

Workplace Innovation as a Source of Competitive Advantage: A Comparative Study of Development Strategies in Finland, Flanders, Ireland and Singapore

Tuomo Alasoini

Tekes – Finnish Funding Agency for Technology and Innovation
P.O.Box 69, 00101 Helsinki, Finland

This paper examines strategies to promote workplace innovation in Finland, Flanders, Ireland and Singapore in the light of Naschold's "best-practice model of workplace development strategies". A special attention is given to the issue of how the problems that weaken the social impact of strategies according to the model have been overcome in those four cases. The empirical analysis shows that all the strategies are integrated into the industrial policy framework, though three of them have their origin in the industrial relations framework. Meagre role played by research in support of development and inadequate tools to promote horizontal networking between companies are considered as the two major shortcomings of the strategies. The material was gathered between 2007 and 2008 as part of the EU-funded WORK-IN-NET project (2004-2009), with a view to reinforcing benchmarking expertise and promoting policy learning across European countries and fostering further cooperation in this area.

INTRODUCTION

The search for productivity improvements and new sources of competitive advantage has led to a growing interest among policy-makers in creating favourable conditions for workplace innovation. It is possible to make a distinction between different types of policy approaches in the promotion of workplace innovation. On the most general level, we can talk of "hard" and "soft" forms of regulation; deregulation, of course, is the third policy approach available (Forsyth *et al.* 2006; Trubek and Trubek 2005). Hard regulation refers to legislative intervention. Soft regulation, in turn, refers to non-binding, persuasive policy intervention. Hard and soft regulation can be further divided into direct and indirect forms (Figure 1). What we find, in practice, is a great variety of soft forms of regulation. A soft approach can be a useful policy option, especially in situations where the objects for change (companies) are heterogeneous, processes leading to desired changes (workplace innovations) can take different shapes and means used in the promotion of changes (the introduction of new work, organizational and managerial practices) are of sensitive nature.

<p>Hard/indirect regulation legislation which focuses indirectly on workplace innovation through changes in some other policy area (e.g. product market and labour market)</p>		<p>Hard/direct regulation legislation which focuses directly on workplace innovation (e.g. work, organizational and managerial practices)</p>
<p>Soft/indirect regulation general policy frameworks and recommendations</p>	<p>Soft/intermediate-stage regulation information on "good/best practices", and training and education to managers and employees</p>	<p>Soft/direct regulation advisory and consulting services, benchmarking tools, and grants and subsidies to companies</p>
<p>Deregulation</p>		

Figure 1. Policy options in the promotion of workplace innovation.

Workplace development programmes are a widely used soft, but direct form of regulation to facilitate workplace change. Frieder Naschold (1994) is one of the few researchers to attempt to construct a systematic comparative framework for analysing national strategies and programmes for workplace development and innovation. His model is based on a comparative analysis of six industrialized countries (Australia, Germany, Japan, Norway, Sweden and the USA). The model employs six principles that Naschold considers crucial for the social impact of national strategies and because of its comprehensive approach, regardless of some of its inherent problems (see Alasoini forthcoming), it is a rare exception among analyses of workplace development strategies.

This paper examines strategies aimed to promote workplace innovation in four countries and regions in the last few years, namely Finland, the Flemish Community and Region, the Irish Republic and the city-state of Singapore. The analysis was carried out between 2007 and 2008 as part of the WORK-IN-NET project (2004-2009) within the ERA-NET scheme, which is funded out of the European Commission's 6th Framework Programme for Research and Technological Development. The overall aim of WORK-IN-NET is to set up sustainable communication and cooperation channels in Europe between national and regional research activities in the area of work-related innovation, focusing on qualitative human resource development, corporate social responsibility and culture, and regional development alliances (Zettel 2005). The empirical material used in this study comprises an analysis of the literature and websites and interviews with the key persons involved in the implementation of the strategies (Alasoini *et al.* 2008). Characteristic of the four national and regional contexts are increased activity in this area in recent years and a comparable size in terms of the population and the economy.

This paper has two main objectives. Firstly, the paper provides an assessment of strengths and weaknesses of the strategies and similarities and differences between them by means of the framework. The paper also examines from a policy learning point of view to what extent the "newcomers" in this area have been able to overcome the problems that weaken the social impact of strategies according to the Naschold model.

The paper starts with a presentation of the model, followed by a presentation of the methodology and empirical material used in the study. Thereafter, the four national and regional strategies are shortly described and analysed. Finally, the paper discusses the observations in the light of the conceptual framework.

NASCHOLD'S MODEL

Naschold's (1994) model employs six generic principles. Firstly, Naschold argues that the strategic justification for a workplace development strategy should arise primarily from macro-level industrial policy issues rather than the industrial relations (IR) system or the R&D system. Without an adequate link with macro-level industrial policy issues and, consequently, with the strategic development goals of companies, there is a danger that workplace development could easily remain simply a way of intervening reactively with various "corrective" measures, for instance, in the problems caused by new technologies or production models. Secondly, on the programme and project level, the aim should be to attain an international/global standard, rather than settling for a national/local standard. Thirdly, Naschold argues that in development operations the aim should be indirect intervention that combines simultaneous design and process orientation and broad workplace-level participation as opposed to traditional design solutions provided by experts or centralized bargaining solutions by the social partners. According to Naschold, the division between design and process orientation should be bridged, and approaches with simultaneous design and process orientation should be deployed in a more balanced manner. The fourth principle is that the development strategy should be supported and guided by a strong and advanced development infrastructure which comprises a large number of experts. Networking between players on the micro level, instead of stand-alone development projects, is the fifth feature of the model. Horizontal networking is considered important, not only for the sake of information dissemination, but for the sake of knowledge creation too. The sixth dimension concerns the

adequacy of programme resources such as the financial budget, the number and expertise of the programme staff and the time structure, in relation to the aims of the programme.

METHODOLOGY AND EMPIRICAL MATERIAL

This paper studies programmes as embodiments of national and regional workplace development strategies. Four cases were selected for the study. Finland was an evident choice for the study, because the author has a long experience in working in Finnish programmes in this area. The object of analysis here is the Workplace Development Programme TYKES. The information on Finland predominantly derives from the interim evaluation study of the TYKES programme (Arnkil 2008) and the author's own experience-based knowledge on the programme. Flanders and Ireland were selected to the study through existing personal contacts, whereas Singapore was chosen based on a literature survey as the most fully-fledged example of an Asian country with a holistic approach to skills enhancement and promoting functional flexibility of labour (Ashton *et al.* 2003; Kuruvilla and Erickson 2002). Three programme entities – the ADVANTAGE! scheme, the People Developer framework, and the Innovation and Quality Circles programme – are taken into closer scrutiny as an illustration of the Singaporean framework. In the case of Flanders, the object of analysis is the Flanders Synergy programme and its follow-up, the Social Innovation programme. The fourth object is the Irish Workplace Innovation Fund and its broader policy framework, the National Workplace Strategy. During the course of the study, 31 persons involved in the programmes were interviewed from Flanders, Ireland and Singapore (Alasoini *et al.* 2008).

THE FOUR CASES

Finland

Finland is a sparsely populated country with 5.3 million inhabitants that has succeeded in making the transition from a raw materials-based growth pattern into a knowledge-intensive pattern within a short space of time, while also retaining its existing framework as a welfare state. According to the European Innovation Scoreboard of 2007, for example, Finland ranks among the three top performers, together with Sweden and Switzerland. However, workplace development entered the Finnish policy agenda later than in the other Nordic countries. The first publicly funded national programmes started only in 1993 and 1996, at the aftermath of a severe economic recession, as the National Productivity Programme and the Finnish Workplace Development Programme (TYKE) were launched. In 2004, the two programmes were joined together under the new six-year Finnish Workplace Development Programme (TYKES). In 2008, coordination of the TYKES programme was transferred from the Ministry of Labour to the Finnish Funding Agency for Technology and Innovation (Tekes), indicating that the policy rationale for promoting workplace innovation in Finland is increasingly shifting from the IR framework in which the social partners are the major players to a broader innovation policy framework.

The vision of the programme is that by 2009 “Finland will have a network of expertise for work organization development which creates national competitive edge and which effectively promotes qualitatively sustainable productivity growth”, i.e. productivity growth which simultaneously improves the quality of working life in a manner that also encourages employees to stay on the job for longer. The programme starts with the premise that productivity growth in Finland will depend to an increasing extent on innovations in the future, but at the same time new effort should be launched to counteract the expected fall in the supply of labour resulting from a rapid ageing of the population, which will undermine the prospects of economic growth and maintaining the preconditions for the welfare state. The programme's main forms of activity are to support projects, to disseminate information and to reinforce expertise on workplace development. The majority of projects are development projects, which start on the initiative of workplaces. The projects should aim at sustainable productivity growth, as described above, and they should be implemented in close cooperation between management and personnel. The most common targets of the projects are the development of work processes, work organization and human resource management. In

addition to development projects, TYKES also funds research-oriented method development projects and broader learning networks to foster long-term cooperation between workplaces and R&D institutes. The total number of projects in December 2008 was 977. Nearly 2/3 of funding is granted to projects in private enterprises where the focus is on growth-oriented SMEs.

TYKES projects are characterized by a diversity of development approaches and the programme in itself is dominated by a clear process orientation, as opposed to design orientation. In the projects, more emphasis is laid on the promotion of collaborative local processes than searching for ready-made "best practices". Also characteristic is that all sectors of the economy are involved in the programme and a deliberate effort is made to boost cooperation between researchers from universities and research institutes and consultants in the projects.

Flanders

The Flemish Region with its 6.1 million inhabitants refers to an administrative entity that covers the northern, Dutch-speaking part of Belgium. Together with the Flemish Community, which includes Brussels also, these two entities form a single body with its own parliament and government, which enjoys great political autonomy. Today Flanders is a considerably wealthy area in which the per capita GDP at purchasing power parity is about 20% above the European average.

In 2006 the Flemish government, under the auspices of the Minister of Work, Education and Training, started a work organization development programme, entitled as Flanders Synergy. The eighteen-month programme was funded through the European Social Fund (ESF) Agency of Flanders. As such, it was a rather small and short programme, but it signified an important breakthrough in policy thinking, indicating that for the first time in Flanders organizational innovation is accepted as a legitimate target of intervention and an integral part of the government's global innovation strategy. The programme was inspired by the new consensual atmosphere between the social partners which was embodied in the Pact of Vilvoorde of 2001. This pact contained a long-term socio-economic vision for Flanders including an ambitious target to improve the workability rate through better organization of work that supports people's wellbeing and learning opportunities at work. To monitor progress, explicit criteria and a measurement tool for workability, i.e. work that meets a certain set of standards, were developed. Flanders Synergy was one of the means to help the government and the social partners reach the target set in the pact. In 2008, the ESF Flanders started a two-year "Social Innovation" programme as a follow up, based on a request by the ministry, and the intention is to launch the third successive call for a pool of projects in 2009 under the title of "Active Labour Organization".

The strategic foundation for the programmes is to be found in the Pact of Vilvoorde, the players of the IR field being the most important stakeholders in the programmes. The thematic diversity of the 12 projects that were included in Flanders Synergy was large, ranging from new forms of work organization, job redesign and knowledge management to working conditions and occupational health and safety. The programme was based on a design-oriented approach, influenced by the workability concept and the Dutch socio-technical design school (e.g. Van Amelsvoort 2000), though the precise development targets for the projects were set by the companies themselves, in cooperation with the work councils. The projects were implemented by the companies themselves, together with a mixed number of partners, and in some cases with the help of private consultants. Universities and research institutes did not play a direct role in the projects, but the programme was indirectly supported by research data and separate research activities. A special Task Force, in which also the academia was represented, was established to monitor the projects, enable networking, boost mutual learning and stimulate long-term development in this area. In fact, the Task Force played a critical role in arranging arenas for the exchange of information ("small" and "big round tables"), mainstreaming project results, making policy recommendations and helping pave the way for the new Social Innovation programme. The new programme lasts two years, includes 16 projects, has increased financial resources and focuses more explicitly on organizational innovation. The aim is also to establish a broader supporting structure (a

competence pool) for the programme and to foster the integration of the programme into a broader innovation policy framework

Ireland

The Irish success story since the late 1980s has been supported by many intertwining factors. These include substantial foreign direct investments, building of indigenous innovation networks, an accelerated supply of well-educated young labour, and transfers from the EU. In addition, the creation of a stable macroeconomic, financial and IR environment, based on consensus that is embodied in the social partnership framework since 1987, fostered Ireland's adaptation to the conditions of international competition. Today the Irish Republic with a population of 4.3 million is one of the leading countries in terms of economic prosperity and quality of life.

In 1997, the government established a special organization, re-established four years later as the National Centre for Partnership and Performance (NCP), to support workplace change and innovation through partnership. In 2003, the government requested the NCP to establish a special "Forum on the Workplace of the Future" which resulted in the development of a National Workplace Strategy (NWS) two years later. The NWS aims to reinforce the importance of the domestic base of innovation, increase the role of workplace innovation in the national system of innovation and help Ireland become a "technology maker" instead of a "technology taker". The NWS also contains a set of characteristics of the workplace of the future. One of the 42 recommendations included in the NWS was to establish a dedicated fund to promote workplace innovation. The three-year Workplace Innovation Fund (WIF) was unveiled by the Prime Minister in 2007. The fund is administered by Enterprise Ireland, a state development agency focused on transforming the Irish industry, and it is positioned as an additional strand to another fund, the Productivity Improvement Fund (now re-established as the Growth Fund). By October 2008, the WIF had granted funding to 26 company projects. The themes of the projects range from improving management styles and introducing new HR processes to revising work arrangements and building employee commitment. The WIF funds initiatives by the social partners and national campaigns to raise awareness among Irish employers, managers and employees and their representatives too.

The NWS and the social partnership framework form the policy context for the activities. The main motivation behind the strategy is to "tickle down" the spirit of social partnership from the societal level to the enterprise level; there exists a wide gap between these two levels. The promotion of social partnership at the enterprise level is complicated by variations in corporate culture, IR that are based on voluntarism and the large number of companies that rely on immigrant labour. Enterprise Ireland has been very design-oriented in its project funding, but the WIF has introduced process-oriented elements with its emphasis on participation and social partnership. Funding by the WIF is not very inclusive; it is limited to exporting SMEs. The project criteria as such do not intentionally promote development of the R&D infrastructure. Networking between companies is promoted by conventional means such as case studies, seminars, training, evaluation studies and data banks. On the other hand, the NWS has a strong institutional infrastructure backing it up. It enjoys high-level political support, and a wide group of state agencies and labour market organizations are involved in its implementation, helping to bring about positive publicity about strategy goals and spread information on project results. The NWS is meant to be an evolving process, with no pre-determined cut-off point, indicating that workplace innovation has entered the Irish policy agenda to stay.

Singapore

The city-state of Singapore with a population of 4.6 million is today one of the most competitive countries in the world. Singapore has adopted in recent years an active, nationalist and government-led approach to workforce and workplace development as part of a wider strategy to promote a shift from an investment-driven to an innovation-driven growth pattern. The approach can be described as a mosaic made up of several inseparable and mutually supported parts.

Because of this mosaic-like character, it is not easy to describe the whole, much less its detail. In general, the approach built up for developing workforce and workplaces in Singapore can be characterized as integrated, inclusive, need- and demand-based, motivated and dynamic. Characteristic of the approach is also reliance on numerous standards for which certifications and awards are granted. For example, People Developer (PD) is a certificate of good personnel practices within a larger People Excellence concept, which is in turn part of the still broader Business Excellence framework. In the area of quality, service capability and innovation development there are similar systems. Another example of the government-led and standards-based Singaporean approach is the Innovation and Quality Circles framework, a concept developed by Singaporean authorities on the basis of the Quality Circle concept to promote innovative thinking and passion for creating new value.

The key governmental players in the area of workplace innovation are the Standards, Productivity and Innovation Board (SPRING) and the Workforce Development Agency (WFA). Both agencies administer practically oriented programmes, many of which are funded from two funds. The Skills Development Fund (SDF) that was set up in 1979 is financed out of a tax levied on companies which have low wage levels. The SDF is currently supplemented by the Lifelong Learning Endowment Fund, founded in 2001, which specifically supports various measures to increase the employability of the workforce. An example of such an initiative is the ADVANTAGE! scheme (2005-2010), which aims to encourage businesses to employ people over 40 or re-employ those over 62. Under this scheme, businesses can apply for grants for job redesign, wage restructuring, training employees and providing job placement services. ADVANTAGE!, like most other development programmes in Singapore, is designed to be a flexible and economical scheme from a business's point of view, combining different supporting elements. In May 2007, more than 400 businesses of different sizes in various sectors had taken part.

The strategic foundation for workplace development in Singapore relies strongly on industrial policy thinking at the macro level. Though the labour market organizations play a role in many measures and support them actively, no distinct agenda has arisen from the system of IR. The approach is inclusive by its nature, i.e. it strives to cover a large proportion of the workforce and businesses. This inclusiveness, however, is founded more on competitiveness thinking than on commitment to equality thinking or improving employee participation as such. The tools available clearly encourage self-regulated development of workplaces and the use of outside consultants, whereas the role of universities or research institutes is minimal. Currently, the force driving workplace development seems to be direct dialogue between government agencies and companies.

SUMMARY AND CONCLUSIONS

Table 1 summarizes the main features of the four strategies. In the following, a short assessment of each strategy will be provided in the light of the Naschold model.

The TYKES programme started within the IR framework, but it is now also increasingly integrated as part of innovation policy. The Finnish strategy includes elements of both process and design orientation; process orientation is, however, dominant, as development projects rely strongly on collaborative local processes and direct staff participation. Another difference in the Finnish strategy compared with the three others is that fostering cooperation between universities, consultants and workplaces is an explicit aim. This probably reflects the stronger role that action research plays in the Nordic countries (Aagaard Nielsen and Svensson 2006). Company-to-company networking is promoted, in addition to conventional indirect means (e.g. seminars, publications and data banks), also directly as an in-built element in the learning network projects.

Workplace development enjoys now an increasing political support in Flanders, owing to its close link to the visions laid down in the Pact of Vilvoorde. The Flanders Synergy programme (2006-2007) was a small, but well-organized initiative, which aimed to disseminate information actively, boost mutual learning between workplaces and create a sustainable supporting structure. It

contained in an elementary form many features that Naschold considered crucial. The follow-up programme “Social Innovation” (2008-2010) and the forthcoming “Active Labour Organization” will face the challenge of consolidating and further reinforcing the development infrastructure created so far and finding new ways to foster dialogue between research and development as part of programme activities.

The Irish case is especially interesting owing to its strong political backing. The Workplace Innovation Fund was unveiled in 2007 as part of a broader strategy, which forms an integrated and coherent approach to workplace development. The strategy is supported by a nationally unique social partnership framework and a strong institutional nexus of government agencies. The critical aspects of the approach adopted in Ireland, as examined through the Naschold model, concern its narrow target group (export-oriented SMEs), lack of a research element in the projects and meagre resources reserved for promoting horizontal networking between companies besides the comprehensive, but yet rather conventional, tools for disseminating “good practice”. The Irish approach can be described as an evolving process that is still at the beginning of its learning curve.

In Singapore, workforce and workplace development are an integrated part of a broader political framework for building a growth pattern based on a new kind of innovation infrastructure. Overall, the investments made in this area and the results achieved through these investments are impressive. One may, however, ask how well an approach based firmly on following standards and “best practices” will work in an environment that moves faster, is less predictable and offers less continuity. In such an environment, more constructive approaches that underline the need to learn from difference and diversity may be needed. Another important challenge in Singapore concerns the meagre, or even non-existent, role played by research in support of workplace development.

Table 1. Profiles of the four workplace development strategies in comparison.

	Finland	Flanders	Ireland	Singapore
Policy context	Originally IR, but increasingly linked to industrial policy framework through Tekes	IR, but also linked to industrial policy framework through the Pact of Vilvoorde	IR, but also linked to industrial policy framework through the NWS and Enterprise Ireland	Exclusively industrial policy framework
Orientation	National	Regional	International	International
Participation	Inclusive process-oriented approach with strong direct staff participation	Design-oriented approach with strong indirect staff participation	Exclusive design-oriented approach with medium-level staff participation	Highly inclusive and design-oriented approach with low-level staff participation
Infrastructure I=industry C=consulting U=university	Fostering I-C-U cooperation in development and researcher training are explicit aims	Focusing on I-C cooperation which is only indirectly supported by research data	Focusing on I-C cooperation which is only indirectly supported by research data	Focusing on in-firm development that is supported by consulting if needed
Horizontal networking	Direct (learning networks) and indirect (seminars, publications, data banks) support	Comprehensive indirect (round tables, seminars, publications, data banks) support	Comprehensive indirect support, also including training, case studies and campaigns	Indirect support through positive publicity given to the winning of certifications and awards
Resources	Strong in terms of funding, time structure and overall social capital in society	Still rather weak but increasing in terms of funding, time structure and institutional basis	Strong in terms of institutional basis, but rather weak in terms of funding and time structure	Strong in terms of funding, time structure and institutional basis

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