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HRM CAPABILITIES AND INNOVATION: THE MEDIATING ROLE OF GLOBAL CAPABILITIES

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ABSTRACT

Sustainable business practices are progressively emerging as an important issue for the businesses around the world on account of changing public sensitivity. As a result, the association between human resources management capabilities and innovation is increasing day by day. Conversely, there is a scarce literature investigating the role of some specific HRM capabilities, which an organisation must have on this affiliation. For this reason, this paper investigates the impacts of the capabilities of human resource management on innovation. Further, the mediating effect of global capabilities has also been investigated due its uniform influence on HRM capabilities and innovation. For this research, data is collected through a self-developed questionnaire from the employees of four public General Insurance Companies (GIC) operating in Jammu city of J&K state. Exploratory factor analysis, confirmatory factor analyses and structural equation modeling (SEM) was applied to analyse and interpret the results. The study found that HR capabilities significantly and positively affect both global capabilities and innovation. Further, the results also revealed that global capabilities have significant impact on innovation. Finally, the study confirmed the mediating role of global capabilities between the HR capabilities and innovation relationship. As a concrete prognosis, it can be established through this study that the development of HRM competencies of MNCs will recuperate their global capabilities. Hence, it will increase innovation by means of HRM capabilities and global capabilities.

KEYWORDS: HRM Capabilities, Innovation, Global Capabilities.

1. INTRODUCTION

Nowadays most of the establishments operate in multifaceted and vibrant environments, where competition is persistently increasing and therefore, the conventional sources of competitive advantage do not assure the survival of the organisation, generating an urgent requirement for prompt acclimatisation. This condition is commanding a realignment of business tactics (Pfeffer, 1994; Wernerfelt, 1984). There is much debate about the need to pay greater attention to human resources and how they are managed, especially those capable of providing economic value and competitiveness for companies. Barney (1991) argues that intangible resources and innovation can become a source of sustainable competitive advantage to meet the requirements of value & inimitability (Barney, 1991; Black & Boal, 1994). In this sense, innovation & human capital are important chattels for organisations and corporations are making an effectual management of these assets to leverage the knowledge & skills of employees while developing human resource management models tailored to the needs of the environment and contributing to the innovative products in the markets (Soliman & Spooner, 2000; Yahya & Goh, 2002). Another cause that affects organisational performance especially for global companies that are operating based on innovative products and services is global capabilities (Cuneo & Mairesse 1984; Lichtenberg & Siegel 1991, Scherer 1993, Grilliches & Mairesse 1998, Wakelin 2001). Capabilities consist of the resources that companies have and also which they are able to control. For this reason, the ability to achieve a sustainable global competitive advantage, to react developments & changes that occur in global scale and evaluate global opportunities on time forms global capabilities of a company. Global capabilities are acquired by identifying and analysing international opportunities, establishing a sophisticated IT infrastructure, access to high quality engineering services and improving operating efficiencies. Different global capabilities are treasured to encourage inventiveness mainly through providing freedom among employees, which hence improve innovation processes (Jiang et al., 2012). By the dual role of both signifying structure & handling work and at the same time invigorating resourcefulness & independence among personnel, it is inferred that the global capabilities are being used to foster creativity and innovation processes. Innovation goes beyond technology and requires collaboration from many areas to come together to achieve success. Innovation is a collaborative

process; where people in many fields contribute to the implementation of new ideas. HR leaders should assume a more vital, strategic role inside their companies, rather than merely keeping busy with everyday stuff like: policies, payroll, and picnics. Thus, HR leaders should strive to build and strengthen the unique set of organizational capabilities that give an organization its competitive advantage. In essence, this means developing a particular mix of resources, processes and values that makes it hard for rivals to match what your organization does. The ability to help create, protect and build organizational culture is a critical role for HR to play, as it is a major driver for innovation. However, management needs to support, plan for and nurture an innovation culture for innovation to be successful.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 HRM Capabilities and Innovations

Primary initial facts of administrative revolution in the organisations are express environmental alterations, convoluted & rapidly shifting financial conjunctures, globalisation, progressively mounting struggle producing pioneering goods & services and changing demands of stakeholders & customers. Organisations aspire to improvise in different ways such as bringing quality of goods & service, reducing the cost of production or producing goods, which are valued by the customers to sustain in bottleneck backgrounds. According to the researchers, another effective method to recuperate the functioning of organisations is the recognition of human resource capabilities, for rationally implementing strategic planning system in an organisation (April, Chang & Huang, 2005). According to Bowen & Ostroff (2004), HR capabilities can augment organisational performance by consistently harmonising the efforts of employees with that of the organisational strategic goals. On the other hand, absence of HR capabilities brings ambiguity, subject to distinctive elucidation resulting into unpredictable practices that can ruin the employee performance (Bowen & Ostroff, 2004).

As a result, organisations have experienced substantial alterations in human resources to bring in a vision of working with shared values of the organisation which is essential to contend with the businesses which are innovative, dynamic and possesses global familiarity (Laursen & Foss, 2003). HR capabilities have some new dispensations to provide a sustainable competitive advantage and to improve the organisational performance. These dispensations are planned and have undeviating contribution for achieving the objectives of

organisation such as group based business plan, adaptable work force, undertakings for quality enhancement and employee emancipation. HR capabilities impact the conduct of human resources perpetually to achieve the strategic intentions of bringing innovations in the organisation (Boxall & Purcell, 2011).

Innovation signifies the growth of a quality new product, service classification or production system, where expertise is limited (Damanpour, 1988; Wolfe, 1994; Christensen & Raynor, 2003). Wang, et al. 2010, articulated that innovation is abstractly a procedure starting with a unique inkling and concluding with market insertion. Most of the investigators and experts reflect innovation as a constructive & industrious change but on the other hand a problematic task to succeed since it embroils people, process and technology. Organisations widely recognise the value of their human resources for the generation of ideas in order to increase the innovation performance. Resource Based View (RBV) recommends that precarious organisational competencies are rooted through human resources, comprising of employees' non-distinguishable body of proficiency & abilities amassed through practice and thus, are exceedingly rare & difficult for contenders to emulate (Wei & Lou, 2005). Their exclusivity surfaces from the difficulty in imitating knowledge, abilities, experience and behaviour entirely. HRM capabilities, policies and systems can enrich ingenious and innovative behaviors of employees by influencing individual behavior and attitude (Pastor, Santana & Sierra, 2010; Cabrales, Perez & Cabrera, 2009; Ishak, Eze & Ling; 2010). Hence, executives must acknowledge the challenge of budding and executing HRM capabilities that support the organisational process by making employees inspired & unswerving to learning and enunciating & sharing the knowledge that they have acquired with colleagues, with the purpose of bringing innovation in the creation of new products & processes (Perez et al, 2010). Thus, the know-hows, the goods & services of an organisation can be mocked, but the intellectual capital is hard to imitate, that is why human resources become distinctive and strategic (Duica et al, 2010). Similarly, in HR capabilities scale we tried to measure the capabilities of managers in the training, expertise and competency. Thus, the following hypothesis is inferred.

H₁: HRM capabilities significantly affects innovation

2.2 HRM Capabilities and Global Capabilities

According to the resource-based theory, possessions and competencies of enterprises govern their supremacy in the industry. Possessions are

current assets with the enterprises while competencies are talent to organise the resources (Amit & Schoemaker, 1993). Possessions usually, consist of both the tangible assets and intangible assets such as supplies, monetary assets, intellectual capital and organisational capital. Competencies are resources are non-tradable, co-opted by organizations and part of the processes (Kogut & Zander, 1992). Enterprises bring in innovation with the abovementioned competencies. Organisations strive to sustain competitive advantage by responding to global markets efficiently (Chen & Jaw, 2009). Global capabilities are the amalgamation and synchronization of the actions in organisations and possessions, to achieve sustainability globally (Dyer & Singh, 1998). Eisenhardt & Martin (2000) specified the two distinct characteristics of global capabilities. Firstly, the adaption of global capabilities according to the strategic conditions & competition criteria of the associated country. Secondly, all the resources are comprehensively realigned, assimilated and remodeled with the international capabilities of organisations to succeed in global markets. The HR capabilities would provide the dominance to enterprises to compete with worldwide markets. Furthermore, global capabilities contribute effectively in accomplishing the modest features such as market access, knowledge sharing and cooperation with stakeholders of global markets (Lockstrom, 2011). Organisations constantly strive to manage the increasingly changing global environment by adjusting their competencies & resources to attain competitive advantage (Reuter et al., 2011). Human capital possessing HR capabilities plays an indispensable role by excelling in the upcoming competition for which, organisations strive to acquire the global capabilities by endowing the current human resources. One of the important aspects of HR capabilities is to spawn, modify and foster the capabilities vital to align the for human resource strategies with organisation's strategies. The following hypothesis is deduced from the above literature.

H₂: HR Capabilities significantly affect global capabilities

2.3 Global Capabilities and Innovation

Innovation and global capabilities are the upcoming areas of concern to the organisations to build on the strategy and performance. Companies competing globally are emerging in generous numbers universally. Notwithstanding the inadequate monetary, intellectual & tangible resources, the organisations bring in force the

innovativeness and global capabilities to achieve significant global market access (Autio et al., 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Rennie, 1993). The importance of global capabilities is embedded in evolutionary economics (Nelson & Winter, 1982), wherein innovation is unequivocally portrayed. The evolutionary economics view indicates that the firms having competitive advantage sustains innovation and, as a result, creates new familiarity for the elaboration of global capabilities, consisting of analytical abilities and implanted customs. The resources of these organisations in turn direct towards loftier functioning, predominantly in aggressive or stimulating circumstances (Nelson & Winter, 1982). Then, there is an urgent need of maintaining an overview of the changing needs of global customers and a list of potential start-up (competitors) & small business partners, whose importance as innovation partners is expected to grow exponentially over the coming years. Such challenges are impossible before companies to overcome, to interact with global customers on an individual basis and before small-

business partners located in remote parts of the world to join innovation networks (Lewin & Massini, 2004). Rothaermel & Hess (2007) stressed that global capabilities recognises the capacity of an organisation to attain a probable technological up gradation and its ability to change through innovation. Economic development is governed by innovation. Innovation comprises of searching new ideas outside the internal domains particularly in the areas which are unexplored by the organisations. Survival and growth of an organisation is a strategic issue which is governed by the global capabilities (Camison & Lopez, 2012; Francis & Bessant, 2005). Innovation is supposedly a consequence of a process of global capabilities and is directly influenced by the nature of human proficiencies and organisational relationships (Lam & Ford, 2010). Thus, we can construe:

H₃: Global capabilities significantly affect innovation

On the basis of the literature review, the following model is been proposed for the present research study.

PROPOSED RESEARCH MODEL

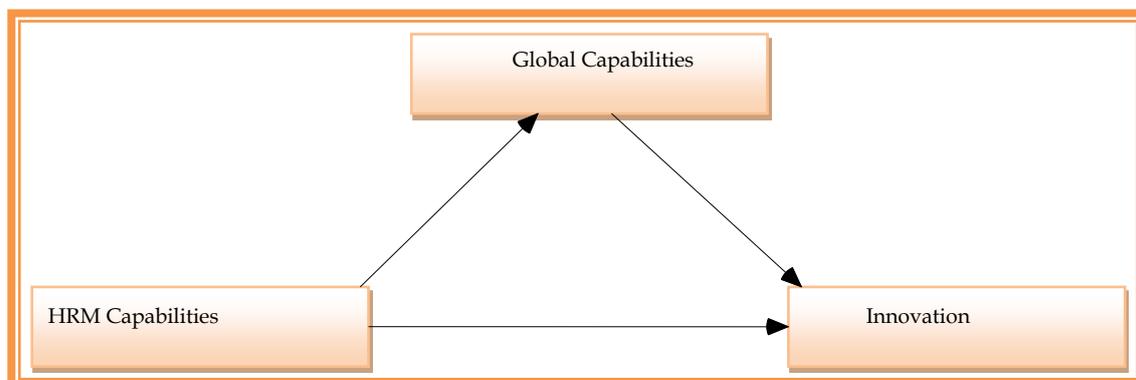


Figure 1: Proposed model for the study.

It is also evident from the above proposed model that global capabilities mediate the relationship between HRM capabilities and Innovation. Thus, the present study also hypothesises that:

H₄: Global Capabilities mediates the relationship between HR Capabilities and Innovation.

3. RESEARCH METHODOLOGY

3.1 Research Objective

The study is both explanatory and evaluative in nature and advances in-depth understanding of the significance of HRM and Global capabilities and styles adopted by employees and managers working at various positions in insurance sector especially general insurance in Jammu district of J&K State. In the present research paper, an attempt has been

made to measure and assess the direct impact of HRM capabilities on both global capabilities and innovation and investigate the mediating effect of global capabilities on the relationship between HRM Capabilities and Innovation. Further, this research highlights the role of HRM capabilities and global capabilities for enhancing innovation in service sector. This study also recommended various strategies to managers and employees of General Insurance Companies to adopt HRM Capabilities and Global Capabilities for more integrative competency and for enhancing employees as well as organisational effectiveness. In order to empirically test the propositions hypotheses, a field survey using self-developed questionnaires was conducted. The major objectives of the study are as follows:

- To examine the impact of Human Resource Management Capabilities on Global Capabilities.
- To assess the impact of Human Resource Management Capabilities on innovation.
- To elicit the mediating relationship between Human Resource Management Capabilities and innovation through Global Capabilities.
- To recommend strategic actions to employees of General Insurance Companies for improving and strengthening their respective HRM capabilities and global capabilities.

3.2 Measures

Primary data, which is based on the first hand information, were collected through self-developed and well-structured questionnaire. All items in the questionnaire were framed on a five-point Likert scale where '1' stands for strongly disagree, '2' stands for disagree, '3' stands disagree nor agree, '4' stands agree and '5' stands for strongly agree. The questionnaires consisted of two sections; first section included the items related to demographic profile and second section was sub-divided under three important heads i.e. HRM capabilities, Global capabilities and Innovation. The three constructs of the study were assessed using self-generated items. There are 15 items under HRM Capabilities head, which were developed using the research studies of Han et al. (2006), Gibb & Waight (2005) and Ozbag et al. (2013). Global capabilities scale items (14) were developed from the studies of Dyer & Singh (1998), Lockstrom (2011) and Brock (2012). Finally, there were 12 items in innovation scale which were framed from the research studies of Prajogo & Ahmed (2006), Alegre & Chiva (2007), Madhoushi et al. (2011) and Hansen & Birkinshaw (2007). Secondary information is gathered from digest of statistics, magazines & internet, books and journals viz. Journal of Human Resources, International Journal of Business and Management, Journal of Management Development, Academy of Management Journal, Human Relations, Journal of Business Research and Journal of Leadership & Organisational Studies, etc. in order to substantiate literature survey and primary information.

3.3 Pretesting

During pretesting phase, the study randomly selected 40 employees from four General Insurance Companies (10 each) for collecting information regarding HRM capabilities, Global capabilities and innovation. On the basis of pretesting results, the final sample size of employees to be contacted in final survey is computed using the statistical formula recommended by Burns & Bush (2007):

$$n = S^2 Z^2 / e^2$$

where, 'n' denotes the sample size, 'Z' denotes the standard error along with the selected confidence level i.e. 1.96, 'S' denotes the variability pointed out by calculated standard deviation and 'e' denotes the degree of precision in the estimated sample. We assumed 5% margin of error. Therefore, the sample size came out to be 362, which were finally rounded off to 360. During the stage of final data collection, 90 employees from each company are contacted at the company's office premises during working hours and days.

3.4 Sample and Data Collection

The present research work considered General Insurance Companies operating in Jammu city of J&K State. The study focused on non-life insurance companies, which primarily deal with customers and provide varied insurance products such as motor vehicle insurance, fire insurance, health insurance, travel insurance & other services to them. Only Public General Insurance Companies were considered for the study. Therefore, four General Insurance Companies were contemplated comprising of National Insurance Co. Ltd., New India GIC Ltd., United India GIC Ltd. and Oriental GIC Ltd.

Branch managers along with their employees were selected using purposive sampling technique to collect primary information regarding HRM capabilities, Global capabilities and Innovation. Hence, those employees were selected who were in direct interface with their customers. Questionnaires were circulated among 360 employees working in four public General Insurance Companies in Jammu city of J&K State. Out of total, only 333 questionnaires were retrieved exhibiting effective response rate of 92.5% (Table 1).

Table 1: List of Companies and Their Employees.

S. No.	Name of the companies	Number of employees	Effective response
1	National Insurance Co. Ltd.	90	78
2	New India Assurance Co. Ltd.	90	87
3	Oriental Insurance Co. Ltd.	90	89
4	United India Insurance Co. Ltd.	90	79
	Total	360	333

3.5 Profile of the employees

Profile of employees working in General Insurance Companies contacted during the study is briefly discussed as under:

i. Name of the company

Out of 333 employees, 78 employees are working in National Insurance Co. Ltd., 87 in New India Assurance Co. Ltd., 89 in Oriental Insurance Co. Ltd. and 79 in United India Insurance Co.

ii. Gender

295 employees of the General Insurance Companies contacted are male and the remaining 38 employees are female.

iii. Monthly income of employees

The monthly income of employees is divided into three levels. 4% employees have income below Rs.20,000 per month, 77% employees falls between Rs.20,000-Rs.40000 and the remaining 19% are having salary above Rs.40,000 per month.

iv. Education

It is divided into three levels viz. Graduation, post graduation & others and the percentage of employees contacted at each level are 37%, 44% and 19% respectively.

v. Work experience

6% of the contacted employees have 0-3years of work experience, 10% have 3-6 years of work experience, 5% have 6-9 years of work experience and the remaining 79% of employees have above 9 years of work experience.

3.6 Data Analysis

After the final survey, the collected data were refined and analysed to derive the significant results by adopting appropriate statistical tools & techniques. The descriptive analysis of items regarding HRM capabilities, Global capabilities and innovation has been carried out with the help of mean, standard deviation and frequency

distribution. Mean has been used in order to know the value of each observation and standard deviation has been computed to assess the variation in the perceptions of respondents (Beri, 2005). The study applied various tools for data purification, data reliability and validity. Before proceeding for data purification, negative responses assigned to some scale items were reversed. Descriptive statistics is used to prove the normality of the data. Normality refers to the outline of the data distribution for a variable and its association to the normal distribution (Hair, Black, Babin & Anderson, 2009). One of the main assumptions of normality of a data is that the outliers should be removed. Outliers are remarkable observation in a sample that differs substantially from the bulk of the sample data. The study identifies the outliers with the help of box plot. A box plot graphically summarises the numerical data and exhibits the median, the inter-quartile range, outliers, maximum and minimum values. In box plot, the points which are outside the end of the whiskers are considered as the outliers (Field, 2009). The normality of the data is further assessed by using graphical and statistical methods. Subsequently, the Skewness & Kurtosis techniques were used to confirm the statistical normalcy of data whereas Q-Q plot & box plot were used to check the graphical normalcy. The threshold value for skewness is ± 1 whereas for Kurtosis it is ± 3 (Kline, 1998). In case of employees, the values of Skewness and Kurtosis came to be 0.009 and -0.223. Hence, the present data are found to be normally distributed.

3.7 Exploratory Factor Analysis (EFA)

The multivariate data reduction technique of factor analysis was carried on with Principal Component Analysis method along with orthogonal rotation procedure varimax for summarising the original information into manageable information and minimum factors. The items with factor loading less than 0.5 & Eigen value less than 1.0 were ignored for the subsequent analysis. Further, value of Kaiser-Meyer-Olkin (KMO) above 0.70 and significant Bartlett's test of Sphericity (BTS) was considered as an indicator of appropriateness of using EFA. The results of the EFA are shown in Table 2.

Table 2: Summary of Results from Scale Purification of Constructs Using Rotated component Method.

Construct	Factors	Items	Factor Loading Value	Alpha Value
HR Capabilities	HR Training	HRC 3	.788	.986
		HRC 9	.767	
		HRC 11	.677	
		HRC 15	.801	
	HR Expertise	HRC 4	.937	.838
		HRC 5	.936	
		HRC 10	.857	
		HRC 13	.862	
	HR Competency	HRC 1	.841	.890
		HRC 2	.728	

Global Capabilities	Market Access	GC14	.791	.786
		GC4	.663	
		GC11	.573	
	Global Management Philosophy	GC5	.983	.901
		GC12	.982	
		GC8	.980	
		GC1	.878	
	Global Structure & Roles	GC3	.868	.825
		GC6	.853	
GC7		.849		
GC2		.799		
Innovation	Drastic Innovation	IN5	.795	.799
		IN6	.780	
		IN7	.667	
		IN10	.828	
	Incremental Innovation	IN12	.865	.921
		IN2	.860	
		IN3	.795	

3.8 Confirmatory Factor Analysis (CFA)

After EFA, CFA was performed to assess fitness, reliability and validity of three separate models for HR capabilities, Global Capabilities and Innovation. CFA is used to provide a confirmatory test to the measurement theory. It is a way of testing how well measured variables represent a construct. In the present study, CFA is performed to assess fitness, reliability and validity of latent constructs. CFA is to be considered as an interdependent technique in which no distinction is made between exogenous and endogenous constructs. There is distinction between CFA and EFA as in case of EFA all measured variables are associated to every factor by a factor loading estimate, whereas in CFA, variable can be assigned to each factor on the basis of preconceived theory. Thus, CFA statistics enlighten how our specification of the factor matches the reality i.e. the actual data. In CFA, measurement models can be reflective or formative but the reflective models are more common in social science studies (Hair, Black, Babin & Anderson, 2007). Second order CFA was run to

analyse HR capabilities model consisting of three measured factors, namely, HR expertise, HR training and competency with four, three and three items respectively. Further, second order CFA was carried on Global capability construct with three variables. Finally, second order CFA was run on Innovation construct with two factors namely, 'Drastic Innovation' and 'Incremental Innovation' with four and three indicators respectively. All three-measurement models satisfied necessary conditions of identification (Table 3). Further, to assess the fitness of all three measurement models, the study used number of indices which include chi-square divided by degree of freedom (χ^2/df), root mean square error of approximation (RMSEA), normed fit index (NFI), comparative fit index (CFI), Tucker-Lewis index (TLI), relative fit index (RFI) and incremental fit index (IFI). All models produced satisfactory fitness results as all the fit indices satisfied the threshold criterion i.e. χ^2 value was less than 5.0, GFI, AGFI, CFI, TLI and NFI values were above or nearer to 0.90 and RMSEA & RMR values were less than the 0.08 (Table 2).

Table 3: Fit Indices of Measurement Models and Second Order Models.

S. No.	Dimension/ Construct	Chisq/df	GFI	AGFI	CFI	NFI	TLI	RMSEA	RMR
1.	HR Capabilities	3.763	.966	.898	.898	.855	.882	.080	.029
2.	Global capabilities	1.898	.988	.986	.980	.974	.944	.055	.020
3.	Innovation	1.637	.967	.966	.954	.877	.967	.047	.018

3.9 Reliability and Validity

Internal consistency of the data was analysed through the Cronbach's alpha value and acceptable criterion of 0.50 or above is confirmed which is given in Table 1 (Malhotra, 2002). In order to establish internal consistency of the indicators in the primary data collected, reliability analysis was carried on before CFA. Further, composite reliability also established for all the constructs and the criterion considered is 0.50 or ideally 0.70 or higher and

therefore in the present study, reliability is established and shown in Table 3. This indicates that all measures consistently represent the same latent construct. In addition to that, construct validity was also established through convergent validity and discriminant validity. Convergent validity was observed through factor loadings. Factor loadings above 0.5 are considered to be significant, which provides empirical evidence for the convergent validity of the scale (Table 4).

Table 4: Composite Reliability and Average Variance Extracted.

S. No.	Dimension/ Construct	CR	AVE
1.	HR Capabilities	0.89	0.63
2.	Global capabilities	0.82	0.69
3.	Innovation	0.78	0.74

4. HYPOTHESES TESTING

4.1 Impact of HR Capabilities on Innovation

In the hypothesised model, the relationship between HR capabilities and Innovation has been tested. The effect of HR capabilities on Innovation is determined in which model fit indices reveal model to be moderate fit ($\chi^2/df = 3.335$, RMR=0.039, GFI=0.971, CFI=0.955, AGFI=0.921, NFI=0.932, RMSEA=0.078). The results revealed that HR Capabilities significantly and positively affects Innovation and hence, first hypotheses 'HR Capabilities significantly affects Innovation' stands accepted.

4.2 Impact of HR Capabilities on Global Capabilities

In this hypothesised model, the impact of various HR Capabilities on Global Capabilities is tested which showed that there exist significant relationship between HR Capabilities and Global Capabilities as the value of SRW is arrived at 0.52, $p < 0.001$. The model confirms the relationship as it reflects good fit indices i.e. χ^2/df , RMSEA, NFI, RFI, IFI, TLI, CFI which are recorded as 2.739, 0.073, 0.884, 0.870, 0.939, 0.925, 0.937 respectively. Hence, the hypothesis 'HR Capabilities significantly affect Global Capabilities' stands accepted.

4.3 Impact of Global Capabilities on Innovation

In this hypothesised model, the impact of Global Capabilities on the Innovation was tested in which the model fit indices reveal model to be moderate fit (CMIN/DF= 3.375, GFI= 0.939, AGFI= 0.933, NFI= 0.895, TLI= 0.899, CFI= 0.938 and RMSEA= 0.043). The result

shows that there is a significant and strong impact of Global Capabilities on Innovation as the value of SRW is arrived at 0.61, $p < 0.05$. Therefore, the hypothesis 'Global Capabilities significantly affects Innovation' holds true.

4.4 Mediating effects of Global Capabilities in the relationship between HR Capabilities and Innovation

In order to test the mediating effect, the Baron and Kenny's (1986) procedure was applied and all the conditions are satisfied. The conditions are:

- (a) the relationship between independent variable and dependent variable should be significant,
- (b) the relationship between independent variable and the third variable i.e. the mediator should be significant,
- (c) the relationship between mediator or third variable and outcome should be significant.

The application of the above procedure revealed partial mediation effect of employee's performance (Fig. 2 & Table 5). This is because of the reason that when mediator i.e. Global Capabilities is entered between HR Capabilities and Innovation, the direct relationship got reduced but still significant (SRW=0.34, $p < .05$). Thus, the last hypothesis of the study 'Global Capabilities mediates the relationship between HR Capabilities and Innovation' is accepted and partial mediation is proved.

Table 5: Mediating Role of Global Capabilities in HR Capabilities-Innovation Relationship.

STEPS	Relationship	SRW
1.	HRC → IN	0.62 ($p < 0.01$)
2.	HRC → GC	0.52 ($p < 0.01$)
3.	GC → IN	0.61 ($p < 0.01$)
4.	HRC → GC → IN	0.34 ($p < 0.05$)

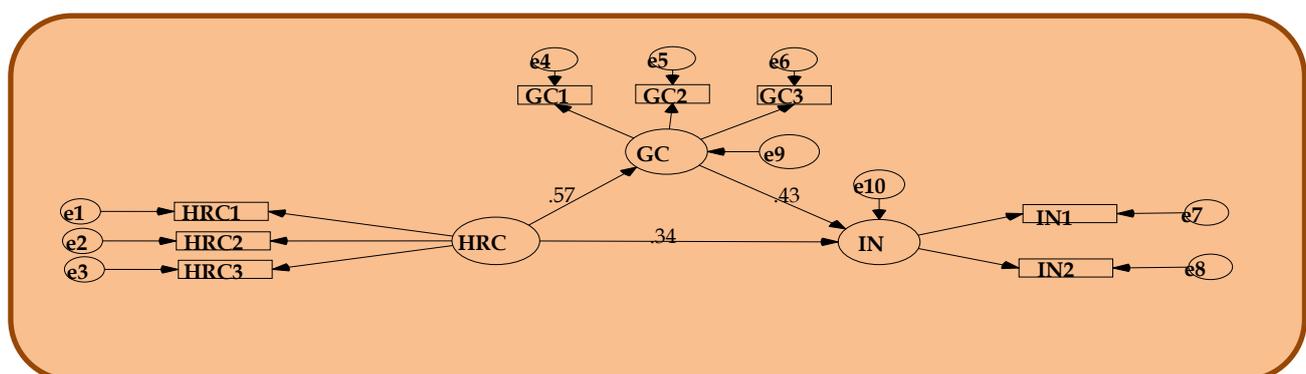


Figure 2: Partially Mediated Model of Global Capabilities.

Keywords: HRC- HRM Capabilities, GC-Global Capabilities IN- Innovation, HRC1, HRC2, HRC3, GC1, GC2, GC3, IN1 and IN2 are the manifest variables of latent constructs.

5. DISCUSSION AND RESULTS

Findings of the present research study are in line with the previous studies such as Delaney and Huselid (1996), Huselid et al. (1997) and Godard (2004). Numerous factors contribute towards the performance of an organisation namely: Competence, economic functioning, performance of human resources and innovation. Increasing contribution of these factors displays increasing profitability of the enterprises. The results of the research study revealed that HRM capabilities immensely contribute to the increasing goodwill of the organisations as. HRM capabilities in turn also govern the global capabilities ($\chi^2/df = 3.335$, RMR=0.039, GFI=0.971, CFI=0.955, AGFI=0.921, NFI=0.932, RMSEA=0.078) and innovation practices (CMIN/DF= 3.375, GFI= 0.939, AGFI= 0.933, NFI= 0.895, TLI= 0.899, CFI= 0.938 and RMSEA= 0.043) of the firms which is also confirmed as indicated by the model fit indices and the model is moderately fit. The present analyses also supported that global capabilities of the firm have an influence on the innovation which is confirmed in the study as the model fit indices revealed model to be moderately fit (CMIN/DF= 3.375, GFI= 0.939, AGFI= 0.933, NFI= 0.895, TLI= 0.899, CFI= 0.938 and RMSEA= 0.043). Public insurance companies can increase the advent of innovation by means of HRM capabilities and global capabilities. Additionally, with the growing competition from the private insurance sectors, public insurance companies are developing global capabilities with HRM capabilities and these global capabilities help them to increase innovation practices internally. As a realistic prognosis, we can say that the development of HR capabilities of public sector GIC in Jammu will improve their global capabilities. Hence, they will increase innovation performance by means of HR capabilities and global capabilities. The present research implies that public insurance companies should give due weight to HRM capabilities in order to be visible globally and explore the innovation. Globalisation has also helped in the expansion of the insurance sector by increasing participation of global insurance companies through mergers and acquisitions. Thus, the insurance companies have to organise themselves for global cooperation or offers by implementing HRM capabilities and by increasing global capabilities. Doing so they can also increase their innovative performance. Appropriate organisational encouragement in terms of pertinent HR capabilities will condense the barriers to innovation practices of an organisation and in conclusion, innovation can be governed through HRM capabilities and global capabilities.

6. MANAGERIAL IMPLICATIONS

From a realistic standpoint, the findings of the present paper reveal many specific outcomes for insurance sector, particularly in Jammu.

- The role of insurance sector particularly in the service and financial sector of paramount importance and their employees play a major role in the successful handling of clients. Therefore, the insurance sector needs to be specifically attentive towards the part played by the employees in delivering the services to the customers in an effective and efficient manner. Insurance facilitates moving of risk of loss from the insured to the insurer. The basic principle of insurance is to spread risk among a large number of people. A large population gets insurance policies and pay premium to the insurer. Whenever a loss occurs, it is compensated out of corpus of funds collected from the millions of policyholders. For achieving this basic target, the head of the insurance company should prove to be an effective leader and intimate the importance of HR capabilities in insurance companies to his subordinates.
- HR, today, has a pivotal role to play. Variances in individual performance can have a significant impact on outcomes. When it's good, it's great. But when it's off the mark it becomes inappropriate for an organisation. What an organisation needs is a road map, a way to raise the floor of performance with consistent, clearly defined expectations. Behavioral competencies are a set of specific skills that can be linked to success and can serve as the rising tide that lifts all boats. Well-designed and coherently applied competencies ensure that HR professionals have the right skills and capabilities to do their jobs now and in the future. When proficiency levels are included, competencies also serve as career development tools, illuminating areas for growth, learning objectives for training, and priorities for high-potential programs and talent pipelines. Focusing on a consistent, proven, clearly articulated set of priorities helps create excellence within organizations, removes conflicting information, and improves the performance of the organization and the individuals who work there.
- A concentration on direction competencies and expertise development encourages better leadership. However, skills needed for a particular situation may change contingent on the explicit management level in the organization. By using a competency approach, organizations can regulate what positions at which levels require specific proficiencies. When selecting and

motivating leaders, HR professionals should consider the capabilities that the individual possesses and compare those to the ones that need further development for success in a leadership role. By looking at his/her current competencies and comparing those to the skills necessary to fill a leadership position, organizations can make better informed decisions in hiring, developing and promoting leaders.

- It is equally important for the employees of the insurance companies to connect their capabilities with the organisational performance. Insurance companies should proactively take interest in the skill development of employees which will not only increase the profitability by increasing the customer base but will also help the organisation in promoting their benevolence.
- Thus, if insurance companies want to exploit the capabilities of employees, finding the right person on the right job and particular consideration should be given in selecting the head of HR. further, HR departments of the insurance companies should strive to employ highly competent and professional employees who are well attuned to the practices like customer satisfaction, redressal problems, claim resolution mechanisms and above all bringing in innovation in HR practices by renewing, revisiting the system based on existing strategies and culture of such companies.
- The employees of an organization particularly insurance sector should focus primarily on one product and specializes in that by holding valid certificates like health, life, property and casualty. It allows them to seek out niche opportunities and become an expert in one type of insurance.
- Next, an efficacious HR department should have extremely proficient and skilled HR personnel who are capable of adapting, reconfiguring, and reintroducing HR functions and systems as needed, based on the predominant approach and philosophy of the organization.
- Further, particular to the insurance sector, the employees of an organization always need to be in forefront to deliver the best to the customers, thus appropriate training and development of those employees becomes the responsibility of the top level HR managers, which induces their own satisfaction level as well the customers base of the organisation will be enhanced.
- It has been recommended that the expansion of modernization subsidizes largely towards corporation's performance. Creation of new markets, increasing customer base according to their preferences and also behavior building of customers is evident for the innovative firms (Zhou, 2006), which, in turn, leads to more profits. Furthermore, it is anticipated that pioneering achievement absolutely affects innovations in consequent years, creating a series that produces incessant revenues (Flaig and Stadler, 1994). In light of the above factors, it is evident that insurance sector should focus on the innovation performance which in turn will increase the organization's performance.
- The purpose of insurance is to protect people from financial loss but the latest innovations are set to change the way the market works for the benefit of insurers, brokers and customers. But there are challenges to overcome. Insurers need to be confident in the accuracy and appropriateness of the data they use. And, with the General Data Protection Regulation which came into effect in May 2018, there are challenges on data consent.
- A variety of breakthrough technologies are set to spur a fundamental transformation of the insurance industry. Cloud computing, the Internet of Things (IoT), advanced analytics, telematics, the global positioning system (GPS), mobile phones, digital platforms, drones, blockchain, smart contracts, and artificial intelligence (AI) are providing new ways to measure, control, and price risk, engage with customers, reduce cost, improve efficiency, and expand insurability. These technologies are also enabling the creation of new insurance products, services, and business models. And while emerging technology provides opportunities for traditional insurers to modernize and reinvent themselves, it also forces them to respond to new sources of competition from increasingly well-funded and nimble software-based companies that are beginning to make inroads in the market by focusing on unmet consumer demand, bringing down cost, and providing new services.
- An insurance agent is actually selling a promise to pay in the event of a covered incident. Since there is no physical product to sell, only people skills are that much more important to the success of the company. Gaining a potential customer's trust is essential to working with them. With people skills, the organisations can develop a lasting relationship with their customers that makes their go-to source for insurance products through each step of their lives.

- Even though insurance brokers and agents are providing a service to customers and clients, they are salespeople by nature. The organisations need to provide strong sales skills and make them learn the process of acquiring, nurturing, and maintaining quality customers. This might require attending seminars or undergoing a professional training program in sales.
- The insurance industry is competitive and the companies may be working independently for a good portion of the day. They need to develop a strong work ethic to be proactive when seeking out new customers, closing sales, and developing relationships with clients and industry professionals. Prioritizing time and maintain a strong work ethic will get the insurers far throughout their career.
- Using right communication tools to connect to the clients like smartphone apps to stay organized, are required to increase the number of sales opportunities. The companies should take full advantage of the digital tools and technologies available to better communicate with the customers, follow up on calls, and keep track of sales activities. The regular reminders about the premium payments, remembering customers on their special days are some of the innovative practices that insurance companies should follow in order to have global recognition.
- Developing successful global leaders is a competitive advantage for multinational organizations. In addition to essential leadership competencies, global leaders face special challenges that require additional competencies. To clarify, a global leader is commonly defined as someone that cultivates business in a foreign market, sets business strategy at a global level and manages globally diverse and diffused teams. Some of the challenges that global leaders may face are managing a diverse group of employees and business processes; adaptively approaching problems and challenges; adjusting to new values and cultures; and adapting to different types of business and personal stressors.
- To address the unique challenges of global leaders, researchers have identified global leadership competencies that can contribute to success. Among these global competencies, developing a global mindset, cross-cultural communication skills and respecting cultural diversity are paramount to succeeding in the global workplace particularly in insurance sector. HR practitioners can use global leadership

competencies to support the development of leaders and thus the overall global business strategy. In addition to looking at future business trends to shape the development of leadership competencies, organizations must also look to the specific strategy and preferred business results of the particular organization. By creating competency models that reflect the future strategy of the business and the important results to stakeholders (i.e., customers, shareholders, investors), organizations can successfully create a leadership brand.

- Leadership competencies can be used to effectively select, develop and promote leaders in an organization. Certain factors such as business strategy and future trends should be taken into account when creating leadership competencies. All business strategies are different and HR practitioners should use the business strategy, including the global business strategy, to drive the use of competencies in selecting and developing leaders. By effectively building a unique set of skills for the organization's leaders, the firm will sustain competitive advantage.

7. LIMITATIONS

The present research study also poses serious limitations like consideration of only public insurance companies. Also, future research studies can assess the effect of HRM capabilities, global capabilities and innovation on the financial performance of the firms. Firstly, HR capabilities is a very big and all-inclusive issue that concerns the entire organization and for that reason it cannot be considered in one research with its every dimension. This particular research observes some particular HR capabilities and practices along with some additional practices like innovation and global competencies only. Secondly, it is more complicated to analyse innovation along with HR competencies which is more complicated since it is not a homogeneous process. Furthermore, only global competencies are been judged as an effective mediator, however, knowledge management capability of an organisation which takes the character of the innovation (radical or incremental, product or process, administrative or technical) should be take into account in future studies. The study focused mainly on the private insurance sector which limits its generalizations in other sectors with same reference. The efforts can be made in the future studies to compare between the public and private sectors so that implications can be empirically known to both the companies.

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