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Ensuring Engagement and Commitment to Innovative Behaviours in High-Growth, Medium-Sized Businesses

Frances Jørgensen

Introduction

While recent research has focused on how both small entrepreneurial and large well-established firms can exploit human resource management (HRM) to foster innovation, mid-sized businesses (MSBs) experiencing rapid growth have been largely missing from the discussion (e.g. CBI, 2011; Stam, 2010). MSBs, despite their small share of the national and international business population, contributed €1.03 trillion to the European economy in 2014. Thus, it is important to understand how innovation and growth can be sustained in MSBs.

Sustained growth and innovation capacity in MSBs requires effective people management, as these firms must seek to balance the increasing formalisation that often accompanies growth with the flexibility underpinning their past success (Chadwick & Dabu, 2009). Unger et al. (2011) emphasise that innovative firms grow through optimal exploitation of their human capital. The optimal exploitation of human capital presents a challenge for high-growth firms of any size, as they must constantly build their workforces (Navarette et al., 2014). Therefore, while all firms face an ever-increasing challenge to recruit, select and retain the talent needed to support realisation of their organisational objectives, the magnitude of this challenge is amplified for innovative high-growth firms that must continuously increase the size of their workforce while sustaining their capacity for innovation (McKelvie & Wiklund, 2010).
While the influx of many new employees may afford smaller firms opportunities to more effectively coordinate their activities as they take time to adapt their people management practices and implement more formalised HRM practices (Mayson & Barrett, 2006), high-growth MSBs may find themselves in a situation in which they lack the infrastructures for successfully managing their rapidly and consistently growing workforce. The lack of effective ways to manage rapid growth may, according to Wiklund et al. (2003), have serious consequences for the psychological dynamics in a firm, which could in turn have a damaging effect on a firm’s innovative performance.

Because so little research has investigated people management in high-growth MSBs, it is not apparent whether these firms are more or less equipped to deal with the need to implement increasingly formal HRM system than smaller firms or those with more stable growth. Still, unlike stable growth and SMEs, the challenge of managing increasing formality is unlikely to be a one-off issue, as high-growth MSBs will encounter numerous and sporadic ‘tipping points’, or the problems firms encounter frequently during a decidedly nonlinear trajectory of growth (Phelps et al., 2007). In practical terms, this means that decisions that appear completely on target at one point in time may become completely unsuitable at a later date.

Considering the dearth of research on innovation in high-growth MSBs (e.g. Du & Temouri, 2015), the objective of this chapter is to provide some insights into how people management in high-growth MSBs may influence innovation. In particular, the focus in this chapter is on the role of HRM in ensuring employee engagement in and commitment to innovative behaviours, and identifying people management challenges arising for high-growth MSBs as they strive to sustain innovation. Recent studies have emphasized the mediating effects of employee engagement on innovative behaviours (e.g. De Spiegelaere et al., 2014), as well as the importance of commitment to the learning and knowledge-sharing activities that underpin innovation (Sung & Choi, 2014). Further, research has evidenced links between employee engagement and commitment and their influence on learning behaviours (Yalabik et al., 2014) that have been associated with successful innovation. What has not yet been addressed is how HRM can ensure the employee engagement and commitment needed to drive innovative behaviours in a high-growth MSB context.

The chapter begins with a brief overview of the current knowledge on HRM and innovation from a general perspective. Following this, the relevant literature on the role of employee engagement and commitment