HIGH-PERFORMANCE HR PRACTICES AND FIRM PERFORMANCE: THE MEDIATING ROLE OF ORGANIZATIONAL CLIMATE FOR INNOVATION AND CREATIVITY

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Abstract— The role of human resource management in improving the performance of firms has been subject of research in the scholarly literature. Although there is a debate as to what constitute performance-enhancing human resource practices, the consensus has been that firms with systems of human resource practices that emphasize improving the abilities and skills of employees; motivation of employees; and providing employees with the opportunity for participation will perform far above those firms that fail to adopt such systems of human resource practices. Thus, these human resource systems have been widely known as high performance human resource management (HRM) due to their ability to improve organizational performance.

Whilst the link between human resource practices and firm performance has been established severally in previous studies, there is no agreement as to 'how' human resource practices contribute to firm performance. Some authors have claimed that the link between human resource practices and firm performance is too wide and there is the need for mediating variables to better explicate this relationship. As a result, there has been a proliferation of models that seek to examine the 'black box' between HRM practices and firm performance.

One of the major approaches used by researchers to examine the link between HRM and firm performance has been the resource-based perspective. According to this view, HRM practices are essential to the development of the skills and abilities of employees in the organization. When such skills and abilities are not easy to be imitated by competing organizations, it results to a firm's competitive advantage, thereby improving its performance. The argument in this research is that a firm's competitive advantage can be created through HRM practices when a climate of innovation and creativity is in place.

Organizational climate specifies the mutually agreed procedures and processes in the organization. Such processes and procedures are internal to the organization such that employees know what to do even without being told. Whilst there are different types of organizational climate such a safety climate, risk climate, climate for innovation and creativity among others, this research argues that if a firm's HRM system is to produce skills and abilities that are non-imitable, a climate for innovation and creativity has to be promoted. This is because, whilst HRM practices can be imitated by other organizations through the process of isomorphism, employees' innovative and creative ability will become difficult to imitate. This will not only lead to competitive advantage but will also improve performance of firms. Thus it is hypothesized as follows:

The relationship between high-performance human resource practices on firm performance will be higher when mediated by a climate of innovation and creativity.

It is instructive to note that whilst much research has been conducted on the relationship between HRM and firm performance, most of these studies have been carried out in developed nations, to the neglect of developing ones. Thus, this research shall fill a major research gap by conducting this study using manufacturing firms in Nigeria. Therefore, the findings of the research will enable researchers and practitioners determine whether western models of HRM can be applicable to developing countries.

Keywords— HRM, Nigeria, Organizational climate, Performance.