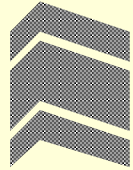


Workplace innovation in Europe – progress or regression?

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The 'Lisbon agenda' 2000

In 2000, the European Union (EU) launched the 'Lisbon agenda'. This had the aim of making Europe by the year 2010 "the most **dynamic** and **competitive knowledge-based economy** in the world, capable of **sustainable economic growth**, with **more** and **better jobs**, **greater social cohesion** and **respect for the environment**".

(European Commission DOC/00/7 2000)

Stimulating **innovation** was seen as a major route to reaching this goal. In particular, the EU set the 'Barcelona target' of increasing research and development (R&D) to 3% of GDP by 2010.

Does **workplace innovation**, orientated towards the adoption of

- > self-organising multi-skilled team work,
- > with autonomy to choose tasks and methods of work,
- > with opportunities for learning, worker involvement and participatory management,

form a core component for sustained socio-economic development to achieve the above goal?

(See e.g. Green Paper on Partnersip for a New Organisation of Work 1997, EIRObserver 1999)



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Enterprise strategies: **Low road** versus **high road**

$$\textit{Productivity} = \textit{Return} / \textit{Effort}$$

Both **enumerator** (return) and **denominator** (effort) can be **influenced** by **work organisation**.

Low road strategy (diminishing the denominator):

Focused on **cost cutting** and **enhancing numerical flexibility** through **downsizing, outsourcing** or **process reengineering**, with the consequence of **undermining** long term operational conditions, resources and capabilities, however, despite **short term returns** (“lean but not fit”).

High road strategy (increasing the enumerator):

Focused on **expanding existing** and **creating new businesses** with new products and services by **systematically developing skills, competences and innovation capacity** in integrated, cooperative work processes of **high efficiency** and **functional flexibility** through **participatory management**.

(Source: Brödner et al. 1998)

“**Cutting the buck** is easier than **expanding the bang.**”

(Hamel & Prahalad 1994)



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Competence-based view of the firm

In the **resource** or **competence-based view** of the firm, strategic management pays **specific attention** to the genesis and development of the organisation's internal resources and capabilities as source of **sustainable competitive advantages**.

Resources in this context can be thought of as any prerequisite for action serving as means to effectively change reality, in particular **intangible assets** such as organisational knowledge or competences to innovate and to flexibly react to market demands and customer requirements.

(Sources: Barney 1991, Hamel & Prahalad 1994, Grant 1996)

High road firms typically display

- considerable **employment growth** (despite productivity increase),
- improved **capacity to innovate** and **learn**,
- shorter **time-to-market**

as compared to low road firms.

The “employee's voice” and knowledge are needed for decision making, problem solving and innovation development in an **uncertain environment full of surprise**. Greatest impact is achieved by **holistic, mutually reinforcing management practices** rather than single organisational innovations.



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High road performance: **Empirical evidence**

Germany: Analysis of IAB panel data reveals that implementing „participative work organisations in 1997 **increases the average productivity** of establishments in Germany in the period 1997-2000 by **more than 25%**. The introduction of teamwork, autonomous work groups and the reduction of hierarchies provides establishments with an **additional productivity advantage.**“

(Source: Zwick 2003)

Finland: Evaluation of the National Workplace Development Programme reveals that firms with flexible, skill-oriented work organisation can achieve up to **50% higher productivity** and pay ca. **30% higher wages** than firms without.

(Sources: Antila & Ylöstalo 1999, Arnkil et al. 2003)

Sweden: A survey of 2000 establishments with more than 50 employees finds: „Strategies that focus on decentralising work organisation and on human resource development are positively associated with productivity and growth.“ Flexible organisations are **more productive** (+ 20-60%), show **less staff turnover** (- 21%) and are much **more effective in using IT** than traditional firms.

(Sources: ITPS 2001, NUTEK 1999)

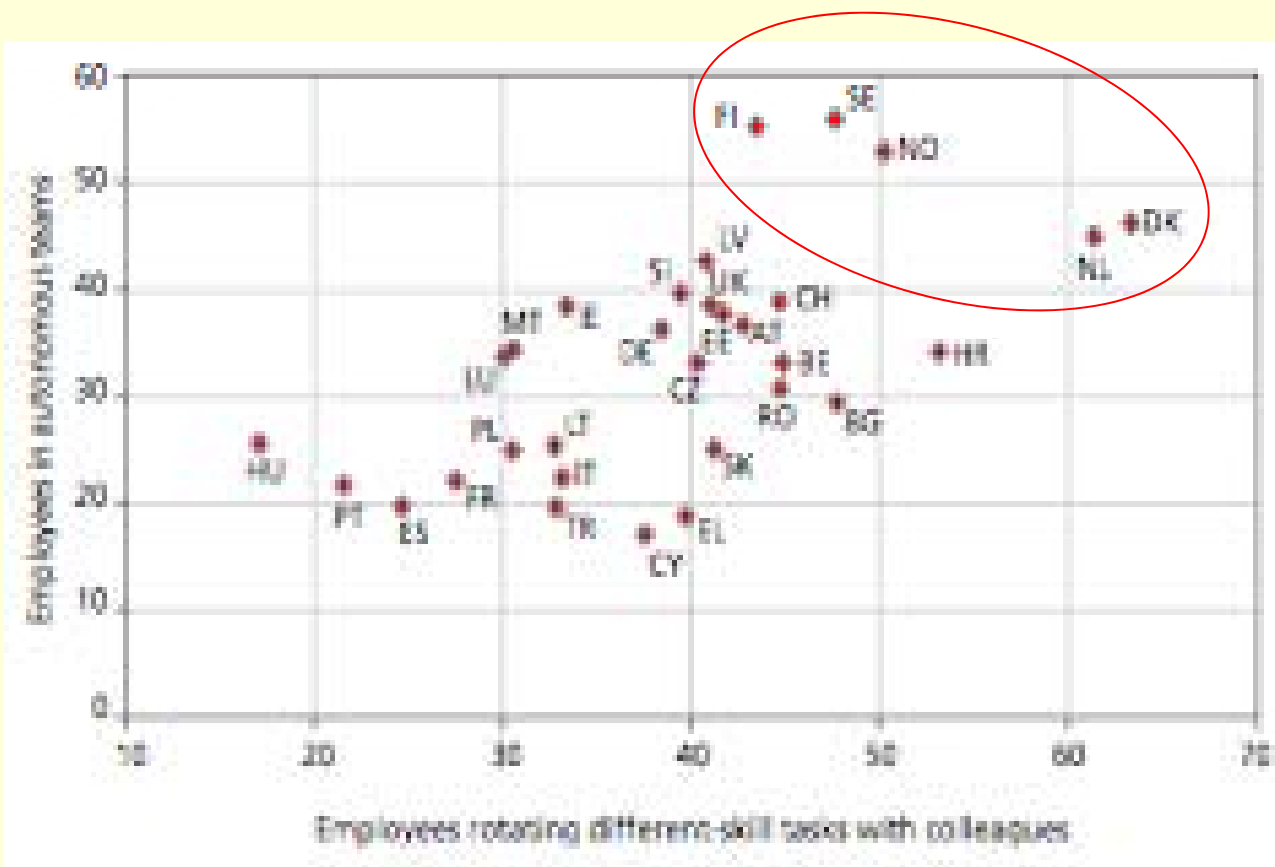
Europe: The EPOC survey covering more than 6000 firms in selected EU member states confirms these findings: 85 % of firms having implemented semi-autonomous groups as a cornerstone of high road organisations **increased sales**, 68% of these firms realised **cost reductions**, 87% **reduced throughput times**, and 98% **improved products and services**.

(Source: EPOC Research Team 1998)

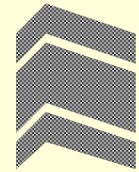


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Advanced functional flexibility and team work

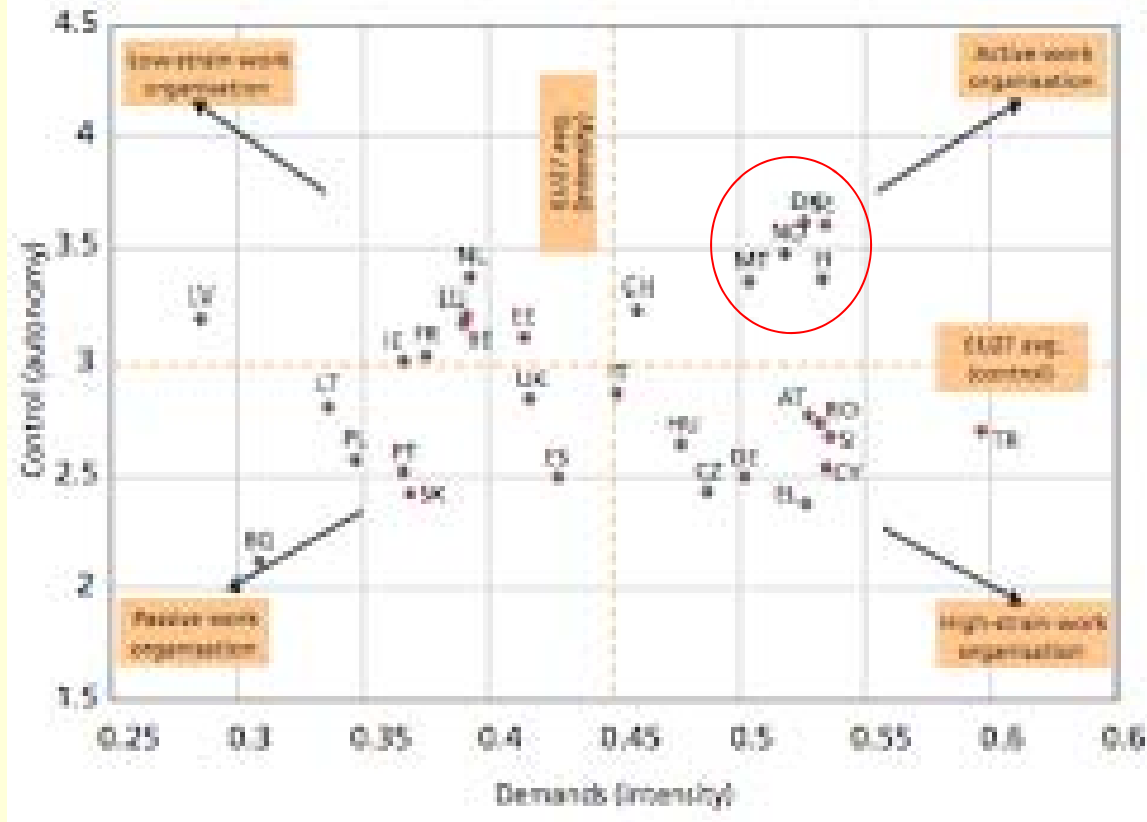


(Source: Fourth European Working Conditions Survey 2008)

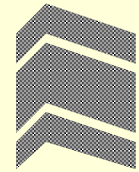


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Job demands and control



(Source: Fourth European Working Conditions Survey 2008)



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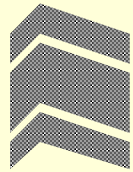
National workplace innovation programmes (1)

National workplace innovation programmes exist in a (diminishing) number of EU member states, diverse in content, activities, and contexts, but united by grounding in a 'high road' conceptual model in

- > taking a **systemic view on organisational change**,
- > looking for sustainable socio-economic development with **convergence** between **productivity and quality of work**,
- > being based on **employee involvement** and **participation**.

National activities are **unequally distributed** across Europe, however, with rather **shrinking funds** (as compared to 1980ies and 90ies). There is a strong **North-South gradient** from Skandinavian to Mediterranean countries.

Despite **solid evidence** of the **impact of work organisation on productivity, health, employability and active ageing**, and despite considerable, accepted activities for comprehensive workplace innovation in some countries, most governments regard **workplace innovation** as **private matter** for firms. After the failure of the Green Paper on Partnership for a New Organisation of Work in 1998, a common agreed **industrial modernisation policy on EU-level does not exist** (aside from "Open Method of Co-ordination" and "Social Dialogue" as 'soft' cognitive modes of governance for labour markets).



National **workplace innovation** programmes (2)

Designing and running the workplace innovation programmes as well as **activating their impact** bring up a number of **challenges** and **dilemmas**:

- > **partial problem solving** versus **systemic transformation**
- > **expert-driven design** versus **discursive change processes**
- > **'casework'** versus **networking** for generating actionable knowledge
- > **making actionable knowledge work**: more than dissemination via reports, workshops or websites

Workplace innovation programmes, therefore, need to provide efforts for **mediating** between **workplace innovations** and their socio-economic and **political context** (i.e. social partners, consultants, research institutions, policy makers). They need to actively build and promote **shared actionable knowledge** and to develop **shared perspectives** for putting it to **wide use**.

Remaining programmes are **more** (cf. Finland) or **less strongly** (cf. Germany) embedded in macro level **political strategies** for quality of work, productivity and growth.



Example: Finland's Workplace Development Programme

Institution: TEKES – National innovation agency

Policy focus & context: Research, deployment of actionable knowledge, capacity building for national productivity & innovation policy to increase productivity & quality of working life

Type of support: Longer term change projects, network projects for diagnosis & and methods of innovation

Eligibility: Public & private enterprises (with varying funding levels)

Role of social partners: Advisers to programme, consulted in workplace projects

Dissemination: Extensive academic & practitioner publications, website case studies, learning networks, expert forum

Annual budget: € 12 m (Ref.: 2,53 m total labour force)

Historical remarks: Programme running since 1996; integrates other smaller programmes since 2004: the *National Productivity Programme* (1993-2003) and the *Wellbeing at Work Programme* (2000-2003).

High political continuity in augmenting “qualitatively sustainable productivity growth”.

(Sources: Brödner & Latniak 2003, Totterdill 2009)



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Example: Innovative Development of Work in **Germany**

Institution: Project management agency of Federal Ministry for Education & Research

Policy focus & context: Research, creating actionable knowledge, capacity building as part of national employment policy to enhance occupational health & safety and to strengthen innovation capacity & org. performance

Type of support: Compound research projects based on thematic calls

Eligibility: Public & private enterprises in various schemes (with varying funding levels)

Role of social partners: Advisers to programme, consulted in workplace projects

Dissemination: Extensive publications & internet dissemination based on project outcomes, regular workshops & conferences, focus groups

Annual budget: € 33 m (Ref.: 41 m total labour force)

Historical remarks: Activities started in 1974 with forerunner programmes (“Humanisation of working life“, „Work & Technology R&D“ 1989-2000), yet with considerably reduced volume (50 → 33 m), present programme conceptualised as open-end “learning programme” based on regular evaluation, changing focus, rather modest impact (as compared to Finland).

(Sources: Brödner & Latniak 2003, Totterdill 2009)



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Example: ANACT in France

Institution: National agency for the improvement of working conditions

Policy focus & context: Creating actionable knowledge, stimulating change in workplaces as part of national employment policy & regional development to improve quality of working life & company efficiency

Type of support: Short diagnosis interventions, network projects, some longer term change projects, regionalised activities (since mid1980ies)

Eligibility: Predominantly SMEs & selective projects involving larger public and private enterprises

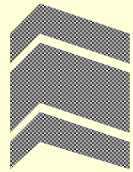
Role of social partners: Advisers to programme, consulted in workplace projects

Dissemination: Extensive reports, DVDs and other learning resources, consultants networking and training, open conferences

Annual budget: € 26 m (mixed sources) (Ref.: 28,5 m total labour force)

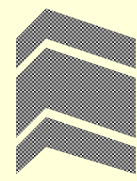
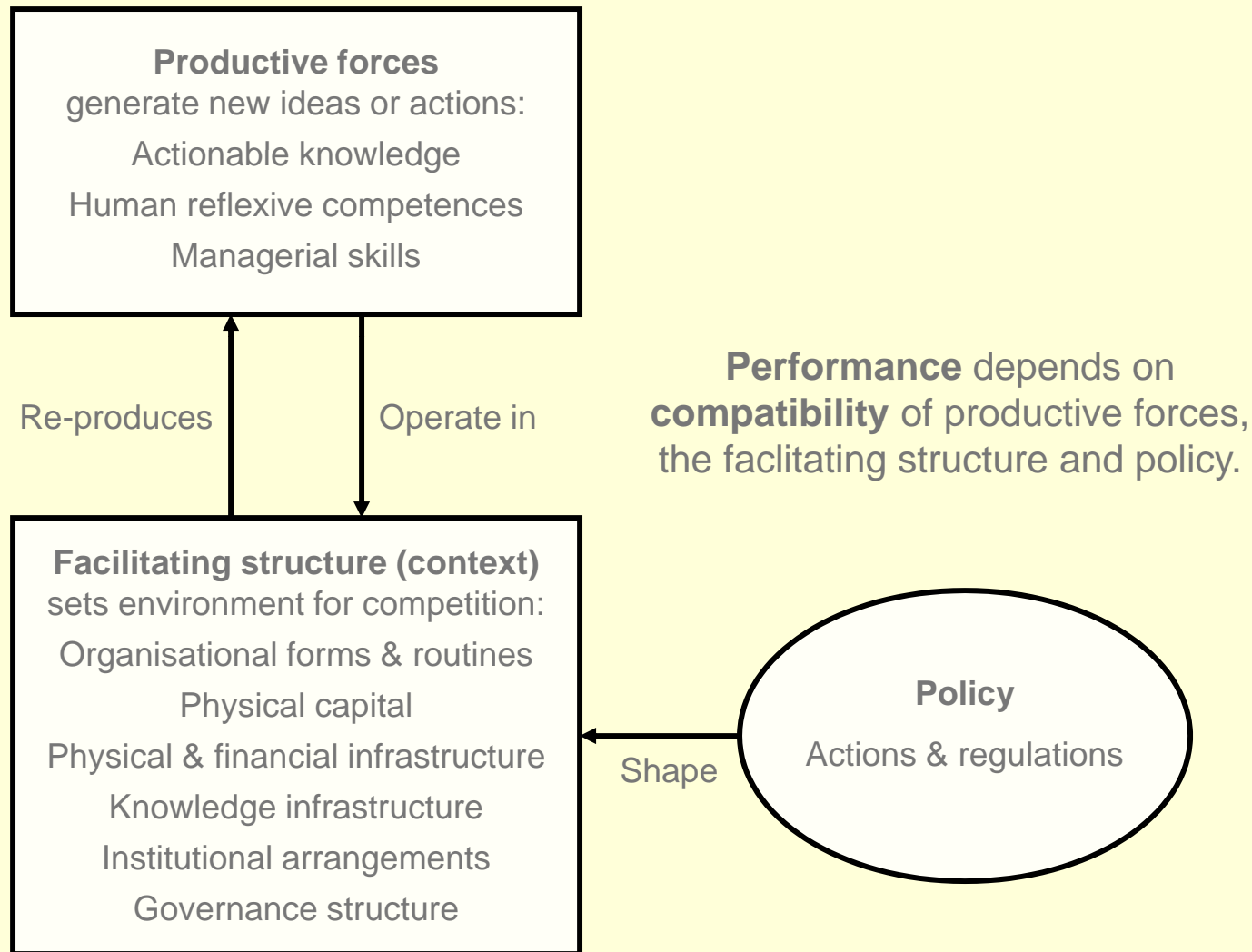
Historical remarks: Consensual long term policy since 1973 (intervention in 1982), “Ergonomics Approach to Work” as theoretical framework, all consultants receive in-house training, “Collective Action” approach used for maximum dissemination with rather high impact.

(Sources: Brödner & Latniak 2003, Totterdill 2009)



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Evolutionary view on socio-economic development



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Productivity development

Productivity index 1995 (= 100) – 2006

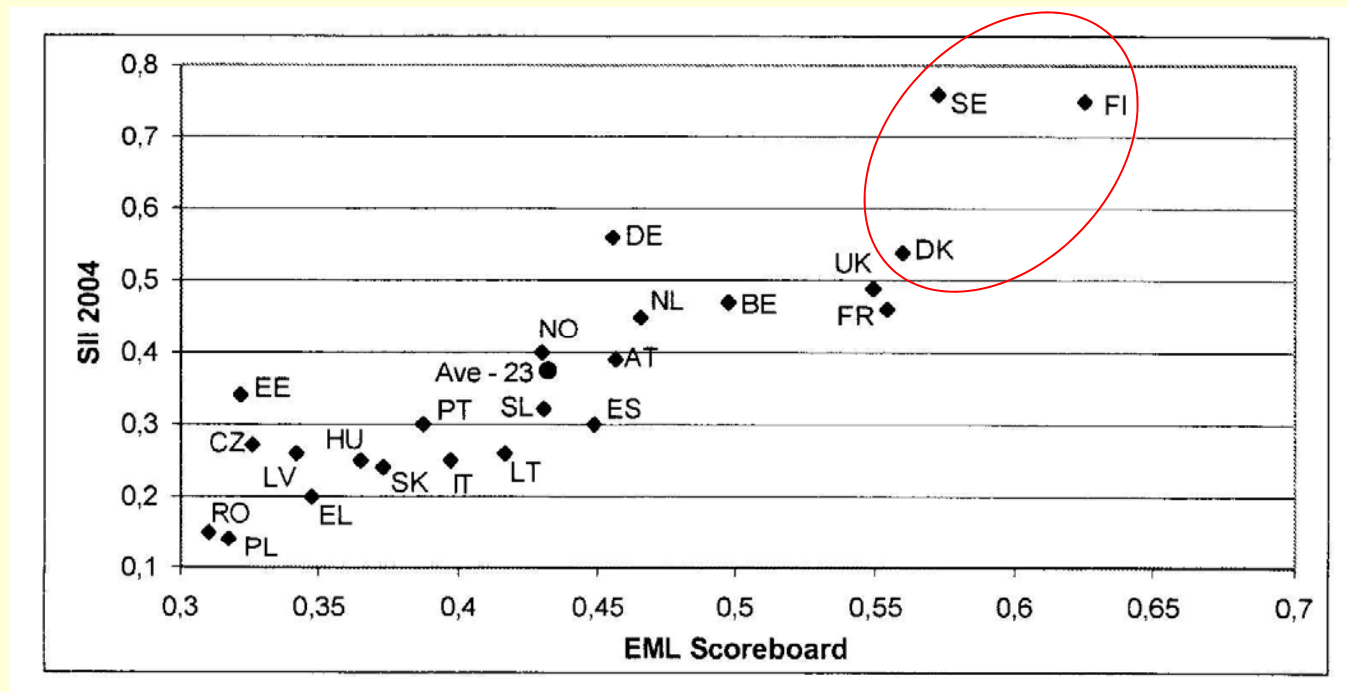
Denmark	115,0	1,3 % p.a.
Finland	129,0	2,3 % p.a.
Sweden	131,8	2,4 % p.a.
Germany	120,9	1,7 % p.a.
France	123,1	2,0 % p.a.
UK	124,9	2,1 % p.a.
EU 13	118,0	1,5 % p.a.
Japan	123,1	2,0 % p.a.
USA	128,1	2,3 % p.a.

(Source: OECD Productivity Data Base)



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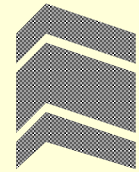
Innovation capacity: EU manufacturing capability index



SII: **European Innovation Scoreboard** summary innovation index

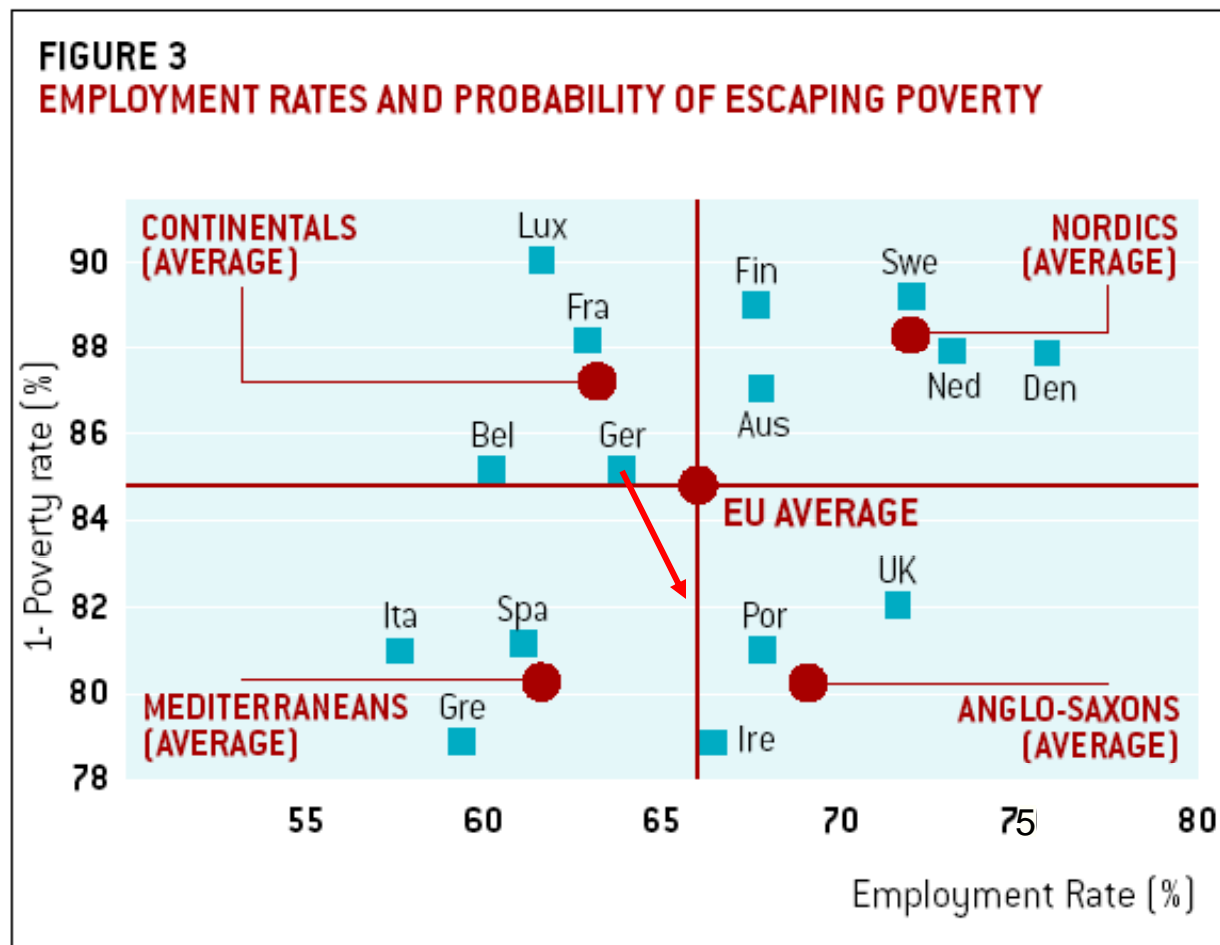
EML: Composite capability index for **European Manufacturing Landscape**

(Source: Johansson & Stanworth 2005)

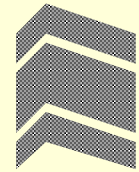


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Relative socio-economic performance (1)



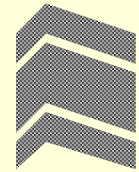
(Source: Sapir 2005)



Relative socio-economic performance (2)

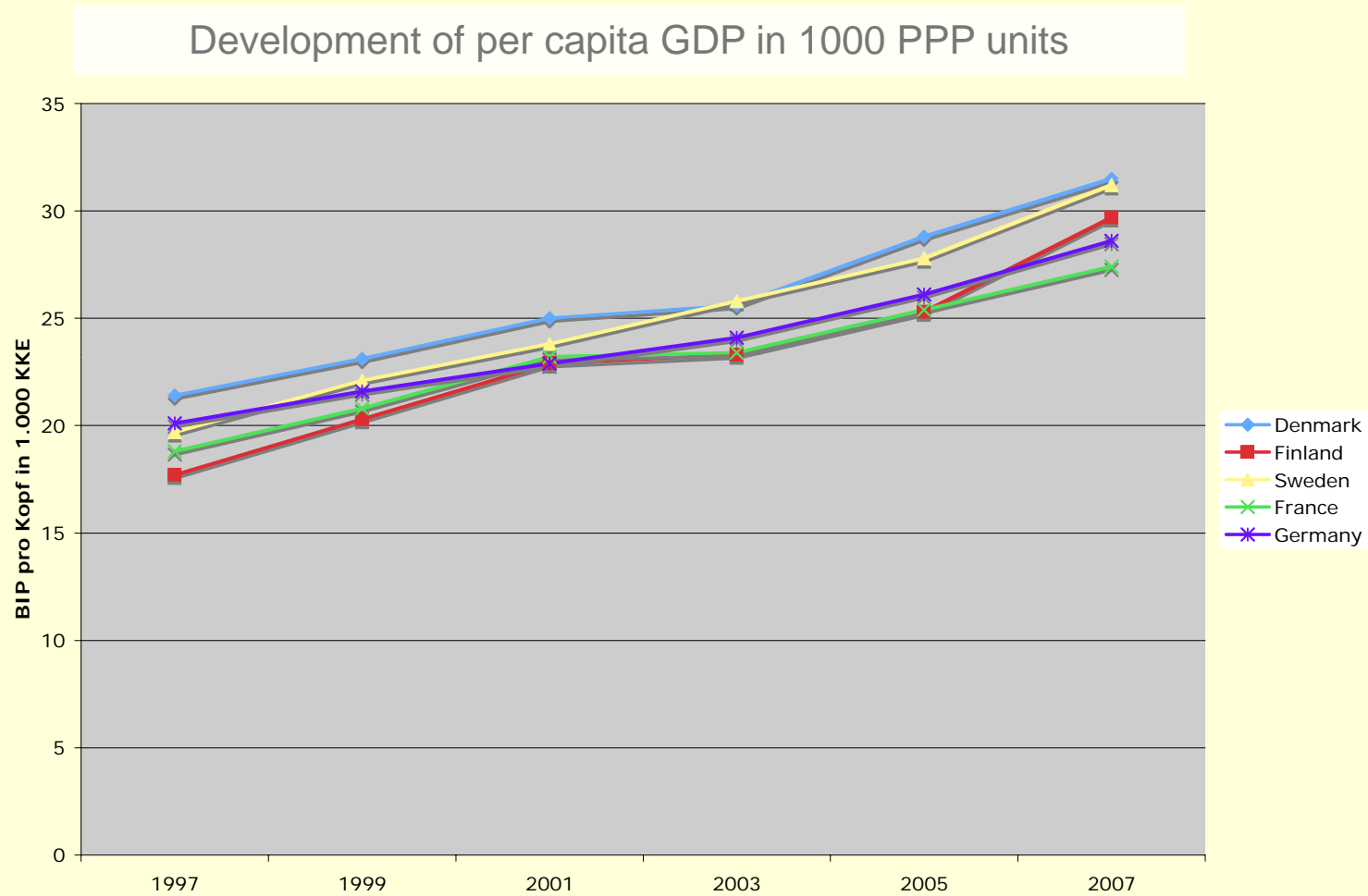
Country	Poverty	Education	Labour market	Family policy	Total ranking
Norway	1	1	1	1	1
Sweden	-	5	3	2	2
Denmark	2	12	1	2	3
Finland	3	8	7	10	4
Netherlands	-	17	4	3	7
UK	11	18	2	8	10
France	-	14	15	3	11
Germany	9	15	10	12	13
Italy	-	19	19	14	19

(Source: berlinpolis 2005)



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Relative socio-economic performance (3)



(Source: EU Economic and Financial Affairs Indicators; own calculations)



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Conclusion: **What does WI mean for socio-economic development?**

Micro-level '**high road**' **strategies** are not the only roots of socio-economic prosperity. They do, however, strongly contribute, *if embedded* in and **productively interacting** with conducive macro-level **institutional arrangements** (e.g. education, R & D, industrial relations, welfare regulations).

Following a '*triple helix model*' of generating **innovative development paths** through co-operation of companies, universities, social partners and policy makers, such grown interaction patterns of main social actors effectuate a **successful transition** from an industrial to an innovative, knowledge-intensive economy while maintaining a socially responsible welfare infrastructure.

However, real socio-economic development, after a decade, proves to be an almost complete **implementation failure** of the 'Lisbon agenda' (except for Nordic countries), with weak productivity, low income and minor quality of work. There is a wide **gap** between EU **pronouncements** and **practice**, due to

- > **confused and inconsistent** macroeconomic and social **policy**,
- > **misguided managerial practices** neglecting work organisation issues,
- > under-utilised and **wasted human resources**,
- > **insufficient innovation** capacity.



Conclusion: Necessary action

Most important and most urgent: Reflection and reconnaissance among all actors to **understand** the nature of change and the **failure of prevailing management and policy strategies** (cf. Finland versus Germany).

Agree on guidelines for a **consistent European economic development strategy** integrating macro and micro level policies based on “flexicurity” and “sustainability” principles to foster ‘high road’ development.

Organise networks for **collective learning** processes for a **cultural shift** towards human development and competence-centred management strategies (e.g. campaigns for the ‘high road’ strategy, re-invent productivity centers, build forum for economic change).

Re-direct **managerial practices, education, and training** to open the mind for a broader view of innovation processes and competence-centred strategies – more evidence-based, less mythical.

Develop and assess “**sustainable work systems**“ (Docherty et al. 2009) to enable high performance with an ageing work force and to enable work-oriented lifelong learning.



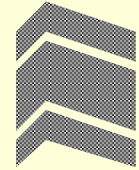
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Dynamics of **competition**



It doesn't matter so much how the winds are blowing,
but **how one sets the sails.**

How can a crew compete with a good ship, yet with disoriented navigation and command, or with maltreated and poorly trained staff?



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