Journal of Global Business Review : Volume 17 No. 2 July–December 2015 pp. 51-68

ORGANIZATIONAL CREATIVITY AND ORGANIZATIONAL CREATIVITY AND ORGANIZATION INNOVATION: THE EFFECT OF HRM PRACTICES

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ABSTRACT

Every industry is concentrating on the competitive advantage and finding out the better ways to createnovelty and usefulness (organizational creativity). This study is to describerelationship between organizational creativity and organizational innovation. It was drawn by resource based view (RBV) and knowledge based view (KBV) to describe phenomenon of creativity in organization which includes the effect of HRM practice Antecedents of organizational creativity are transformational leadership, realized absorptive capacity and creative climate. Moreover, the research studies the effect of HRM practice in both direct effect and moderating effect (hiring and selection, performance appraisal, job design, teamwork, training and rewards,) on the relationship between organizational creativity and organizational innovation. Finally, there are discussion, conclusion and directions for future research.

Keywords: Organizational Creativity, Organizational Innovation, HRM practices.

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Introduction

Because of increasingly turbulent and unpredictable environments surrounding organizations and global competitive environment, many firms have to find out the better way to create competitive advantage and to find out factors including threat of substitute products, established rivals, new entrants, the bargaining power of suppliers and customers (Porter, 1979). These factors have an influence on a firm's characteristics. The results exhibit that the survival of firms are reflected by configuration of their competencies (Mintzberg, Lampel, & Ahlstrand, 2005). The changing in the external environments consists of the intensive competition, rapid information transfer, economic challenge, and advance technologies which provide advantageous or disadvantageous outcomes to the firms.

In order to grow and survive, firms require continuous development of their capabilities of responding to the changing of the dynamical external environment. Thus, the best way for growth and survival depends on the frequency of having new capability, new products, new services and innovation. Creativity often leads to new challenges, and hence to personal and organizational growth (Amabile, 1996) and one of challenges leads to some organizational innovations.

However, creativity is like the way to build organizational capability which leads to organizational innovation .The creativity has moved from individual to organizational levels encompassing work environments in which organizations have to competefor customers and clients, reach a global authority to innovate when the pace of change escalates to unseen heights in the world of business. Oldham (1996); Gong, Kim, Lee, and Zhu (2013) stated that an organizational creativity is integrity of the creativity of individuals with the needs of the organization inviting an environment of change, in turn, promoting learning. According to Martelo, Barroso, & Cepeda (2013), they argued that organizational capability emerges from increasing customer's value creation which a manager should focus on developing their capability such as creativity in organization.

In addition, Morris (2005)'s reviews of enhancing organizational creativity indicated that organizational creativity elements (organizational climate, organizational culture, organizational structure and system including leadership style, resource and skill) have an influence on emerging creativity. However, creativity in organizations demonstrates flexibility, adaptability, autonomy, leadership, and peer support in creating positive change in the workplace influencing performance in terms of products, service outcomes, and recognition. According to Ling and Nasuradin (2011) Jiang, Wang and Zhao (2012) empirical study, the results indicated that HRM practice is to enhance creativity in organization and they lead to superior firm performance. But there are a few things to be investigated. They are the relationship between organizational creativity and organizational innovation via HRM practice to moderating effect. For instance, Rosli and Mahmood (2013) investigated moderating effect of HRM practice and entrepreneur training on the relationship between innovation and firm performance in SMFs Malaysia.

The above reasons lead to interesting organizational creativity, antecedent and consequences which include moderating effect from HRM practice. They provide benefits for the firm performance such as administrative benefit and improved product and service. Moreover, organizational creativity provides firm to give quick response for customer's needs and wants and it leads to superior firm performance and high competitive advantage as well. This study is to addressthe relationship between organizational creativity and organizational innovation, which is the antecedent as transformational leadership, realized absorptive capacity and organization climate, and they provide organizational creativity to occur. The moderating effect of HRM practices have an influence on organizational creativity and innovations. However, HRM practice also has an effect on incentive for employees and team or group to enhance capability in organizational creativity The purpose of this study is to propose the relationships between organizational creativity and organizational innovation. The specific objectives are as follows:

1. To review the literature of the relationships among antecedent transformational leadership, realized absorptive capacity and organization climate effecting to organizational creativity.

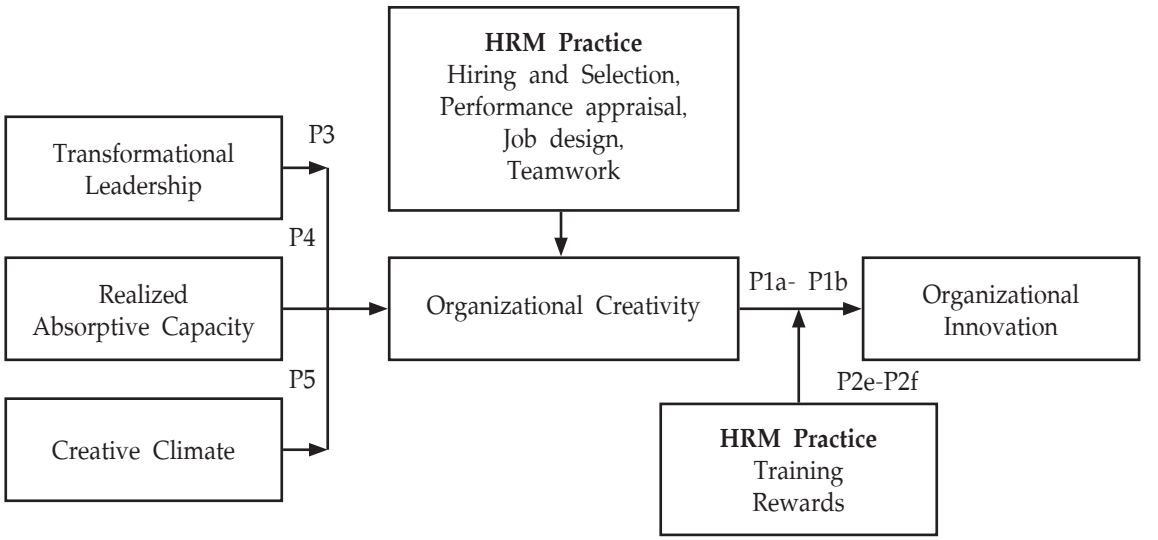
2. To explore the effect of HRM practice; hiring and selection, performance appraisals, job design, teamwork, training and rewards between organizational creativity and organizational innovation.

This study attempts to address research questions as follows:

1. How do transformational leadership, realized absorptive capacity and organization climate influence organizational creativity?
2. How do organizational creativity influence organizational innovation?
3. How do organizational creativity and organizational innovation have an effect on HRM practice?

2. Relevant Literature Review and Research proposition

his study presents the conceptual model shown in Figure 1 which is based on the literature review. The conceptual model explained the relationship between the antecedents and consequences of organizational creativity that become a major study, and the firm uses it as an important tool to improve the organization. In this study, organizational creativity has an effect on organizational innovation. In addition, antecedents are transformational leadership, realized absorptive capacity via effect of human resource management practices; hiring and selection, performance appraisal, job design, teamwork, which directly determine organizational creativity. Meanwhile, human resource management practices like training and rewards are moderating effect between organizational creativity and organizational innovation. (Figuer 1)



Figuer 1 Conceptual model of organizational creativity, antecedent, consequence and moderating effect.

The Resource-Based View of the Firm (RBV)

The most interesting question in strategic management field is how a business achieves competitive advantage and superior performance. Resource-based view (RBV) has become one of the dominant contemporary approaches to the analysis of sustained competitive advantage (Wernerfelt ,1984; Rumelt 1984; and Barney, 1991). The concept of the resource-based view explains about internal resource and capability in a firm usedto be the source of competitive advantage (Barney, 1991). The argument of resource-based view regards the internal resources of firms as being able to combine or createone or several firm capabilities to gain superior performance (Penrose, 1959; Wernerfelt, 1984). According to Peteraf and Bergen (2003), they argued that RBV was used by firms to compete on the basis of their resources and capabilities.

Moreover, RBV separates resources into two types: tangible and intangible assets. For instance, tangible assets cover money, land, material, and others. Likewise, knowledge of the firm, processes, and

information system are types of intangible assets. Barney (1991) proposed a framework to identify a firm-specific resource which must have four attributes for sustainable competitive advantage: 1) it must be valuable in exploiting opportunities 2) it must be rare in the market place 3) it must be imperfectly imitated by competitors, and 4) it must be difficult to strategically equivalent substitutes.

Resource-based view (RBV) argues that human resource is one of the organization's resources, a subset which enables them to achieve a competitive advantage, and a subset of those that lead to superior long-term performance (Barney, 1986; 1991). The AMO construct (Ability, Motivation and Opportunity) demonstrates that the employees perform better performance, when they are motivated or when they see the opportunity (Paauwe and Boselie, 2005). HRM practices play the role of building motivatedemployees and adding attitudes and behaviours, which are required by their employees and they are supported and implemented in the workplace and strategic organization (Hiltrop, 1996). According to Wang (2005); Tan and Nasurdin, (2010), they argued that innovative firms use HRM practices as the organization's strategy to enhance team responsibility, culture in workplace, and to create customer relationship by participation and empowerment. In turn, it will help to create and market new products and services (Gupta and Singhal, 1993).

Moreover, the resource-based view of the firm (RBV) explains knowledge resource as the knowledge-based view (KBV). The knowledge-based view is applied to support this research. However, KBV theory is a part of RBV when the firm considers knowledge as its resource. Knowledge is the ability of the firm to create products and services which are based on in house knowledge. Thus, they are difficult to imitate, and they influence sustainable competitive advantage and lead to performance (Teece, Pisano and shuen ,1997). Knowledge includes organizational culture, characteristic, policies, routines, systems, and operations (Rasulzada and Dackert ,2009). However, the perspective of RBV and KBV is to describe relationship between organizational creativity and innovation as resource based of the firm. In addition, when antecedents are considered as transformational leadership (Bass and Avolio, 1995), realized absorptive capacity (Zahara and George,2002), and creative climate (Ekvall,1996), they are resource and knowledge source that are embedded in organization and they are non-inimitable (Barney,1991). However, when HRM practices are considered as the things to create ability of the firm and to add motivation and opportunity to enhance superiority of the firm. (Jackson and Schuler (1995),

Based on resource based view of the firm, this research applied it to explain the effects of antecedent variables; transformational leadership, realized absorptive capacity, creative climate which includes organizational creativity (novel and usefulness) and leads to organizational innovation. HRM practice, such as ability motivation and opportunity, includes knowledge based views to explain moderating effect between organizational creativity and organizational innovation as well.

3. Organizational creativity

Organizational creativity was introduced in the late 1990's (Zhou and Shalley, 2008). There has been the expanding interest for organizational creativity, which are likely related to how the organization has developed over the last few decades. Anderson et al (2004) argued that creativity has the potential to provide organizations with a competitive advantage. Ackoff and Vergara (1981) explained the need for creativity with the decreasing possibility to employ previously used methods to solve problems since many of them have no precedents. In organizational creativity concept, there are many researchers who give the definition of organizational creativity in table 1: Amabile (1988); Oldham and Cummings (1996), Woodman and Schoenfeldt, (1989); Drazin, Glynn and Kazanjian,(1999).

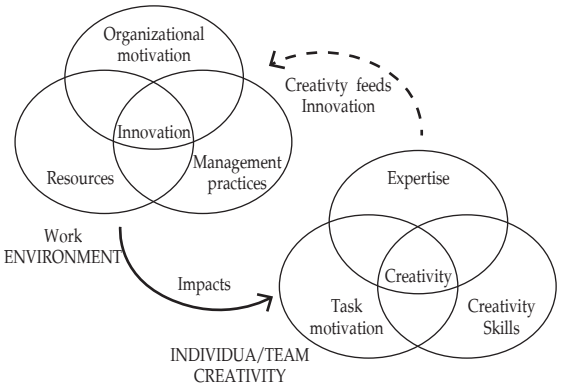
Table 1 The definition of organizational creativity

Authors	Definition of organizational creativity
Amabile, (1988, P.126); Oldham and Cummings (1996)	"Organizational creativity refers to the development of ideas that are both novel and useful (p.126)" concerning products, procedures, and processes at work, either in the short or the long term.
Woodman and Schoenfeldt, (1989)	Organizational creativity refers to the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social system
Williams and Yang (1999)	Organizational creativity refers to "an adaptive entity-highlight[ing] the need for ...[greater] employee autonomy, intrinsic motivation and commitment" (p. 389)
Drazin et al., (1999)	Creativity from several levels (Level of analysis: LAO). At the individual level and from a sense-making perspective, they define creativity as the involvement in a creative process or act. (p.286) Thus, creativity is defined as a "person's psychological engagement in creative activity"

Amabile, (1988); Oldham and Cummings (1996); Woodman and Schoenfeldt (1989) , defined organizational creativity as the development idea (novel and useful) which can be applied to products, procedures, and processes at work whereas Williams and Yang (1999) propose that it is the adaptive entity which focuses on the need for employee autonomy, intrinsic motivation and commitment, and Drazin et.al.,(1999) defines creativity as an involvement process.

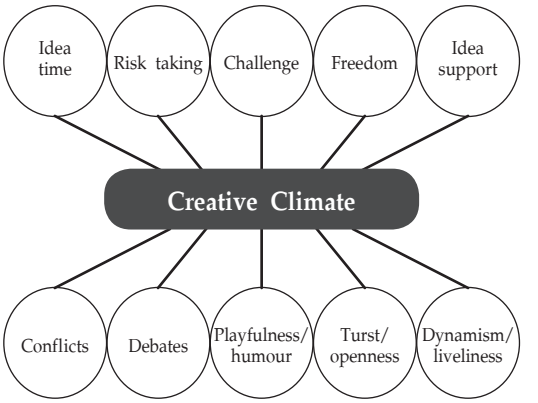
However, Ambile model (1997) demonstrated the componential theory of organizational creativity which is divided into two groups : the first group is individual /team creativity and the second group is work environment that affects organizational creativity (see figure 1) and Ekvall's model (1996) presents creativity climate consisting of ten factors for building organizational creativity (see figure 2). Thus, organizational creativity emerges from internal factors and external factors to stimulate creativity from individual, team and organizational levels, and climate acts as a catalyst promoting creativity consisting of ten factors: ideal time, risk taking, challenge, freedom, ideal support, conflict, debates, playfulness humor, trust/ openness and dynamism liveliness.

The perspective of creativity and innovation is a key success to gain capability of the firm which would lead to competitive advantage. Cook (1998), Magadley and Birdi (2009) who addressed the importance of creativity for organizational survival. Cook (1996) illustrated the structural flexibility and innovative power as the key success, which drives firm's success. Thus, structural flexibility becomes one factor enhancing ability to create new thing in the organization. In addition, Tseng (2010) argued that organizational creativity consists of thinking, and creating a new design in order to improve the quality or quantity of organizational innovations. However, increasing creativity in an organization can enhance both quantity and quality of the services and can reduce costs by preventing losing resource, reducing bureaucracy structure, providing completive advantage, productivity, motivation and occupational satisfaction in staffers as well.



Amabile's Componential Theory of Organizational Creativity

Figure 2 To illustrat individual/team creativity from Amabile (1997)



Ekvall's Model of Creative Climate

Figure 3 To illustrat creativity climate from Ekvall (1996)

In Powell's study (2008), he collected overall perspectives of organizational creativity and divided them into two groups. First, it was contextual aspect that follows Livingstone, Nelson and Barr's aspect (1997) which was divided into individual characteristics, organizational influence, integrated individual characteristic and organizational influence (shown in figure 2). In addition, Scott and Bruce (1994) proposed two aspects of organization. The first was creativity which was process oriented; thus, product is not the final objective, and applied creativity or product-oriented creativity was determined by directly related to the consumer, client or market for its ultimate success. Second, social control in creative organization has factors affecting creativity, such as creative leadership, creative motivation, creative evaluation and feedback, creative risk and trust, consumer/client role ambiguity, creative boundary structures. According tothe reviews from Andriopoulos (2001), he proposed that the determinants of organizational creativity were organizational climate, leadership style, organizational culture, resource and skill and last factor as structure and systems.

Thus, organizational creativity refers to creativity which is the production of ideas concerning products, practices, services, or procedures that are (a) novel or original and (b) potentially useful to the organization (Amabile, 1996; Shalley and Gilson, 2004). Ideas are considered novel if they are unique and related to other ideas which are currently available in the organization. Ideas are considered useful if they have the potential of direct or indirect value to the organization, in both short- or long-term (Oldham and Baer, 2012). Thus, in this study, organizational creativity is creativity from individual and group to produce novel and useful ideas that also lead to organizational creativity.

4. Consequence of organizational creativity

4.1 Organizational creativity and organizational innovation

Organizational innovation is defined as ability to adapt idea or new behaviour for creating a new thing for organization (Damanpour and Evan, 1984). When we considered innovation which has the meaning of changing an organization, it responds to changes in the external environment or it acts as a preventive action to influence the environment. From the perspective of Damanpour (1996) on innovation types, including new products or services, process, technologies, organizational structures which cover administrative systems and include plans or programs concerning organizational members. From previous literature to address the organizational creativity, it is divided into two different types which are technical innovation and administrative

innovation (e.g., Chuang, 2005; Damanpour and Evan, 1984; Damanpour, Szabat, and Evan,1989). Moreover, Chuang (2005) has defined technical or technological innovation dimensions as the product innovation and process innovation; while administrative innovation is not different from the original. When organizational creativity is considered as the production of ideas concerning products, practices, services, or procedures that are (a) novel or original and (b) potentially useful to the organization (Amabile, 1996; Shalley and Gilson, 2004). Creativity and innovation are closely linked with both terms. In general, the term "creativity" is defined as the creation of ideas whereas creativity is a process which leads to outputs (new things or innovation).

Rasulzada and Dackert (2009) explored the relationship between organizational creativity and innovation and psychological wellbeing of employees from 95 employees working in high-technology. Results revealed that there was the relationship among perceived organizational creativity, innovation and individual psychological well-being. According to Cokpekin and Knudsen (2011), they investigated creativity factors that stimulate innovation from 47 Denmark firms to analyze whether organizational creativity led to innovation in small firms. Results indicated that organizational creativity (freedom and autonomy for employee) is related to organizational innovation (product innovation). From empirical research of Rasulzada and Dackert (2009) and of Cokpekin and Knudsen (2008), they addressed that organizational creativity influences organizational innovation. When innovation of the firm is considered, it was found that it emerges from new ideas concerning product, practice, service or procedures (Amabile, 1996; Shalley and Gilson, 2004). Thus, when firms have new ideas or creativity concerning new things (product, practice, service or procedures), this leads to the way to improve or build innovation as well.

In the study of the perspective of organizational creativity (Novelty and usefulness) and organizational innovation (Technological innovation and Administrative innovation), they enhance, create and motivate the firms to attain their goals. However, organizational creativity is positive to organizational innovation both overall and technological and administrative innovation. Thus organizational creativity is positively related to organizational innovation. This lead to the two propositions below:

Proposition1a: The organizational creativity is positively related to technological innovation.

Proposition1b: The organizational creativity is positively related to administrative innovation.

4.2 HRM Practice and Organizational Creativity

In high competition in business, they are encouraged by manufacturing-based industries to be proactive in their HRM practices in order to introduce new products and new technologies (Shipton, Fay,West, Patterson and Birdi, 2005) which covered new service and administration. However, one attribute of the factor was the ability to create something new as HRM practices. HRM practice can be almost everything coupled with management of employment and relations within organization (Jackson and Schuler, 1995). However, Jackson and Schuler (1995) argued that HRM practices covers system that attracts, develops, motivates, and retains employees to ensure the effective implementation and the survival of the organization and its members.

Many researchers have investigated the relationship between organizational creativity and HRM practice. For example, there were the empirical studies of Ling and Nasuradin (2011) ; Jiang, Wang and Zhao (2012), and its result indicated that HRM practice was to enhance creativity in organization and it led to superior firm performance. But there are a few things to investigate into the relationship between organizational creativity and organizational innovation via HRM practice to moderating effect. For example, Rosli andMahmood (2013) investigated moderating effect of HRM practice and entrepreneur training on the relationship between innovation and firm performance in SMFs Malaysia. The results indicated that the employees' and employers' trainings interacted with innovation significantly influenced SMF performance. Correia ,Cunha and Scholtem (2013) investigated the moderating effect of HRM centrality. The results indicated that HRM strategic involvement and centralization of HRM practices enhanced a

positive impact of bidder's acquisitions on performance. Therefore, when HRM practice on moderating effect is considered was found . Thus, this study would investigate HRM practice in six dimensions which have an effect on enhancing creativity and innovation in organization, they divided them into positive directed organizational creativity (hiring and selection, performance appraisal, job design and teamwork) and organizational innovation. The moderating effect between organizational creativity and organizational innovation were considered as training and reward.

4.2.1 Hiring and Selection

Creativity occurs from human capital; for example, staffing can enhance employee's creativity (Jiménez-Jiméneza and Sanz-Valle 2008). Subramaniam and Youndt (2005) addressed that organizational innovation depended on knowledge from organization. Thus, the beginning point is recruitment program to selectemployees for the organization. However careful recruitment and selecting is a key success to have creative employees and to select talent people for the process of the organization (Jiang, Wang and Zhou,2012). As a result, successful firms establish recruiting networks to be mechanism to seek talent people for the organization. Organizations can focus on screening prior to selection to try to identify employees' task expertise, intrinsic motivation and cognitive skills necessary for creativity (Rughuram and Arvey, 1994). However, firms attempt to find out talent people for the organization and expect talent people to create new practice, new product and service to enhance superior firm performance. It is found that hiring and selection is a key function for filtering people for the organization. Therefore, hiring and selecting employees for the organization is to enhance organizational creativity as shown in the following proposition:

Proposition2a: Process of hiring and selecting employees is positively related to organizational creativity

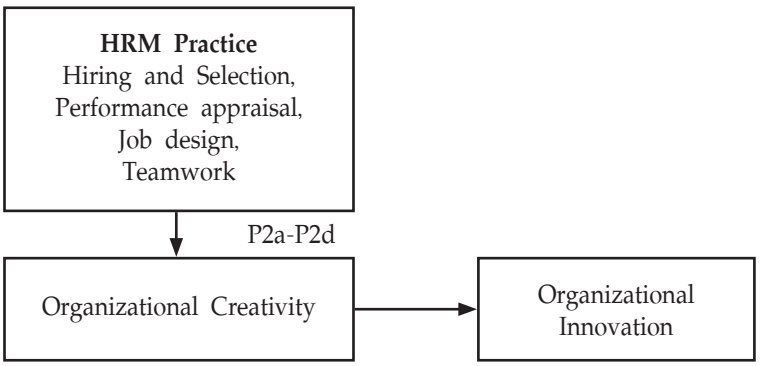


Figure 4 The relationship HRM Practice, organizational creativity and organizational innovation

4.2.2 Performance appraisals

Performance appraisal is considered as a program to evaluate employee's creativity, and it has an effect on effectiveness of employee's performance. WhileByron, Khazanchi and Nazarian (2010) addressed that employees expected clear performance appraisal, but they were still ambiguous. Harackiewicz and Elliot (1993) and Egan (2005) report evaluates increased level of motivation and creativity, whereas Nonaka (1994) found that the process of appraisal and environment drives and facilitates the development of creativity. In addition, Shipton, West, Dawson, Birdi, and Patterson,(2006) found that the appraisal process enhances the whole perception of performance and targets. Therefore, appraisal process is the way to enhance the growth in position (vacancy) and enhance the confidence that is necessary to use the opportunity presented for higher-level learning (Stiles, Gr1atton, Truss, Hope-Hailey and McGovern 1997). From literature reviews, it was found that performance appraisals were to evaluate new employees, when they went through evaluation. From performance appraisals, the level of motivation and creativity was increased (Egan, 2005). Therefore, this

study would like to investigate how performance appraisals enhances organizational creativity, this was shown in the following proposition:

Proposition2b: Performance appraisal for employees is positively related to organizational creativity.

4.2.3 Job design

Job design,work design or task design is vital contribution to creativity; they are intrinsic motivation to creative employees (Shalley and Gilson 2004). Job design refers to pattern of autonomy, skill variety, task identity, task feedback and task significance in the organization (Oldham et al., 1996). However, job design is consistent with intrinsic motivation to provide opportunity and autonomy to follow their ideas. Conti, Amabile and Pollack (1995) indicated that intrinsic motivation is the principle of creativity, which employees will create when they have enjoyment, satisfaction and challenge of work itself (Jiang et al, 2012). Oldham et al. (1996) examined the influence of job characteristics, such as autonomy, skill variety, task identity, task feedback and task significance on creativity in manufacturing facilities. They found a composite index of job characteristics to predict creativity. Zhang and Bartol (2010) found that job characteristics of autonomy and task identity contribute to creativity. When individuals work on complex jobs are considered (e.g. those characterized by high levels of autonomy, feedback, significance, identity and variety) (Hackman and Oldham 1980), employees are likely to experience high levels of intrinsic motivation and respond to this motivation by developing creative ideas. From literature review, it was found that job design was one key success of creativity in organization, when employee perceived that design of task was facilitated or contributed to creativity (Shalley and Gilson 2004), thus employees created something when they were satisfied with job design. This study was to investigate overall job design: autonomy, skill variety, task identity, task feedback and task significance (Oldham et al., 1996) as direct effect on organizational creativity. Therefore, the proposition was proposed as follows:

Proposition2c: A job design is positively related to organizational creativity.

4.2.4 Teamwork

Katzenbach and Smith (1993) stated that "... a team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable" (p 45). In addition, regular communication, coordination, distinctive roles, interdependent tasks and shared norms are important features (Ducanis and Golin 1979; Brannick and Prince 1997). However, creativity and innovation required teamwork or working group to lead to superior firm performance. Hulsheger, Anderson and Salgado's meta-analysis work (2009) found that team process, variable supported innovation, vision, task orientation and external communication and creativity are significant. Thus, teamwork is a tool for generating new things and ideas that lead to creativity as well. According to West (2002), he found that team process has relationship with creativity and innovation, which was generated from team level more than individual level. In addition, Beer and Eisenstat (2000) found that team communication and conflict resolution are considered as dimension of a team. Many researchers assert that the management of competing perspectives is fundamental to the generation of creativity and innovation (Nemeth, Owens and West 1996; Ernst, 2004). Teamwork and collaboration are the foundation of creativity since the presence of team work could lead to internal constructive conflict with regard to attention and use of creative energy (Barczak, Lassk and Mulki 2010). From literature review, it was found that teamwork combined with their member's idea and aggregated ideas become the way or direction for problem solving, practice or something. This study was to investigate relationship between teamwork and organizational creativity, and the proposed proposition is as follows:

Proposition2d: Teamwork is positively related to organizational creativity.

4.2.5 Training

Training is a program to enhance or improve skills for work, but Mumford (2000) argued that training is progressive acquisition of skill and expertise. Training is to enhance employees' knowledge and

improve their skill that provides opportunity for the emerging creativity (Lau and Ngo 2004). However, training program in organization is necessary for both old and new employees for thinking and creating a new way for problem solving skill. Licuanan, Dailey and Mumford (2007) stated that training is valuable to creativity team, for they use training to facilitate the creation of new ideas. As a result, they found that training related to work and skill will create more new ideas in their work.

However, previous literature indicated that a training program has a direct effect on organizational creativity. In fact, a training program is a continuing program, so continu ing perspective training is considered as a moderate effect to enhance ideas or new way for creativity. According to Shalley and Gilson (2004), they investigatedSMFs Malaysia, Rosli and Mahmood (2013) found that training is significant for both employees and entrepreneurs; as a result the skill from training is important and has a moderate effect on employees and employers to create new ideas that leads to innovation as well. Flynn, Doodley, and Cormican (2003) argued that the ability of a firm to grow depends on its ability to generate new ideas. From literature reviews, it was found that training is an incentive for their skill. When employees have high skill, they can create something new. Training as is a key success of creativity. When employee has appropriate skill with the job, they can create new way or practice. Therefore, in this study, it is believed that a training program is an incentive of organizational creativity and organizational innovation. Therefore, the proposed proposition is as follows:

Proposition2e: Training program for employees moderates the positive effects between organizational creativity and organizational innovation.

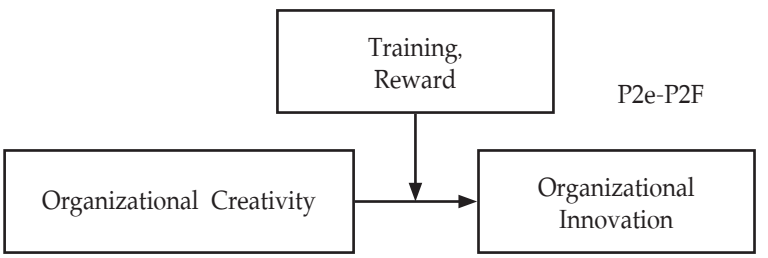


Figure 5 The relationship HRM Practice (Training and Reward) moderating effect between organizational creativity and organizational innovation

4.2.6 Reward

Continuing activity from performance appraisal, the rewards system affects employees' motivation and creativity as well. Thus, there is a new idea or thinking according to new behaviours. Bae, Chen, Wan, Lawler and Walumbwa (2003) found that High Performance Work Systems (HPWS) which has an emphasis on pay for performance and profit sharing which are critical for the financial performance of firms in several Asian countries. According to Wai and Gima's studies(2009) , they investigated the moderating role of reward systems in the relationship between market orientation and new product performance in China.The results found that there is moderating role of rewards systems which was related to market orientation and new product performance. However, the moderating effects suggest that Chinese firms should concurrently use both a high-level, long-term-oriented rewards system and a low-level, risk-taking reward system in order to enhance the positive effects of market orientation on new product performance (Wai and Gima,2009). In addition, Jiang ,Wang and Zho (2012) divided the function of rewards system into three folds. First, reward can attract and retain employees (Starkey, Tempest and Mckinlay 2004). Second, reward give motivation for employee to have and create extra effort (Shiption et al.2006). Third, reward system can be mixed or be comprehensive type of internal motivation, which consisted of promotion, recognition,

merits, special compensation, or bonus (Amabile et al. 1996) Recently, Malik, Butt and Choi (2015) had investigated rewards and employees' creative performance, and they found that there were moderating effects of creative self-efficacy, reward importance, and locus of control.

From literature reviews mentioned above, it was beleived that reward influences direct effect and moderating effect to increase organizational creativity and organizational innovation as well. Meanwhile, reward is considered as a function to be an incentive for both creativity and innovation. For instace, when employees have a new idea, the firm has a policy to pay when employees can createa new idea or innovation. When employees perceived their reward which was the quality of work life in the organization, such as position, and increasing bonus from their effort when there is something, according with the function of reward (Second function) from Jiang ,Wang and Zho (2012).

Therefore, this study would like to investigate the relationship between organizational creativity and organizational innovation via moderating effect from reward system and the proposed proposition is as follows:

Proposition2f: A reward system moderated the positive relationship between organizational creativity and organizational innovation.

5. Antecedent of Organizational creativity

5.1 Transformational Leadership

Transformational leadership refers to the role of leader to encourage individual, groups in organization to create something new, and sometimes it is said that transformational leadership is inspiration for employees (Bass,1978). However, many researchers define transformational leadership as the perspective of commitment and charisma (attractiveness) in the revolutionary process (Rafferty and Griffin, 2004). However, the effect of transformational leadership is closely related to attitudes and transforming behavior which helps the organization to reach the firm's goals.

Burn (1978) argued that transformational leadership can change performance, whereas Bass and Avolio (1995) developed dimension of transformational leadership which was defined as characteristic role model, individualized consideration, inspiration motivation and intelligence stimulation. They use charisma or attractiveness, inspiration, respect and loyalty to collectsense of mission (Gumusluoglu and Ilsev,2009). Some literature reviews of transformational leadership focused on intrinsic motivation. According to Oldham and Cummings (1996) report, the super vision is important and the effect of super vision determined intrinsic motivation and helped the organization to reach creative work. Shin and Zhou (2003) found that a part of intrinsic motivation of transformational leadership influenced follower's creativities (Gumusluoglu and Ilsev,2009). From the literature review to give the aspect of transformational leadership, it was to provide their activities from intrinsic motivation. Reiter-Palmon and Illies (2004) found it was unlikely that creative outcomes could be achieved without a large amount of support from organizations and organizational leaders. Thamain (2003) achieved similar results that showed a significant impact of managerial style on creativity that ultimately affected organizational innovation. The quality and nature of leader-member exchange (LMX) has also been found influential to the creativity of subordinates. Scott and Bruce (1994) studied 238 knowledge workers from 26 project teams in high-technology firms.

From literature review, it was believed that the above roles of leader to enhance , felicitate and give guidance to their employees for creative thinking. This was one vital key role for creativity in organization

Therefore, in this study of transformational leadership and organizational creativity, the role of leader was to enhance, facilitate, create and motivate employees to attain the firm' goals. However, transformational leadership is positively related to organizational creativity, so it leads to the proposition below:

Proposition3: The transformational leadership is positively related to organizational creativity.

5.2 Realized Absorptive Capacity

Cohen and Levinthal (1990, p.128) defined absorptive capacity (ACAP) as "the ability of a firm to recognize

the value of new external information, so we had to assimilate and apply it to commercial ends." However, when it was said that absorptive capacity in organization was a filler of the firm. When firm absorbed their knowledge from outside, it assimilate and transform their knowledge to create useful and new knowledge to create something. Furthermore, Zahara and George (2002) extended the dimension from Cohen and Lavinthal (1990) to propose two groups for absorb knowledge process which were Realized absorptive capacity and Potential absorptive capacity. This study focused on realized absorptive capacity which refered to the ability to absorb usefulness that led to create new ideas. According to Camison and Fores (2010, p.709), they defined realized absorptive capacity as the capacity to "integrate and reconfigure the existing internal knowledge and the newly assimilated knowledge and to incorporate this transformed knowledge into firms' systems, processes, routines, and operations" Kotabe, Jiang, and Murray (2011) study indicated that realized absorptive capacity can increase new ideas and lead to innovative outcomes. According to Camison and Fores (2010), they investigated knowledge absorptive capacity in new insights for its conceptualization and measurement from 952 Spanish firms, and it was found that transformation and application ability (Realized absorptive capacity) is positively related to performance. Also, they confirmed the measurement and relationship of realized absorptive capacity to enhance firm performance.

From literature reviews (Kotabe, Jiang, and Murray, 2011; Camison and Fores ,2010), they defined the ability of realized absorptive capacity as when a firm absorbed their knowledge form outside and combined it with the knowledge from inside, so this led to new ideas to create something new, which was useful for them to practice or to improve products and services, and it was also involved in problem solving. In this study, it was believed hat when a firm had the above abilities , it could also create useful knowledge that led to superior performance. Thus, realized absorptive capacity was positively related to organizational creativity which led to the following proposition:

Proposition4: The realized absorptive capacity is positively related to organizational creativity.

5.3 Creative Climate

Climate was the environment in organization, and creative climate was claimed as environment in organization that provided employees with creativity, and the climate was a factor affecting organizational creativity. Patterso, Warr, and West (2004) defined climate as a set of shared views regarding individuals' perceptions of organizational policies, practices and procedures (Lin and Lui, 2012). According to Ekvall (1990) who proposed 10 climates for creativity, such as challenge and motivation, freedom, idea-support, trust, dynamism, humour and playfulness, debate, conflict, risk taking, and idea-time. All 10 things in the organization provided employees with the climate to be able to thinkwhen they were in the organization. Thus, in this study creative climate was defined as a set of organizational value concerning with motivation, freedom, idea-support, trust, dynamism, humour and playfulness, debate, conflict, risk taking, and idea-time, all of which provided creativity (Patterson et al., 2004 and Ekvall, 1990) Some researchers found that creative climate or organizational culture had to provide creativity. For example, Farley (2004) studied the link between organizational culture, organizational climate, market orientation, innovativeness, and performance. Based on their assessment of culture on competing values theoretical framework developed by Cameron and Quinn (1998), it was found that there were no significant differences among difference countries, addressing climate to enhance creativity in organization. According to Landy and Conte, 2004, climate was a reflection of how shared norms and values in the organization are expressed through the behaviour of the employees. Sundgren, Dimenas, Gustafsson and Selart (2005) investigated the relationship that drove organizational creativity: a path model of creative climate in pharmaceutical R&D which revealed that culture in the organization had an influence on creative climate and creative climate led to high performance in a pharmaceutical company.

From the literature review (Farley ,2004; Sundgren et al.,2005) of the above mentioned creative

climate, it provided the belief that creative climate in organizational can enhance employees' creativity which led to organizational creativity; thus, when employees were in a creative environment, which had factors to stimulate them to improve the ability to create a new thing or a new perspective for creating products, services, and process. In this study to follow creative climate form of Ekvall (1990), he conducted the researches in different types of organizations, which led to the development of a model measuring creative climates in organizations. Therefore, creative climate was positively related to organizational creativity which led to the proposition below:

Proposition 5: The creative climate is positively related to organizational creativity.

6. Discussion and Conclusion

This paper aimed to propose the literature review of the studies that were relevant to variables. Moreover, the relationships among organizational creativity and organizational innovation, including factors determinate to organizational creativity like transformational leadership, realized absorptive capacity and creative climate.

In addition, the HRM practices (hiring and selection, training, performance appraisal, rewards, job design and teamwork) had an effect on organizational creativity which led to organizational innovation. However, this study generally suggested that there were differences from other researchers who studied narrow issues by focusing on organizational creativity and organizational innovation via the effect of HRM practices, both direct effect and moderating effect. Moreover, this study has recommended the issues below:

First, for the theoretical contribution, the researcher used the resource-based views to explain the phenomenon, and the concept of the resource-based view explained about internal resources and the firm's capability that were used to build the source of competitive advantage (Barney, 1991). However, Barney (1991) proposed a framework to identify a firm-specific resource which must have four attributes for sustainable competitive advantage: 1) it must be valuable in exploiting opportunities , 2) it must be rare in market place, 3) it must be imperfectly imitable by competitors, and 4) it must be difficult to strategically equivalent substitutes. However, knowledge based views were to explain organizational knowledge. They can help firmly predict more exactly about the nature and businesses' potential changes in the environment and the appropriateness of strategies and actions (Cohen and Levinthal, 1990).

In addition, antecedent of factors affected organizational creativity, and transformational leadership, realized absorptive capacity and creative climate are internal sources to enhance the ability to create new ideas, products, services which lead to superior performance as well. The consequence in this study is organizational innovation, and their internal source promoted innovation and performance. However, the effect from HRM practices, such as hiring and selection, performance appraisal, job design and teamwork, are internal source as well as antecedents, and they are direct effect on organizational creativity. In the meantime, training, rewards and some dimensions of HRM practice are moderating effect between organizational creativity and organizational innovation. However, resource-based view (RBV) argues that human resource is one of the organization's resources, a subset of which enable them to achieve a competitive advantage, and a subset of those that lead to superior long-term performance (Barney, 1986; 1991). Therefore, resource based view is important to help, accumulate, stimulate, and encourage employees to create something through internal source which leads to superior performance as well.

Second, in this study managerial implication is linked to the theory that describes relationship between factors affecting organizational creativity which leads to innovation including HRM practices encouraging creativity in organization and performance. Manager should be promoted to have the role of transformational leadership, process of absorptive capacity (realized absorptive capacity) which involves climate such as recurring patterns of behaviour, attitudes, and feelings that characterize the life in the organization (Ekvall ,1991).

In addition, HRM practices such as hiring and selection, training, performance appraisal, rewards, job design and teamwork are important for stimulating employee's performance (Ling and Nasuradin ,2011); Jiang, Wang and Zhao ,2012). Thus, the role of HRM practices becomes one factor in which the manager should be interested.

Finally, this study focuses on some variables that are related to organizational creativity and performance (organizational innovation). However, further researchers should investigate the relationship between antecedent and consequence of organizational creativity in technological or general firms in organizational creativity issues. In addition, the researchers should study longitudinal or cross sectional HRM practice to compare the performance before posting the role of antecedent and moderating effect on organizational creativity and performance and after posting those for six months or one year. Moreover, further research should investigate both direct and moderate effect in technological or general firms.

7. Conclusion

This study describes the relationship between organizational creativity and organizational innovation. Drawn by resource based view (RBV) and knowledge based view, the study which describes phenomenon of creativity in organization includes the effect of HRM practice. Meanwhile, antecedents of organizational creativity are caused by transformational leadership, realized absorptive capacity and creative climate. Moreover, the research studies the effect of HRM practice in both direct effect and moderating effect (hiring and selection, performance appraisal, job design, teamwork, training and reward,) on the relationship between organizational creativity and organizational innovation.

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