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Title:

Regional innovation policy reinforces the workplace innovation capacity of SMEs companies

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Abstract:

Between 2009 and 2013 a project has been executed in the Utrecht region to strengthen the workplace innovation capacity of SMEs (My Company 2.0). The participating companies were asked to fill in a questionnaire on the workplace innovation capacity of the company at two moments: at the beginning (T0) and at the end of the project (T1). The workplace innovation capacity was measured with questions about the organization (responds on changing demands in the environment), labor (employee flexibility), strategy (innovation with other companies) and market (improvement or renewal of products/services). We divided the companies (n=103) into two groups, namely companies that implemented an intervention and companies that did not. We found that the companies that received an intervention during the project had a significantly higher score with regard to the workplace innovation capacity at T1 compared to T0. The companies in which no intervention took place had a small (not significant) decrease in workplace innovation capacity between the baseline- (T0) and the post- test (T1). We also compared the data with data from a national reference population. It appeared that the companies in our study scored higher in workplace innovation capacity at both measurements (T0 and T1) than the reference population.

Introduction

Workplace innovation in SMEs at regional level is considered to be an important route for (recovery of) economic growth and (maintaining) employment. Various regional workplace innovation projects have been developed with European funds. One of these projects took place in the Utrecht region under the heading My Company 2.0.

In this paper we examine whether this Utrecht project had a positive impact on the participating companies. Our central question is: *Did the workplace innovation project My Company 2.0 strengthen the innovativeness of the participating SMEs?*

We start this paper with providing information on the concept of workplace innovation. Next we tell how the project My Company 2.0 was implemented. Then we explain the design of the survey. Subsequently the results of our analysis will be presented, including the verification of our assumption that participation in workplace innovation helps the SMEs to improve their performance. Finally, we discuss possible consequences for companies and regional innovation.

Workplace innovation

According to the Dortmund/Brussels Position Paper (2012) workplace innovation is *'a social, participatory process which shapes work organization and working life, combining their human, organizational and technological dimensions. This participatory process simultaneously results in improved organizational performance and enhanced quality of working life.* A technical innovation, for example, can only be successfully embedded when the people at the workplace know how they can take full advantage of it. My Company 2.0 therefore focuses on the role of the employee, because SMEs on the one hand are very dependent on the skills of employees, but on the other hand SMEs often lack policies in the field of human resources or a personnel department, due to their small size. Modern labor relations and flexibility play an important role in this project, based on the notion that the innovative capacity is served by flexible labor relations (Volberda & Bosma, 2011; Pot et al, 2012).

My Company 2.0: workplace innovation for SMEs in the Utrecht region

Innovation at regional level is dependent on cooperation between knowledge institutions, businesses, industry and local governments. Similarly in the Utrecht region, where the Task Force Innovation Utrecht Region (TFI), the Utrecht University of Applied Sciences (HU), Syntens, the Innovation Centre for companies, and the research organization TNO have set up the project 'My Company 2.0'. This project is financially supported by the European Regional Development Fund (ERDF).

The aim of My Company 2.0 was to contribute to innovation and growth of SMEs in the Utrecht region. The project ran from 2009 to 2012. Throughout the project, more than 400 SMEs participated in the activities of the project and in these companies the needs were mapped. They participated in more than 100 networking events, industry meetings, conferences and "work smarter pubs" for entrepreneurs and knowledge networks (Bolland et al, 2013).

The support was given by a scan and brief advice (report) to improve workplace innovation, attending workshops, training - and networking events (Breman, 2012).

Evaluation of the effects of the regional workplace innovation project

The aim of the project was that SMEs could acquire and implement the knowledge and skills of workplace innovation (Fruytier, 2008). The assumption was that at the one hand regional workplace innovation would reinforce the innovation resources of SMEs. At the other hand we had the expectation that the increased innovativeness of firms would increase performance.

Method

Almost 300 companies participated in the effect study of My Company 2.0. The impact assessment study included a baseline test (t0) and a post-test (t1), and in between a workplace innovation intervention could be implemented. For both measurements the companies were asked to fill in an online questionnaire. 103 companies took part in both measurements. The evaluation process took place in 2012-2013 (De Vroome et al, 2012; Oeij et al, 2013).

Data

The analyses are performed on the data of the 103 companies that participated in both measurements. These companies do not differ from the total population measured at t0. In 75 (of the 103) companies a workplace innovation intervention had been implemented. The SMEs of My Company 2.0 have been compared with a reference population of NEWS2010. The NEWS (National Employer Work Survey ; Oeij et al, 2011), is a biennial national employers survey research in the Netherlands, in which data are gathered by an internet questionnaire among 5.500 employers. The NEWS2010 data were collected in the fall of 2010, coincided with the data collection of My Company 2.0.

Construct workplace innovation

For the measurement of workplace innovation, we used similar scales as in the NEWS research. Workplace innovation (Oeij, Dhondt & Korver, 2011; Oeij, Klein Hesselink & Dhondt, 2012) in the NEWS is a strategic innovation in the field of organizing and/or organizational behavior and is considered as an ability of an organization. This ability includes four sources, namely *organizing smarter, flexible work, product-market improvement* and *strategic orientation*. The first two sources point to the ability to adapt the internal organization and staffing to changing circumstances, and to convert external requirements into internal conditions (e.g. based on Volberda, 1998, Goudswaard, 2003). The other two sources indicate the capacity to match goals and products/services to external demands adequately: and to confront external demands with new strategies and custom products/services (e.g. based on Jansen et al, 2006; Chesbrough et al, 2006). A more detailed description of the Workplace Innovation Construct has been added in the Appendix.

Results of the evaluation processes of My Company 2.0

First we determined whether the Utrecht SMEs that applied for a workplace innovation intervention differ from the SMEs that did not apply for such an intervention, in their capacity to be innovative at the workplace (i.e. active in the four sources of workplace innovation). Next, we investigated whether the participating SMEs from the Utrecht region differ from a the reference population (NEWS2010), by comparing how both groups scored on their workplace innovation

capacity. The national reference population group had not participated in specific innovation programs, so would be expected to have a lower workplace innovation capacity, especially at t1, than the Utrecht group who participated in the regional innovation project My Company 2.0.

Altogether 23 companies that did not apply an intervention, participated in the baseline- and the post-test. These companies are longitudinally examined using the paired t-test. The average workplace innovation capacity in this group was 83% at the baseline-test, and 74% on the post-test. This decrease of 9% in the control groups is not significant ($t(22) = 0.81, p < 0.43$).

In addition, there are 71 companies that applied an intervention and who also participated in the two tests. The workplace innovation capacity in the intervention group was 54% at t0, and 82% at t1. This increase of 28% among these 71 companies with the My Company 2.0 intervention, is highly significant ($t(70) = 4.91, p < 0.001$). Furthermore the increase in the workplace innovation capacity among the 71 intervention companies (28%) is significantly different from the corresponding decline in the workplace innovation capacity among the 23 companies that did not apply an intervention (9%, $t(92) = 3.13, p < 0.002$).

The workplace innovation capacity is compared to a corresponding group of national companies from the NEWS (2010). The capacity levels of workplace innovation in the national sample of companies were significantly lower than the corresponding score of the My Company 2.0' companies. This applies to both the control and the intervention group. However, the difference with the NEWS companies at t0 is already significant ($p < 0.001$, for the control, and $p < 0.01$ for the intervention group). Also on the post-test, the difference between the NEWS and the My Company 2.0 companies is significant ($p < 0.001$ in both groups). So despite the My Company 2.0 intervention was conducted among a group of companies with a relatively high level of workplace innovation capacity compared to the national norm group, the workplace innovation capacity increased significantly in the intervention group in My Company 2.0.

Discussion and conclusion

Investing in workplace innovation seems promising for SMEs. Companies undergoing interventions increased their workplace innovation capacity significantly.

We want to make some research comments with these results. First the response group of the Utrecht companies was limited in absolute numbers. Therefore we must be careful in drawing far-reaching conclusions, especially where it concerns the companies that didn't apply an intervention. Second, the participating SMEs were not randomly selected. There is also no clear-cut sampling frame, making generalization of the findings, for example to SMEs in the Utrecht region (or broader), impossible. Finally the My Company 2.0 companies were approached by cooperating consulting companies, who used their own network of customers. The consulting firms mainly invited SMEs who were likely to participate in My Company 2.0. It can be assumed that these companies, as they were motivated to cooperate, had already a positive attitude towards workplace innovation. This could explain the differences between the My Company 2.0 groups and the national norm group.

The workplace innovation aspects which have improved significantly are *smarter organizing* and *strategic orientation* (two elements of the workplace innovation construct). What companies seem to do (intervention) is making new plans to market and sell products and services, to interact and acquire knowledge (in this research covered under *strategy*) and to make the work more effective and efficient (covered under the *organization of the primary process*). What they achieve with these activities is organizing more workplace innovative strength in the aspects *strategic orientation* and *smarter organization* (the other two elements of the workplace innovation construct). It could indicate that these entrepreneurs consider their market strategy and the primary process as the most important turning knobs. To be able to apply an intervention, the company committed itself to have employees participate in this intervention.. This is in line with the slogan of My Company 2.0, which says "*The profit is in your people*". Cautiously, one could conclude that the social aspect of workplace innovation is essential to achieve the goal of improved competitiveness. This is consistent with our own view that workplace innovation is not an end but a means (Oeij et al, 2010: 144). My Company 2.0 shows that such a regional innovation project is not only important for companies but also for regional policy makers. It is a concrete implementation of policies, aimed at improving the (regional) innovation (Hekkert 2008:9). The companies that participated in the project and applied a workplace innovation intervention achieved predominantly positive results. This indicates that this form of regional encouragement of economy and workplace innovation is beneficial.

Arguments in favor of My Company 2.0 is the low threshold for SMEs to participate, because SMEs in general are not easy to persuade to take part in activities with uncertain short-term revenues and certainly not in economic difficult circumstances (Bolland et al, 2013) .

Entrepreneurs can learn from this project that participation in regional workplace innovation initiatives pays off. Additional information coming from the participating SMEs showed that during the project the entrepreneurs had experienced that working together with other employers and with consultants helped them to implement and achieve workplace innovation (Bolland et al, 2013).

So SME entrepreneurs learn by experimenting with co-learning and co-creating. Innovation is increasingly taking place in a form of co-creation, open innovation and co-production, which involves cooperation of different parties in innovation (Chesbrough et al, 2006). For SMEs such co-operation is very obvious, because SMEs are often lacking the knowledge and the resources to set up risky workplace innovation projects alone (Rose Brand et al, 2003; De Jong, 2005; Dekker et al, 2007).

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Appendix: The Workplace innovation construct

The workplace innovation construct consists of a series of items on a five point scale (totally agree – agree – no opinion – disagree – totally disagree)

Strategic orientation: Innovative company policy

- a. our company searches regularly for new markets, new clients
- b. our company regularly improves the products and services

Flexible work: The possibilities for employees' individual choices on behalf of flexible

- c. working hours
- d. job performance
- e. personal development and education
- f. multi job application

Applying flexible work principles: To which degree does your company apply flexibilization on:

- g: multi job application
- h: flexible working hours
- i: flexible contracts
- j: self-scheduling

Smarter organizing: In which degree is you company capable to cope with changing requirements:

- k : in our company we regularly improve the work processes
- l: in our company we combine various methods to improve work processes (e.g. combine the introduction of flexible working hours with the introduction of a new planning application)

Product market: innovative company policy

- m: our company cooperates with third parties and participates in networks
- n: our company reacts immediately on external developments
- o: our company deliberately attracts external knowledge to the internal organization