

POLICY MEASURES FOR STIMULATING WORKPLACE INNOVATION IN SMALL AND MEDIUM-SIZED ENTERPRISES IN BULGARIA

Policy Brief
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A growing body of research demonstrates that traditional measures, such as investing in research and development, are not the only means to promote innovation among small and medium-sized enterprises (SMEs). Stimulating creative thinking and the generation of new ideas among employees, as well as improving the capacity to transform these ideas into innovations, are vital for building companies' innovation potential. Workplace innovation (WPI) strengthens these capacities in businesses by influencing organisational culture and working processes in companies.

What is workplace innovation and why is it important?

Workplace innovation aims to increase the quality of working life and the motivation of employees in enterprises through introducing innovative practices in human resource management and/or work organisation. These practices are engaging and collaborative, i.e. they contribute to the collaboration and exchange of knowledge, experience and creativity among employees from different units and management levels in companies. Employees' involvement in decision-making processes (both at strategic and operational level) is a key element of WPI. These new practices empower individual employees by building their capacities as well as through providing greater autonomy and flexibility in working processes. WPI increases workers' motivation, contributes to improving the quality of working life and to the development of organisational culture which nurtures the innovation potential of companies.

WPI helps the economy to cope with an aging workforce, contributes to attracting, engaging and retaining skilled labour in the country and increases the productivity of labour as part of the knowledge-based economy. WPI improves the quality

of jobs and is associated with a better physical and mental health of employees.

Workplace innovation among SMEs in Bulgaria

According to a report by OECD¹, published in 2019, Bulgaria is among the EU countries with the lowest percentage of SMEs which have introduced WPI-like practices (less than 30%). Given the central role of SMEs for promoting the wellbeing of their employees, it is crucial to stimulate WPI among these companies.

Limited access to knowledge is one of the most significant obstacles to enhancing the innovation capacity of SMEs. According to data presented in the National Strategy for Small and Medium-Sized Enterprises 2021-2027, less than half of the managers and employees in SMEs (48.7%) participated in in-house trainings in 2019. External specialised vocational trainings were provided by 38% of the enterprises.

One of the reasons for the low level of training, provided to employees, is the limited financial resources of enterprises. Another reason is the lack of awareness among SME owners and managers about the skills and knowledge, needed to increase the productivity and innovation capacity of enterprises. The limited access to knowledge among SMEs is also exacerbated by the low level of partnerships with educational and research organisations, as well as the limited capacity to attract and retain highly qualified workers.

Recommendations

Advancing research and improving knowledge on WPI for developing effective evidence-based policies and support mechanisms in the country

¹ Lorenz, Edward, and Jonathan Potter. 2019. Workplace organisation and innovation in SMEs. OECD SME and Entrepreneurship Papers No. 17

- Better understanding of the specific needs of different SMEs (analysed by, among others, industry, size, stage of development and ownership type) is key to developing knowledge-based policies and effective support mechanisms. To achieve this, an in-depth study is needed, focusing on WPI diffusion, drivers and barriers to its implementation as well as opportunities and risks to WPI in the different groups of SMEs.
- Establishing a network of research organisations, working on the topic of workplace innovation, as well as on related types of innovation such as labour-market innovations, social innovations and organisational innovations, will encourage knowledge sharing and collaboration, aiming to advance our understanding of what different SMEs need and how to boost their innovation capacity through workplace innovation.

Raising awareness on WPI and building knowledge and skills for their implementation in SMEs

- Improving the awareness about WPI of both employees and managers of SMEs, as well as increasing the general awareness regarding the role of non-technological innovations in raising the productivity and competitiveness of enterprises, is one of the main factors for the successful dissemination of WPI among SMEs in the country.
- One way to increase WPI-related knowledge and skills of SMEs' representatives could be the development of a platform, aimed at training of staff by informing them about WPI and the relevant benefits and approaches to its implementation in the work processes of enterprises. The platform could also promote good practices among SMEs.
- Supporting pilot projects in different sectors, aiming to demonstrate the benefits of WPI for enterprises would also help draw the attention of SMEs' owners and managers to this type of practices.
- Inclusion of the topic of workplace innovation in business-oriented programmes of higher education institutions will raise the awareness about these practices among future employees and managers in enterprises and will contribute to their wider dissemination.

Supporting SMEs and other relevant organisations for implementation and promotion of WPI

- Examples of institutional support for WPI in other countries, as described in the literature, demonstrate that political commitment to the quality of workplaces and well-being at work is needed in order for these to be recognised as priority areas in the public discourse. In this regard, the national Operational Programme "Human Resources Development" is an appropriate tool for demonstrating political will and for providing financial support for WPI in the country. The draft programme for the period 2021-2027² (version 1.4, published in July 2021) emphasises the need to stimulate flexibility at workplaces in terms of working time and forms of employment in enterprises. The programme also underlines the necessity to offer flexible forms of training to promote lifelong learning opportunities for all. Workplace flexibility is a key feature of WPI. To promote quality of working life and the well-being of employees, however, it is also critical to stimulate innovative management approaches, giving greater autonomy to employees, as well as to encourage their involvement in decision-making processes of companies.
- Employers' and industry associations are best placed to provide expert support to SMEs, including consultancy, trainings and seminars on the subject, organisation of networking events and sharing of good practices. Incentives and mechanisms to support such activities need to be provided as well.
- Providing support to SMEs from all regions in the country is key for successfully promoting WPI. Companies from remote regions often remain overlooked by support initiatives for various reasons, incl. lack of information on relevant measures or lack of capacity by local support structures.
- In order to create conditions, favourable to the wider dissemination of WPI, and to improve the competitiveness of enterprises, the digital transformation is of key importance as well as the improvement of the digital skills of the workforce in SMEs.

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