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The Impact Of Knowledge, Human Resources And Economic Climate On Innovation

Abstract

Innovation has been become an essential part of the economies after 1990s. The companies which want to lead to markets need to concentrate on its R&D development activities. Hence human capital and economic environment are crucial for companies to gain market and competitive advantage.

Keywords: Innovation, Knowledge, Economy, Human Capital

1.Introduction

The global economic climate remained uncertain throughout the spring, resulting in attendance that was flat or slightly down at several major photonics trade shows. Innovation is a word which gains more and more importance in the actual globalized world. When thinking about the meaning of innovation, the words novelty, change and new ideas can be associated with the term. According to Peter Drucker, innovation is the specific tools of entrepreneurs, the means by which they exploit changes as an opportunity (Drucker, 1985). Nowadays, managers recognize the value of knowledge as an intangible asset which stimulates innovation in organisations (Özbağ et al, 2013). Understanding of innovative behaviour in organizations is still not so clear as the results of innovation research have been unconvincing and incompatible. It can be concluded from the literature that a deep understanding of innovation cannot reach an agreement without perception into the personal, organizational, technological, cultural and environmental contexts (Leifer et al, 2000).

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Innovation as programs, policies, systems, equipment, service, product, behavior or idea which is newly adapted to organization. Knowledge and human capital are two concepts that have received a great deal of attention from scholars of all disciplines in explaining the positive outcomes of organisational achievement like innovation. Human capital is defined as the pool of employee talent, skills and abilities that brings economic value to organisations. Knowledge sharing is an activity or behaviour involving the transfer and dissemination of knowledge from one person to another that is regarded as an important process. Successful companies are those that consistently create new knowledge, disseminate it widely throughout the firm and quickly embody it in new technologies and products. It therefore becomes important to show which HRM practices are contributing to the knowledge sharing improvements that leads to innovation (Özbağ et al, 2013). Innovations are the source of economic growth as they are way of creating value. The impact of globalization, rapidly changing technological developments and changing needs, resources enterprises differentiation leads to competition. Is unchanging and non-innovative enterprises lack the power to compete. Maintain long-term assets of enterprises, in order to achieve sustainable competitive advantage, and this strategy is to pursue an approach based on the innovative aspects of the competitive businesses are essential to manage. R & D and innovation is the cornerstone of innovation often occurs due to the emergence of new needs and changing customer needs. This is a new innovation on the one hand the need for goods services and production methods, while on the other hand, raw material procurement, logistics, marketing and other business functions relates to. Increase the added value of innovation meet the needs of businesses as it reinforces their reputation (Yüksel et al, 2013).

Knowledge workers are one of the most critical resources for today's organizations which operate in an environment of increasing competition, technological advances and globalization. Being a critical source of competitive advantage to organizations, these workers have many alternatives in the market. Hence, it is of utmost importance for organizations to increase their commitment to their leaders, occupations and organizations so as to increase their performance and intentions to stay (Gümüşlüoğlu and Aygün, 2010). Structural transformation in export has unavoidably affected the amount of human capital used in export sector. In parallel fashion, it is possible that the human capital might affect export, boosting productivity (Genç et al, 2010). Innovation represents the development of an entirely new product, service category, or production system, where knowledge experience are limited (Christensen et al, 2003).

In summary, the technologies, the products and the services of an organization may be imitated, but the intellectual capital is hard to imitate, that is why human resources become unique and strategic. The impact of knowledge management capability on organizational competitive advantage is the resource based view of the firm which links the competitive advantages of organizations with resources and capabilities that are firmspecific, and difficult to imitate or substitute. Knowledge is the most important resource, and heterogeneous knowledge bases across firms are the main determinants of performance differences (Juntarung and Ussahawanitchakit, 2008). The stylized causality of economic development points to knowledge generating innovation and innovation creating economic growth (Arrow, 1966). The Marshallian tradition assumes local knowledge spillovers to be a central factor in the formation of agglomeration in space, supplemented by local labour pooling and non-traded local inputs (Marshall, 1890). Human resources and human capital accumulation affects the productivity of the individual worker and also that of the economy as a whole. However a key element of human capital, in regional growth terms, is its mobility in response to economic opportunity. This mobility can occur over short distances (commuting) or long distances (migration). The former is generally in response to short- term disequilibria between supply and demand, while the latter represents a reallocation of factors of production (Cooke and Schwartz, 2008).

Organizations that effectively manage and leverage the knowledge and experience embedded in individual minds will create more value and achieve higher performance and competitive advantage (Scarbrough, 2003). Firms with greater innovative capacity will be more successful in responding to changing environments and developing new capacities that allow them to achieve higher performance. Innovation initiatives tend to depend heavily on employees' knowledge, skills, and commitment as key components in the value creation process. The knowledge-based view depicts firms as repositories of knowledge and competencies. According to this view, the knowledge and competencies of human resource are widely recognized as valuable assets for firms because of the characteristics of firm-specific, socially complex, and path-dependent. Human resource are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and achieve organizational goals (Collins and Clark, 2003).

For innovation to take place, firms need to manage human capital that has the ability to turn knowledge into practical products and services. Firms can identify and exert a set of HR practices to elicit the willingness and motivation of employees to engage in developing innovation (Scarbrough, 2003). It is important for firms to harness the involvement and participation of employees when they develop knowledge management activities. However, little empirical work has been done in examining the effect of HR practices on innovation (Laursen and Foss, 2003), specifically how HR practices influence innovation performance. More attention has been paid to the relationship between HR practices and productivity and financial performance, but the understanding needs to be extended to encompass innovation performance (Wen and Hui, 2008).

Knowledge and competence are increasingly regarded as the most critical resources of firms and economies (Drucker, 1993). Much recent attention has focused, in particular, on the importance of 'tacit knowledge' for sustaining firms' competitiveness, and its role in technological innovation and organisational learning. Tacit knowledge refers to knowledge that cannot be easily articulated or transferred because it is uncoded and context specific. Arguably, it represents the principal source of sustainable competitive advantage in an increasingly dynamic and turbulent business environment (Grant, 1996). Organizational innovation has been viewed as an essential weapon for organizations to compete in this competitive business environment. Organizational innovation has been widely defined as the creation of new idea and new behaviour to the organization (Damanpour & Gopalakrishnan, 2001). Interest in tacit knowledge has also grown rapidly as studies of technological innovation and diffusion have increasingly identified tacit knowledge as an important component of the knowledge used in innovation (Howells, 1996). More recently, it has been argued that the growing complexity of technological systems and rapid change in the knowledge and scientific base has made tacit knowledge ever more important in the process of learning and knowledge accumulation (Lundvall and Borrás, 1997). Literature in the field of organisational learning emphasises the importance of tacit knowledge in collective learning and organisational knowledge creation (Nonaka and Takeuchi, 1995).

Much of the existing literature in the field of management has sought to propose universal best practice with respect to the model of organisation and management most conducive to harnessing tacit knowledge (Lam, 1998).

The rapid development of high technology, information and communications technologies have urged many organizations to actively seek for new way, ideas, experimentation, and creative solutions in improving their current product, process, system and technology, which commonly referred as organizational innovation. In an era when knowledge is rapidly changing, and innovating is critical to business success and sustainability, the human capital of the organization is an issue of increasing importance. Over two decades ago, Kozlowski (1987) called for Human Resource Management (HRM) to be more distinctly embedded in organizational strategy in order to facilitate innovation. In recent years, the relationship between HRM and innovation has been explored from various angles. One direction this research has taken assumes that HRM systems in general or HRM systems comprised of specific practices that influence innovation capacity indirectly. For instance, empirical studies lend support for the contention that HRM influences mechanisms such as development and exploitation of intellectual capital (Wright et al., 2001), knowledge creation and new product development (Collins and Smith 2006) and organizational learning (Snell et al., 1996) that in turn facilitate innovation. The concepts of human resource management practices, organisational culture, knowledge management, organisational innovation, and organisational performance in the human resource management research field have been implemented. Knowledge management aims at seeking to innovation and successful acquisition of knowledge in the operations of management, impacting the organisational innovation. Organisational culture also leads to change and organisational innovation. Organisational culture is the most effective path for knowledge management and organisational innovation as the role of organisational culture is to determine the values and beliefs and work systems that can encourage or hinder both processes of knowledge creation and of knowledge sharing (Barney, 1986; Alavi and Leidner, 2001).

In contrast, the organic model of organisation, based on decentralised problem solving, horizontal coordination and crossfunctional team working, has been advocated as the most appropriate organisational form for the creation of tacit knowledge and learning. The debate thus far has focused primarily at the level of the firm and on internal organisational changes as a key strategy for promoting the learning and innovative capabilities of firms. The wider societal and institutional factors have been neglected in most of the literature.

Knowledge and competence are increasingly regarded as the most critical resources of firms and economies. And The Human in Human Resources. The Human Resources team has the power to shape the face of the company to make it more innovative. Innovations have been in the operations, information systems/technology, and telecommunications arenas. Much recent attention has focused, in particular, on the importance of “tacit knowledge” for sustaining firms competitiveness, and its role in technological innovation and organisational learning. Innovation involves the adoption of an idea, process, technology, product, or business model that is either new or new to its proposed application. Organizational innovation is a multi step process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning (Duarte et al, 2014). Organizational outcome of knowledge innovation, the authors explore the relationship among the “knowledge transfer approach,” “active knowledge transfer,” “knowledge transfer effect,” and “knowledge innovation” (Yuan et al, 2012).

The companies which want to lead to markets need to concentrate on its R&D development activities. Hence human capital and economic environment are crucial for companies to gain market and competitive advantage. Start-ups are often viewed as the source of “creative destruction” because they introduce new products that disrupt or overturn the positions of incumbent firms (Schumpeter, 1912/1934). The stylized causality of economic development points to knowledge generates innovation and hence, innovation creating economic growth (Arrow, 1966). This public good nature of education has induced active social policies even in societies that strongly adhere to the market, and it gave the idea of ‘manpower planning’ a central role in many development endeavours. The deliberate generation and acquisition of technology differs from the neoclassical economics view, which has tended to treat technology as exogenous to growth. Recently new growth theories have accorded human capital a central role through their recognition of technological change as endogenous to the R&D, innovation and finally economic growth process (Mkandawire, 2007:13-15).

Establishing business forms that are flexible and limit transaction costs is arguably most important at this time when entrepreneurs are facing increased risks to starting a business. The significance of unincorporated businesses for productivity growth, innovation, and job creation explains the high priority given to the attempt to create new legal structures that are more favourable to the needs of these enterprises (McCahery and Vermeulen: 2001).

Building on small business and entrepreneurship literature, we argue that human capital and human resource management are critical success factors for innovative output in start-ups. The processes which drive innovation, and the spatial manifestations and implications of innovation outcomes, have all become central themes in modern regional development analysis. The reason is that innovation has become accepted as a key driver of economic growth and the spatial aspects of innovation therefore impact on the growth fortunes of regions (Porter 1990).

2. The Regression Model

The data were collected from World Bank (2013). The regression model as following;

$$\text{Innovation}_t = \beta_0 + \beta_1(\text{education and human resources})_t + \beta_2(\text{economic incentives})_t$$

The obtained results show that the human capital is important and affected on innovation by %45. Economic environment affected on innovation in %39 level. All the results are significant at %5 statistical significant level. The main aim of the paper is scrutinizing the importance of human capital and economic environment in the economies for innovation and taking snapshot of the world markets for efficiency for innovative activities.

The economic climate, especially the regulation environment, and human capital issues are investigated for whether important for innovation in 145 countries in the paper. The simple regression analysis is used for investigating the issues. We divided factors to two general concept internal and external factors which affecting on innovation are education/human capital and regulation of the market, respectively.

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