



## The Case for Workplace Innovation

Peter Totterdill, Steven Dhondt and Neil Devons

### Introduction

The way we organise our workplaces will play a vital role in the future of the European economy and its ability to compete.

A considerable body of evidence supports the proposition that workplace innovation is related in a positive and significant way to improvements in organisational performance on the one hand, and in employee well-being and engagement on the other.

Workplace innovation is fuelled by open dialogue, knowledge sharing, experimentation and learning in which diverse stakeholders (who may include employees, trade unions, managers and customers) are given a voice in the creation of new and more participative ways of working.

Successful and sustainable organisations create empowering workplace environments which enable employees at all levels to use their knowledge, competences and creativity to the full. Such workplaces are likely to include empowering job design; self-organised teamworking; structured opportunities for reflection, learning and improvement; high involvement innovation practices; the encouragement of entrepreneurial behaviour at all levels of the organisation; and employee representation in strategic decision-making.

Research and case study evidence alike demonstrate that these workplace practices are essential if employers are to secure a full return on their investments in training and technology through improvements in performance, innovation and employee engagement.

### The gap between evidence-based practice and common practice

Yet data from Eurofound demonstrates marked differences between countries in the control that employees can exercise over their work tasks, their participation in wider organisational decision-making and the likelihood that they work in a high involvement organisation. The Nordic countries (Denmark, Finland and Sweden) had the highest levels of involvement, while the Southern countries (Greece, Italy, Portugal and Spain) and the East-South countries (Bulgaria and Romania) had particularly low levels.

Job autonomy has not risen in the past decade and stimulating work did not increase during the last twenty years. The frequency of repetitive tasks has remained the same and the level of monotonous work has gone up.

**Only 47% of European workers are involved in improving work organisation or work processes in their department or enterprise. Only 47% are consulted before targets for their work are set. Of all workers, only 40% can influence the decisions that are important for their work.**

Despite all the evidence that it matters, these figures show that workplace innovation is an underused resource for European businesses and public sector organisations seeking higher levels of performance, product and service innovation, and employee engagement.

## The Evidence

### *The innovative economy*

Product and service innovation is popularly associated with R&D and ICT investment. However this association turns out to be misleading.

**A Dutch study suggests that research and technology-led activity accounts for only 25% of innovation; the remaining 75% of successful innovation is generated by changing managerial, organisational and work practices at enterprise level.**

Survey evidence suggests that such innovation is strongly associated with “active work situations”: workplaces and jobs in which workers have sufficient autonomy to control their work demands coupled to more discretionary capacity for learning and problem-solving.

### *The productive economy*

Researchers have accumulated a substantial body of evidence relating to the impact of workplace innovation practices on productivity, manufacturing quality, customer service, financial performance and profitability, and a broad array of other performance outcomes.

**One of the most significant studies, the *Employee Participation and Organisational Change (EPOC)* survey of 6000 workplaces in Europe, confirms that direct employee participation can have strong positive impacts on productivity, innovation and quality. Of firms which implemented semi-autonomous groups, 68 per cent enjoyed reductions in costs, 87 per cent reported reduced throughput times, 98 per cent improved products and services, and 85 per cent increased sales.**

**A representative sample of 398 Finnish manufacturing firms with more than 50 employees found that innovation practices such as employee involvement and labour-management cooperation are positively correlated with firm productivity. Research among 650 Dutch SMEs also indicated that companies with workplace innovation initiatives achieve higher productivity and financial results compared with other firms.**

**Another study based on 932 Dutch companies of different sizes in different private business sectors demonstrated that factors including participative and dynamic management practices, flexible organisation and smarter working lead to better performance in relation to turnover, profit, market share, innovation, productivity, reaching new clients and reputational capital.**

**Extensive Swedish surveys found a very clear link between flexible, empowering forms of work organisation and performance: flexible organisations were more productive (+20-60%), showed a much lower rate of personnel turnover (-21%), and a lower rate of absence due to illness (-24%) compared with traditionally organised operational units.**

**A review of some sixty American articles shows that the magnitude of the impact on efficiency outcomes is substantial, with performance premiums ranging between 15 percent and 30 percent for those investing in workplace innovation.**

### **High performance and good work: mutually supportive, not a trade-off**

European research shows that improvements in both the quality of working life and organisational performance can be combined successfully. As well as enhancing productivity, empowering work practices such as self-organised teamwork increase employee motivation and well-being, playing a particularly important role in reducing employee stress, enhancing job satisfaction and mental health, and improving retention.

**Critically an evaluation of 470 workplace projects undertaken in Finland between 1996 and 2005 shows that improvements in quality of working life have a strong association with improvements in economic performance, and indeed may actually enable them. Findings suggest that participation is the main driver of this convergence between economic performance employee well-being.**

**Likewise a German study examined companies in the production, trade and services service where positive improvements were made in physical workload, sickness absence, ergonomics, work organisation, safety, style of leadership, and stress management. Managers in these companies reported improved performance across a range of indicators, resulting both from a decrease in absenteeism and an increase in social and vocational competences.**

### **Conclusion**

Achieving and sustaining world-class levels of performance and innovation requires an integrated approach to investment new technologies, skills and empowering workplace practices.

Workplace innovation is not another “initiative” or just the latest management fad. It is about the systematic adoption of workplace practices, grounded in evidence, that unleash employee-led knowledge, skill and innovation at every level of the organisation.

***The Essential Fifth Element Guide shows what this means in practice.***

**euwin**, created by the EU’s Directorate General for Enterprise & Industry, is a thriving, knowledge based community dedicated to raising awareness of innovative workplace practices and to demonstrating how they can play a major role in economic recovery.

Enterprises, employers' organisations, trade unions, policymakers and researchers from more than 30 countries have all joined in the movement, delivering practical experience, academic knowledge and specialist expertise with the specific objective of improving the performance of organisations and the quality of jobs on a truly sustainable basis.

**For more information go to <http://tiny.cc/rh6juw>; to register with euwin for further briefings and invitations go to <http://portal.ukwon.eu>**

## Read more . . .

### Selected insights into the impact of workplace innovation on performance

Appelbaum, E., Bailey, T., Berg, P., Kalleberg, A.L. (2000), *Manufacturing Advantage: Why High-Performance Work Systems Pay Off*. Ithaca, NY: ILR Press.

Borrill, C., Carlette, T., Carter, A., Dawson, J., Garrod, S., Rees, A., Richards, A., Sharpiro, D., West, M., (2001) *The Effectiveness of Health Care Teams in the National Health Service*. Aston University, University of Glasgow, University of Leeds, UK.

Dhondt, S., van Gramberen, M., Keuken, F., Pot, F., Totterdill, P. & Vaas, F. (2011) *Workplace innovation*. Social Innovation Europe launch event, Brussels. Nottingham: UKWON. Available at <http://www.ukwon.net/files/kdb/211afd2b000afdc3485aa8fb0f921573.pdf>

Dortmund-Brussels Declaration (2012). Available at [www.ukwon.net/resource.php?resource\\_id=297](http://www.ukwon.net/resource.php?resource_id=297)

*Erasmus Competition and Innovation Monitor* (2009). Available at <http://www.rsm.nl/about-rsm/news/detail/1708-erasmus-competition-and-innovation-monitor-2009-companies-investing-in-social-innovation-are-ab/> (accessed 9<sup>th</sup> November 2012).

Eurofound (2012). *5th European Working Conditions Survey*. Overview report. Dublin: Eurofound.

European Foundation for the Improvement of Living and Working Conditions (1997) *Employee Participation and Organisational Change*. EPOC survey of 6000 workplaces in Europe. Dublin: European Foundation.

ITPS (2001), *Enterprises in transition: Learning strategies for increased competitiveness*, ITPS: Östersund.

Lay, G., Dreher, C. and Kinkel, S. (1996), *Neue Produktionskonzepte leisten einen Beitrag zur Sicherung des Standorts Deutschland*. ISI Produktionsinnovationserhebung Nr. 1, Fraunhofer-Institut für System- und Innovationsforschung (ISI), Karlsruhe, Germany.

NUTEK (1996) *Towards Flexible Organisations*. Stockholm: NUTEK.

OECD (2010), *Innovative Workplaces: Making Better Use of Skills within Organisations*. Paris: OECD Publishing.

Oeij, P., Dhondt, S., Kraan, K., Vergeer, R., Pot, F. Workplace innovation and its relations to performance and effects for employees. *Lifelong Learning in Europe*. [www.lline.fi/en/article/policy/oeij/workplace-innovation-and-its-relations-with-organisational-performance-and-employee-commitment](http://www.lline.fi/en/article/policy/oeij/workplace-innovation-and-its-relations-with-organisational-performance-and-employee-commitment)

Pot, F.D. (2011). Workplace innovation for better jobs and performance. *International Journal of Productivity and Performance Management*, 60 (4), 404-415.

Pot, F., Dhondt, S. & Oeij, P. (2011). Social innovation of work and employment. Paper presented at *Challenge Social Innovation: Innovating innovation by research – 100 years after Schumpeter*, Tech Gate Wissenschafts- und Technologiepark, Vienna (Austria), 19-21 September (forthcoming 2012 in: Franz, H.-W., Hochgerner, J. & Howaldt, J. (eds.), *Challenge Social Innovation*. Berlin: Springer Verlag.

Ramstad, E. (2009a), Promoting performance and the quality of working life simultaneously. *International Journal of Productivity and Performance Management*, 58 (5), 423-436.

Ramstad, E. (2009b), Developmental evaluation framework for innovation and learning networks, *Journal of Workplace Learning*, Vol.21 No.3, pp.181-197.

Totterdill, P., Cressey, P. and Exton, R. (2012), Social innovation at work: workplace innovation as a social process. In: Franz, H-W, Hochgerner, J., Howaldt, J. (eds) *Challenge Social Innovation*. Berlin: Springer (forthcoming).

Totterdill, P., Dhondt, S. and Milsome, S. (2002), *Partners at work? A report to Europe's policy makers and social partners*. Nottingham: The Work Institute. Available at <http://www.ukwon.net/files/kdb/0415f02fe854733c3d8e650791297cb0.pdf>

Totterdill, P., Exton, O., Exton, R., Sherrin, J., (2009), *Workplace Innovation in European Countries*. Report to KOWIN (Korean Ministry of Labour). Nottingham: UKWON. Available at <http://www.ukwon.net/files/kdb/Of4aebcbc007683b62ac4aff825f5219.pdf>

Volberda, H., Jansen, J., Tempelaar, M., Heij, K. (2011). Monitoren van sociale innovatie: slimmer werken, dynamisch managen en flexibel organiseren. [Monitoring of social innovation: smarter work, dynamic management and flexible organising.] *Tijdschrift voor HRM*, 1, 85-110.