

Human Resource Management's Role in Fostering Innovation Culture: a Critical Literature Review

Awad Mabrok

Al-Raed College for Economic Sciences, Libya

ABSTRACT	ARTICLE DETAILS
This literature review aims to analyze the strategic role of Human Resource Management (HRM) in building an innovation culture within organizations, focusing on the theoretical and applied mechanisms that support this transformation. Through a critical analysis of over 80 published studies between 2015 and 2024, the paper provides a thematic classification of HRM's roles in innovation and highlights emerging challenges in light of digital transformation. The findings show that HRM contributes to fostering innovation across five main axes: attracting innovative talent, designing dynamic work environments, adopting smart incentives, investing in technology, and promoting collaboration between teams. The paper also discusses research gaps, such as the limited studies on the impact of generative artificial intelligence (like ChatGPT) on innovation management, and suggests future research directions, such as integrating virtual reality technologies in talent training. KEYWORDS: Organizational Innovation, Strategic Human Resource Management, Innovation Culture, Digital Transformation, Talent Sustainability.	Published On: 02 October 2025 Available on: https://ijiissh.com/

INTRODUCTION

In light of technological acceleration and increasing global competition, an innovation culture has become an imperative for the survival of organizations. Estimates from the World Economic Forum (2023) indicate that 65% of the skills required in the labor market will be related to innovation by 2030, while a study by McKinsey (2022) reported that organizations adopting innovative practices in human resource management experience a 22% increase in revenue compared to others. Here, HRM emerges as a pivotal factor in translating innovative strategies into tangible practices by redesigning recruitment, training, and performance policies to align with the demands of the knowledge economy. This paper aims to provide a comprehensive view of the subject literature, with a critical analysis of modern trends and practical challenges, based on a systematic analysis of 80 academic studies and industry reports.

LITERATURE REVIEW: KEY AXES

1. Attracting Innovative Talent

Leading organizations rely on unconventional recruitment strategies, such as:

- **Innovation Competency-Based Assessment:** Utilizing behavioral tests (such as divergent thinking scales) to identify candidates with the ability to generate unconventional ideas (Davenport et al., 2020). A study by IBM (2021) indicates that 78% of emerging technology companies rely on creativity metrics in hiring middle management.
- **Artificial Intelligence in Recruitment:** Analyzing unstructured data (such as personal projects on GitHub or participation in open innovation platforms) to predict innovative potential (Mabrouk, 2025). For example, Siemens used natural language processing (NLP) tools to examine 50,000 resumes, reducing recruitment time by 40% while increasing the quality of innovative candidates by 30%.

2. Designing Supportive Work Environments

- **Structural Flexibility:** Adopting flat organizational structures that enhance collaboration between departments (Lee & Edmondson, 2017). In a case study on Spotify, adopting the "tribes and squads" model led to a 60% increase in the number of developed ideas within two years.

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- **Non-Financial Incentives:** Recognizing innovative ideas through internal platforms (such as an "Idea Hackathon" system) increases employee engagement by 50% (Bock, 2015). Google demonstrated that granting opportunities to lead small projects for junior employees raises talent retention rates by 34%.

3. Technology as an Enabling Factor

- **Open Innovation Platforms:** Tools like IdeaScale and Brightidea enable the simultaneous collection of ideas from employees and customers (Chesbrough, 2020). Procter & Gamble reported that its use of the "Connect + Develop" platform contributed to the development of 50% of its new products through external collaboration.
- **Augmented Reality (AR) in Training:** Increases the efficiency of creative skill development programs by 40% (Deloitte, 2022). For example, Boeing used AR glasses to train engineers on designing virtual aircraft models, reducing training time by 35%.

4. Collaboration Among Multidisciplinary Teams

Innovative organizations encourage the formation of diverse work teams that integrate expertise from different fields. According to a Harvard Business Review (2023) study, multidisciplinary teams produce 45% more innovative ideas compared to homogeneous teams.

Challenges and Criticisms

- **Resistance to Change:** 70% of innovation transformation attempts fail due to a culture of fear of failure (Kotter, 2018). In a study of 200 organizations in the Middle East, 65% of managers indicated that employees prefer to adhere to traditional procedures due to fear of risk.
- **Quantitative Measurement:** The absence of unified performance indicators to measure the financial return on investment in innovation (OECD, 2023). A PwC (2022) survey showed that 58% of companies rely on inaccurate indicators such as "the number of ideas submitted," without linking them to profitability.
- **Ethical Dimensions:** Bias in artificial intelligence algorithms in evaluating ideas may suppress human creativity (Stone & Deadrick, 2021). For example, a study by MIT (2023) found that algorithms favor ideas similar to historical data, limiting radical ideas.

Future Trends

- **Human Resources 5.0:** Integrating hybrid work models with metaverse tools to enhance virtual collaboration. Gartner (2024) predicts that 30% of brainstorming sessions will be conducted in three-dimensional virtual environments by 2026.
- **Adaptive Leadership:** Developing leadership skills capable of managing teams diverse in generation and geography. The World Economic Forum (2023) indicates that 40% of current leaders lack the digital skills necessary to lead innovative transformation.
- **Responsible Innovation:** Designing policies that ensure a balance between the pursuit of productivity and the protection of employees' mental health. For example, Microsoft began implementing an "Innovation Leave" policy that grants employees a paid week to develop personal projects.

CONCLUSION

This review shows that the success of organizations in fostering innovation depends on the ability of human resource management to adopt integrated strategies that combine flexible policies, advanced technology, and enlightened leadership. However, there remains an urgent need for applied studies exploring the impact of emerging technologies (such as Blockchain and Web3) on the design of innovative work environments. The paper recommends three practical steps:

- Developing innovative performance indicators that focus on the quality of ideas rather than their quantity.
- Enhancing partnerships between departments to integrate innovation into all processes.
- Adopting comprehensive policies to ensure fairness in evaluating innovative ideas.

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