, product innovation as well as technological innovation (Fu, 2017).

**Substantiating Evidences to the Literature**

Recruitment and Selection strategies are designed in order to meet the talent needs of the organizations (Mohammed, 2019). HR bundle helps an organization to align its HR strategy with business strategy. The developmental approach in HR bundles helps organizations to attract and acquire talent that is valuable for the organization. When talent is managed and retained, strategic goals don’t suffer any halt hence performance of the firm increases (Glaister, Karacy, Demirbag, & Tatoglu, 2017). To manage the talented employees, organizations design their HR bundles in such a way that it raises the spirits of employees and motivate them to stay for a longer period with the organization. (Mcginley, Hanks, & Line, 2017). There is a significant relationship between various HR bundles and talent management. Effective recruitment and selection strategies first help you to attract talent and secondly to acquire the talent. HR bundles are key contributors in terms of finding or developing the best resource for the organization (Ahsan, 2018). Training and Development which is another important HRM bundle is also considered as an important tool for talent management (Hlanganipai & Musara, 2016). Compensation management is important for and organization in acquiring their talent to meet their strategic needs (King & Vaiman, 2019). Performance appraisal is a bridge between employee and employer. As strong as this bond between employee and employer gets, the chances of retaining your talent will be greater (Clau, 2019). Research shows that the organizations which provide a culture of job enrichment, work-life balance, supportive management and coworkers have likely to have more engaged and involved employees. Such an organization has higher rate of retention of employees (Irabor & Okolie, 2019). If the organization hired the right person for the right job, this helps an organization to be more innovative. Talent management directly impacts the innovation strategies of the organization (Zhang, Khan, Lee, & Salik, 2019). Organizations need to keep in mind the natural talents of their workforce while designing innovation strategies (Waseem, Baig, & Abrar, 2019). Developed talent helps the organization to cope with the ever-changing business environment. It helps the organization to be more innovative in order to meet the challenges of the business environment (Bailey, Bhalla, Strack, & Dosik, 2019). The research concluded that talent management practices including talent development and talent retention are a source of innovation for the organizations (Mohammed, Baig, & Gururajan, 2018). The research found that organizational innovation is directly affected by different HR practices including recruitment, performance appraisal, rewards management and advanced training (Faroq, Ullah, & Hameed, 2016). Sharma and Sharma in their research also empirically determined the positive and significant impact of HR practices including recruitment and selection, training and development, compensation management, empowerment, rewards and autonomy (Sharma & Sharma, 2018).
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Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Mediator</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Bundle</td>
<td>Talent Management</td>
<td>Organizational Innovation</td>
</tr>
<tr>
<td>Recruitment and Selection</td>
<td>Talent Planning</td>
<td></td>
</tr>
<tr>
<td>Training and Development</td>
<td>Talent Acquisition</td>
<td></td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>Talent Development</td>
<td></td>
</tr>
<tr>
<td>Compensation Management</td>
<td>Talent Retention</td>
<td></td>
</tr>
<tr>
<td>Employee Involvement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Hypothesis

H1 = A positive and significant relationship exists between HR bundle and Talent Management.

H2 = A positive and significant relationship exists between talent management and organizational innovation.

H3 = A positive and significant relationship exists between HR bundle and organizational innovation.

H4 = A positive and significant relationship exists between HR bundle and organization innovation while talent management act as mediator.

Research Methodology

In this paper, hypotheses testing is co relational. The quantitative research method is used by the deductive approach. The questionnaire is used for data collection are operationalized for respondents' understanding. Stratified random sampling is used. The sample size was 250 employees of oil marketing companies. The tools used to analyses the data were correlation and regression analysis. Preacher and Hayes (2013) will be used to analyses the mediation.

Data Analysis

Table 1. Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>HR Bundle</th>
<th>Talent Management</th>
<th>Organizational Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Bundle</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent Management</td>
<td>.576</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Organizational Innovation</td>
<td>.557</td>
<td>.523</td>
<td>1</td>
</tr>
</tbody>
</table>

The result shows that there is a strong positive correlation (.576) between talent management and HR bundles similarly, there is a strong positive correlation (.523) between talent management and organizational innovation. The results in the above table show that there is a strong positive correlation (.557) between HR bundles and organizational innovation. This means that the change in HR bundles will result in a significant change in organizational innovation of the firm.

Table 3. Regression Analysis

<table>
<thead>
<tr>
<th>HYP</th>
<th>IV</th>
<th>DV</th>
<th>β</th>
<th>R²</th>
<th>T</th>
<th>F</th>
<th>Sig</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HRB</td>
<td>TM</td>
<td>.576</td>
<td>.332</td>
<td>11.101</td>
<td>123.241</td>
<td>.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>2</td>
<td>TM</td>
<td>OI</td>
<td>.523</td>
<td>.274</td>
<td>9.670</td>
<td>93.511</td>
<td>.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>3</td>
<td>HRB</td>
<td>OI</td>
<td>.557</td>
<td>.311</td>
<td>10.570</td>
<td>111.730</td>
<td>.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Note: HRB: HR Bundles, TM: Talent Management, OI: Organizational Innovation
Table 3 indicates the results of direct hypothesis testing. Linear regression was applied to attain the results of the direct hypothesis. When we talk about hypothesis 1 which postulates that there is a direct positive relation of HR Bundle on talent management. The coefficient value or beta ($\beta=0.576$) is depicting that one unit change in the HR bundle will create .576 unit change in talent management. The result indicates that 33% of the variation ($R^2=.332$) in talent management is caused by HR Bundle. Individual variable fitness ($t=11.101$) also satisfied along with overall model fitness ($F=123.241$). Moreover, the results also depicted a significant impact ($p=.000$) of the HR bundle on talent management, hence the first hypothesis is accepted.

Hypothesis 2 postulates a direct positive relation between talent management and organizational innovation. The coefficient value or beta ($\beta=0.523$) is depicting that one unit change in talent management will create a .523 unit change in organizational innovation. The result indicates that 27% of the variation ($R^2=.274$) in organizational innovation is caused by talent management. Individual variable fitness ($t=9.670$) also satisfied along with overall model fitness ($F=93.511$). Moreover, the results also depicted a significant impact ($p=.000$) of talent management on organizational innovation, hence the second hypothesis is accepted.

Hypothesis 3 postulates a direct positive relation of HR Bundle and organizational innovation. The coefficient value or beta ($\beta=0.557$) is depicting that one unit change in HR Bundle will create .557 unit change in organizational innovation. The result indicates that 31% of the variation ($R^2=.311$) in organizational innovation is caused by HR Bundle. Individual variable fitness ($t=9.670$) also satisfied along with overall model fitness ($F=93.511$). Moreover, the results also depicted a significant impact ($p=.000$) of HR Bundle on organizational innovation, hence the third hypothesis is also accepted.

**Table 4. Mediation Analysis**

After testing the assumption through direct hypothesis testing, the hypothesis involving mediation is evaluated through Preacher and Hayes (2013) of SPSS.

<table>
<thead>
<tr>
<th>Effects</th>
<th>SE</th>
<th>T</th>
<th>P</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effect of X on Y</td>
<td>.5243</td>
<td>.0845</td>
<td>6.2062</td>
<td>.000</td>
<td>.3579</td>
</tr>
<tr>
<td>Indirect Effect of X on Y</td>
<td>.2388</td>
<td>.0528</td>
<td>9.670</td>
<td>.000</td>
<td>.1381</td>
</tr>
</tbody>
</table>

$X=HR$ Bundle, $Y=Organization$ Innovation, Mediating Variable= Talent Management

The results of Table 4 indicate the results of the mediation model 4 of Hayes’s (2013). Hypothesis 4 which postulates that talent management mediates the relationship between HR bundle and organizational innovation is tested according to model 4 of Hayes (2013). Firstly, the direct effect of HR Bundle is evaluated on organizational innovation. Secondly, the indirect effect of HR Bundle on organizational innovation is measured through mediator talent management.

The direct effect of HR Bundle on organizational innovation confirms the significance as the values meet the benchmark ($\beta=.5243, t=6.2062, p=.000, CI=[.3579, .6907]$). Furthermore, the indirect effect of HR Bundle on organizational innovation shows the significant values ($\beta=.2388, CI=[.1381, .3458]$). As the indirect effect is significant which means the mediation of talent management exists between HR bundle and organizational innovation. This satisfies hypothesis 4 of the study, hence hypothesis 4 is accepted.

**Discussion**

Our work identifies the theoretical perspective for the selection of HR practices for an effective HR bundle. Our theoretical base model is provided by data-driven support in the oil marketing sector of Pakistan. Results show that contextual and contingency base HR bundle positively impact the organizational innovation with the mediation effect of talent management. In term of bundling, semi-structural interviews of HR executives of 15 oil marketing companies were conducted, and on the basis of checklist matrix, five HR practices have been included in current HR bundle naming, recruitment &
selection, training & development, performance appraisal, compensation management and employees involvement.

Conclusion
The existing research concluded that, selection of HR bundle on the theoretical base of contingency and contextual perspective with the underlying phenomenon of equifinality, which means “the practices that fit” so keeping it in consideration five practices that fit the oil marketing sector of Pakistan has been used for HR bundle as depicted from a theoretical framework.

Implications and Suggestions
Our study has some practical implications for companies with regard to alignment with their HR practices and talent management strategies. In the present world of cut-throat competition, the oil marketing sector of Pakistan has to be innovative in its oil marketing services by having business process reengineering also called organizational innovation, so the current study will provide evidence base relationships among the key variables. Human resource management bundles are a source of creating organizational innovation, especially when these bundles are aligned with the firm’s talent management strategy. We empirically validate the theoretical base bundling in the oil marketing sector of Pakistan.

For future researchers, we suggest that as in the current study some notable boundary conditions are, it only includes only five practices namely recruitment and selection, training and development, compensation management, performance appraisal and employee involvement. The research is totally a quantitative nature no qualitative or mixed research. The context of the study is only the oil marketing sector of Pakistan. So by removing these limitations more comprehensive research work could be done.
References


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