

Are we *really* serious about securing enhanced productivity, through our people?

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Workplace Innovation Europe CLG

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About the Work Foundation

The Work Foundation is the leading think tank for improving work in the UK. We have been an authoritative, independent source of ideas and analysis on the labour market and the wider economy for over a hundred years.

As the pace of economic change continues to disrupt the ways we work and do business, **our mission is to support everyone in the UK to access rewarding and high-quality work and enable businesses to realise the potential of their teams.**

To do this, we engage directly with practitioners, businesses and workers, producing rigorous applied research that allows us to develop practical solutions and policy recommendations to tackle the challenges facing the world of work.

We are part of Lancaster University's Management School, and work with a range of partners and organisations across our research programmes.

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Contents

Acknowledgements	2
About the Work Foundation	2
About the Author	2
Foreword.....	5
1. Discussion.....	7
Introduction and purpose	7
Background and context	8
The UK’s problem with working practices and performance.....	8
The re-emerging workplace?.....	11
Workplace innovation: an integrative approach	12
Origins.....	12
Workplace innovation as public policy.....	14
A Case Study: Workplace Innovation in Scotland	16
The Workplace Innovation Engagement Programme.....	16
Programme Impact.....	17
Scotland’s next steps.....	18
2. Way forward & concluding thoughts.....	20
Learning from experience	20
Lessons for setting policy goals.....	20
‘What works’ in successful programme design and delivery.....	22
Towards a new paradigm of public policy production.....	23
Concluding thoughts	24
3. Annex.....	25
4. References.....	25

Foreword

This paper represents one in a series forming the Work Foundation's Centenary Provocation Papers. They were developed as part of the Work Foundation's Celebrations to mark 100 years specialising in understanding developments in the world of work. Each were produced during 2019, before the onset of the Covid-19 crisis that has engulfed countries around the globe. At the time of publication, it is still too early to say what the longer-term impacts of the crisis will be, nor how the world of work will change as a result. Nevertheless, each of the papers provide a range of invaluable perspectives on the challenges facing workers, businesses and policymakers in the UK at the end of the second decade of the 21st Century. The papers will also help to shape priorities for the Work Foundation's future work programme in the years to come.

When the Work Foundation became established as the Industrial Welfare Association, at the end of the First World War in 1918, it set out its core purpose and mission. Its goals were to:

- study the most pressing employment challenges of the day
- design schemes to support better employee welfare and working conditions for all, and
- build opportunities to exchange views and share experiences through meetings, conferences and communication activities.

Of course, the world of work has changed dramatically since then. We have more people in work than ever before, lower rates of unemployment and higher earnings. This is in part helped by improvements in labour market regulations and employment standards, such as the introduction of the National Minimum Wage and, more recently, the National Living Wage.¹ But, a focus on enhancing employment conditions for people at work is still as fundamental as it ever was. Furthermore, there are also similarities and common threads from the past that can help offer insights about the future. By drawing on what we have experienced in the labour market, this presents the potential to extract valuable practical lessons about what has or has not worked, from which we can learn. The Provocation papers have provided a unique opportunity for the Work Foundation to revisit with its partners what progress has been made to restore Good Work in a modern economy and how we can continue to demonstrate its value, in challenging inequality and driving more inclusive growth in future. In particular, we have looked at what can be done to resolve the same thorny employment issues that plagued policy-makers, practitioners and business 100 years ago to create more *Good Work for all*.

In 2019, the Work Foundation commissioned 4 papers exploring topics aligned to strategic themes around Good Work. These themes have drawn heavily on the Work Foundation's long track record and existing evidence base, but have also been shaped at the launch event for the Work Foundation's new strategy in 2016 - Shaping the Future of Good Work² and the subsequent evolving work programme³. The current debate and hence associated *call to action* has aimed to cover:

- **High performance working:** the importance of better management practices to improve productivity through people and their talents. This means exploring how to create the conditions for continuous

¹ ONS (2017) *UK Labour Market Statistics*

² <http://www.theworkfoundation.com/events/shape-the-agenda-of-good-work/>

³ <http://www.theworkfoundation.com/wf-reports/>

improvement through a more empowered workforce with an effective employee voice. Mechanisms to drive better workplace innovation across industries and key business communities have been covered by Peter Totterdill in his paper, *"Are we really serious about securing enhanced productivity through our people?"* In turn, David Coats deals specifically with issues around how to achieve a stronger worker voice in a modern economy, in his paper *"Good Work and the Worker Voice"* Collectively these papers aim to build the basis of a social movement;

- **Skills and progression:** supporting better skills development and use. Some of the current challenges here have been taken up by Paul Sisson in his paper, *Making Progress? The challenges and opportunities for increasing wage and career progression*; and
- **Equality:** growing inequality in the labour market and what can be done to encourage opportunities at work for all. Anne Green has embraced some of these issues in her paper *Spatial inequalities in Access to Good Work*.

A closer focus on each paper provides a chance to understand more fully some of the current and future challenges ahead. Peter Totterdill's paper aims to contribute to current policy debates by considering what can be done to transform working practices of more businesses in the UK in a socially responsible as well as high performing way. His paper is written at a time when many studies have attributed the productivity slowdown and productivity gap with international competitors to the 'long tail' of poorly performing businesses in the UK and, in particular, the existence of a management deficit and wide variation in management practices. As a consequence, there is a growing interest in exploring ways to improve leadership and management in more UK firms in a way that is more people-centred and can support continuous improvements and success through people. The challenge is what can be done to engage employers in significant numbers to take part and therefore achieve the scale and reach that has been elusive in the past.

Peter's paper argues that *workplace innovation* offers the kind of *integrated approach* that will effectively transform workplaces and drive future success. By drawing on evidence from Scotland and elsewhere in Europe, where they have developed and tested programmes reforming work and reshaping working practices, he provides key policy lessons to influence what's done in future. Peter emphasises the importance of *practically* enhancing working practices and improving performance for more UK businesses in a way that can make a *lasting difference* to the businesses and the communities they operate in. He discusses how workplace innovation not only drives radical and incremental technological and workplace improvements but can also *engages people, to support better skills development and use*, tackling inequality and creating a work environment that supports fairness and a healthy, happy, more empowered workforce. In a modern technologically enabled world, with a focus on efficiency, it is easy to treat people like machines, but this will only ever achieve limited success. In the context of an Industrial Strategy that provides an important over-arching economic vision for the UK, he argues the time is right to *better co-ordinate and integrate a whole-government approach*. This needs to better navigate through a fragmented landscape, working with existing recognised and valued products, and partners such as trade, professional and expert bodies, pooling resources and expertise to strengthen the *narrative for change*, and incentivise collaboration and *industry co-ordinated action* to drive a *social movement*. In turn, workplace innovation, offers an important contribution to advancing business improvement, as part of this broad approach.

Lesley Giles and Heather Carey
Associates, Work Foundation, Spring 2020

1. Discussion

Introduction and purpose

The business environment faces an unprecedented level of volatility. While Brexit dominates the news, other forces such as globalisation, the emergence of digital technologies, changing social and political climates, demographic change and environment regulation grow stronger in their influence on the future of work and business. Meanwhile the 'British disease' of poor productivity has become more pronounced.

Policymakers tend to compartmentalise these issues, addressing them in functionally separated departments and strategies. For enterprises the effect is cumulative, creating an uncertain environment. This challenges traditional thinking and drives those with more refined antennae towards new business models, in which the ability to reinvent products, services and processes almost continuously defines market positioning and competitive advantage more strongly than ever. Survival, at a time when the disappearance of household name companies is becoming an almost weekly occurrence, requires *absorptiveness* – the capacity to scan horizons for emerging innovations, market trends and competitor strategies, to assimilate diverse intelligence within the organisation as a whole, and to respond creatively.

Quality of work is gaining greater recognition. An increasingly segmented labour market imposes economic and social costs by underutilising the potential of substantial sections of the workforce, locking them into low skill, casualised employment with limited chances of progression. At the same time, *quality of working life* is also re-emerging as a focus of attention. Jobs which enable individuals to exercise choice, learn and take part in decision-making lead to intrinsic job satisfaction, psychological well-being and engagement; in turn this stimulates improved performance, innovation behaviours and also an emphasis on positive *health outcomes* (see for example Pot, 2011; Oeij et al 2017).

To date, the workplace has been an underutilised resource in addressing the UK's multiple and intertwined economic and social challenges. Productivity, innovation, skills development, the retention of older workers and mental health are all shaped by how work is organised and managed, and how organisations are structured and led. Yet the *gap between the best evidence-based good practice* and *common practice* in the workplace is large and perhaps growing. While leading companies demonstrate tangible performance gains through workforce empowerment, there is a long tail of those seemingly reluctant or unable to follow.

The concept of *workplace innovation* was developed for the European Commission in the early years of the current century as a sense-making framework that is both *action-oriented* and *grounded in evidence* (Totterdill et al, 2002, Oeij et al 2017). This paper aims to raise the profile of workplace innovation in public debates and, drawing on the recent experience from Scotland and elsewhere in Europe, to emphasise its importance in achieving key policy goals in future. Above all, the paper argues for *an integrated approach* to transforming workplace practice in the UK, arguing that policymakers and other stakeholders need to *build a social movement* to achieve common goals together.

Background and context

The UK's problem with working practices and performance

The recent revival of concern about the UK's poor productivity record began in part as a response to the country's emergence from the international financial crisis, and has since been amplified by the prospect of Brexit. While much of the policy debate at national level has largely focused on the infrastructural drivers of productivity, serious questions can be raised about the structure of the UK's economy and labour market.

Concern about UK productivity stretches back until at least the 1930s (Broadberry and Crafts, 1992), though without reaching lasting solutions. Since 2008 an annual growth in productivity of just 0.2 per cent has widened the gap with other OECD countries in key services as well as in manufacturing (Financial Times, 2018). The factors thought to affect productivity are numerous, complex, and operate at different levels – from individual and firm-level practices through industry and market drivers and wider fundamentals that influence in the eco-system within which businesses operate (Haldane 2018). An extensive range of drivers have been presented in the literature to explain the ongoing productivity problem. At a macro level these include regulatory and monetary policy, tax policy, resource allocation and changes in investment in capital. Furthermore, at a firm-level the factors cover: leadership and management, technology adoption and diffusion, business support and advice and skills (eg House of Commons 2019 and McCann 2019).

With a particular emphasis on people, Sisson (2014) reviews evidence of multiple factors cited for the UK's long term 'productivity puzzle' including, amongst others, low pay and high levels of inequality, low levels of employee engagement, weaknesses in the supply and utilisation of 'intermediate skills', cost-based competitive strategies and the predominantly transactional nature of HR.

Other writers, notably UKCES (2009b, 2014), have pointed to problems with employer demand and levels of ambition, innovation and business dynamism, which in turns leads to problems with skills development and use. In particular, they have described the interaction between these factors as creating a 'low skill equilibrium' in the UK (Green, 2016; Wilson et al., 2003). Too many firms follow low cost competitive strategies requiring low skills and Tayloristic forms of work organisation. In turn there is limited room for progression within the predominantly low skilled workforce, leading to low employee aspirations and little incentive to participate in the education and training required to raise qualification and skills levels. This condition becomes self-perpetuating through interaction with societal and state institutions that reinforce the status quo. Its existence within the UK economy is evident from increasing skills polarisation in which growth in low skilled jobs matches that in high skilled jobs (Work Foundation 2016; UKCES 2014).

While there are striking contrasts between different sectoral and geographical components of the UK economy, the low skill equilibrium is given credence by several bodies of evidence. For example, studies by the UK Commission for Employment and Skills (UKCES, 2009; 2010, 2014; 2015) and LLAKES (2012 and 2017) indicate:

- *An increasing polarisation in the UK economy* with a growth in low skilled jobs in parts of the manufacturing sector, hospitality and tourism, wholesale and retail and health and social care more than matching a rise in high skilled jobs, and with this comes a persistent level of skills gaps, for which the primary cause is high turnover

- *Growing over-qualification* and a widening gap in the labour market between the number of workers with qualifications at various levels and the number of jobs that require those qualifications;
- *Increasing skills under-utilisation* with the 2017 Skills and Employment Survey reporting that 37% of workers possess qualifications that are not fully utilised in their current jobs but which would be of economic value if they could be put to better use in more demanding roles (CIPD, 2018);
- *the tendency for UK employers to require lower educational qualifications* for otherwise similar jobs than their counterparts in many other developed countries. Indeed, the UK has one of the highest demands amongst employers for only primary education;
- *the slow pace at which UK employers have adopted more people-centred high involvement working practices*, creating an unfavourable comparison with several other Northern European countries (Work Foundation 2018).

In seeking to break out of the low skills equilibrium, Wright & Sissons (2012) argue that the historic focus on supply-side skills interventions was insufficient to close the productivity gap with competitor nations. Policy attempts to create a stronger, more demand-led system in the UK came after the Leitch Review (Leitch, 2006). Alongside recommendations to enhance training and education provision, the Review led to the establishment of the UK Commission for Employment and Skills (UKCES) with a funding structure designed to be responsive to labour market needs. Its policy focus was to stimulate employer demand and ambition, as well as to shape supply in response.

UKCES was an employer-led body but included a social partnership structure representing the interests of employers and employees across the UK economy. It sought not only to make the evidence and policy case to enhance better skills development but also to improve people management and skills use. Over its 8 year history, the UKCES ran several business and industry-led initiatives (see Table 1)⁴ in an attempt to build the capacity and capability of employer engagement in the UK skills system, driving better workplace practices and performance through people in different sectors of the economy (see Annex). By working in partnership with different stakeholders and industry bodies, including Sector Skills Councils, its aim was to inspire innovation and improvements by incentivising greater employer ownership and investment in employer-led innovation and skills solutions, as well as strengthening skills development and training.

Despite its attempts to build continuity in policy and practice by establishing a long-term strategic approach across different sectors of the economy, continual changes in Government and in associated policy areas undoubtedly limited progress throughout the Commission's existence. This is evidenced most clearly by the decision to close UKCES in 2017 as well as the previous removal of core funding from the Sector Skills Councils in 2010. In short, a potentially powerful opportunity to address the significant gap between evidence-based practice associated with high performance and common practice in UK business was rejected.

⁴ See for example <https://www.gov.uk/government/collections/ukces-investment-funds>

Ignoring the evidence

Evidence about the positive impact on productivity of workplace practices based on multi-skilling, empowerment and trust has been around for a long time. To quote just one example, Swedish research shows a very clear link between participative forms of work organisation and performance: participative 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 (NUTEK, 1996). Comparable findings have been produced in the UK, Europe and the US by multiple studies since the 1940s (Totterdill, 2015).

Yet this significant and growing body of *evidence has been largely insufficient to drive widespread changes* in employers' practices or, as we have seen, sustained policy commitment from government. Successive surveys show that the *rate at which evidence-based workplace practices are being adopted by UK enterprises is persistently low*, not least in comparison with several other Northern European countries. Analysis of findings from the European Working Conditions Survey suggests that under 20% of UK workers are in 'Discretionary Learning Jobs', less than half that of countries such as Denmark and The Netherlands (Lundvall, 2014). Under 10% of employees work in self-managing teams, a basic building block of Good Work organisation, and less than 30% have a say in how their work is organised (LLAKES, 2012); More recently the Work Foundation (2018), reporting on the UK Employer Skills Survey, has highlighted that only 9% of businesses can be classified as High Performance Workplaces. Such gaps should surely be a matter of concern for UK policymakers.

The limited spread of evidence-based workplace practices can be understood in terms of several interwoven factors (Totterdill, Dhondt & Milsome, 2002; Business Decisions Limited, 2002; OECD, 2017 pp26-7) including:

- an excessive tendency to see innovation purely in terms of technology;
- co-ordination failures which inhibit partnerships and networking which supports the diffusion of insights and knowledge exchange around innovations in practices and what works and which creates low levels of awareness amongst managers, social partners and business support organisations;
- poor access to and information about robust methods, capable of supporting organisational learning and innovation;
- barriers to the market for knowledge-based business services and the absence of public forms of support;
- vocational education and training not providing relevant knowledge and skills for new work organisation.

An OECD study (2017) also points to the continuing ability of firms to *make profits on the "Low Road"* of low skill, low cost, mass production in certain markets; moreover previous choices relating to human resources, capital investment and organisational culture can hold enterprises within a *low skills trap*.

The re-emerging workplace?

The workplace is gaining a degree of prominence in UK public discourse, seen in such government-sponsored initiatives as the *Taylor Review*⁵ and *Be the Business*⁶. These follow *Engage for Success*, emerging from the 2009 publication of the MacLeod Report⁷ on employee engagement and its subsequent launch at 10 Downing Street. Engage for Success offers important lessons in how high level national government endorsement can stimulate private sector sponsorship and individual enthusiasm, creating a diverse movement that placed employee engagement firmly on the agenda for many employers. However although the Engage for Success movement has done much to promote the *strategic narrative for employee engagement*, including lessons from many organisations that claim to have achieved success, it has been unable to dramatically change employer behaviour and hence support the widespread adoption of high performance working practices. Indeed, Guest (2016) points to the *challenges of unlocking practical advice* and insights at a level of specificity that really helps employers understand what they need to do to take action and achieve results. At the same time, the validity of engagement as a valid independent variable (rather than as an outcome) is contested (see Guest, 2014 for a critical review).

Furthermore, current narratives, and existing products and tools about the workplace in the UK remain overwhelmingly fragmented. Different concepts and campaigns scream for attention momentarily before being superseded by the next initiative. In addition, whilst recommendations advocating better leadership and management are usually sensible, they are often presented at such a level of generality, without operational guidance and/or support at grassroots level. This inhibits practical take up within workplaces and fails to drive changes capable of creating any enduring impact.

In short, the renewed policy focus on Good Work is welcome but in danger of missing the point. The *overwhelming need is to build a unified narrative about the future of work and organisations*. This narrative needs to *recognise the importance of workplace practices* in contributing to diverse economic and social policy goals. It also needs to bring government departments and external actors together, alongside related policy instruments and existing products and tools, around *a single campaign for higher performance and better jobs*. Most fundamentally this needs to extend scale and reach, connecting with business communities

Be the Business

In July 2015 some of Britain's most senior business leaders came together to form the Productivity Leadership Group (PLG). Their aim was to identify practical steps to raise productivity among British businesses. In the 2016 Autumn Statement, the government announced up to £13m funding over three years to support the group's work, which has focused on improving productivity through the diffusion of best practice - including management practices and technology. In July 2017, PLG launched the 'Be the Business' campaign. This aims to help businesses across the UK benchmark their current level of productivity, access best practice advice and improve through structured management training.

To learn more about Be the Business, see: www.bethebusiness.com

⁵ <https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices>

⁶ <https://www.bethebusiness.com/>

⁷ <https://engageforsuccess.org/>

and inspiring leaders and managers to change in large numbers. In setting out a way forward, it is useful to draw upon wider thinking and practice internationally.

Workplace innovation: an integrative approach

Origins

In 2001, the European Commission requested a study to analyse evidence both from existing literature and from a broad sample of one hundred companies in six European countries, each of which was characterised by high performance and high quality of working life. The aim of the Hi-Res study (Totterdill et al, 2002) was to enable companies, policymakers and other stakeholders to *make practical sense of evidence and experience that led to win-win outcomes* in terms of economic performance and job quality.

Many different terms were emerging, including high performance workplaces, high involvement workplaces and innovative work organisation. Although terminologies might differ, all these approaches placed a premium on *employee participation and a better utilisation* of existing human talent within organisations, primarily by (re)designing the organisation of work and tasks to enable people to be more effective and creative. The shared objective was to *improve quality of working life* and *organisational performance* simultaneously. Yet these proliferating vocabularies were obscuring the real choices available to company decision-makers.

'Workplace innovation' was created by the Hi-Res study as a conceptual framework that is *coherent, evidence-based* and *action-oriented*, aimed at company decision-makers as well as policymakers and researchers. In particular, the concept highlights the ways in which specific workplace practices connect skills development and skills utilisation with business performance, employee health, the retention of older workers, and economic and social inclusion (Totterdill, 2015; Oeij et al, 2017). Hi-Res identified the defining characteristic of workplace innovation as the creation of jobs and practices that *"empower workers at every level of an organisation to use and develop their full range of knowledge, skills, experience and creativity in their day-to-day work"*, leading to high performance simultaneously with high quality of working life (Totterdill et al, 2002). It seeks to bridge the *strategic knowledge of business leaders*, the *professional and tacit knowledge of frontline employees*, and the *organisational design knowledge of experts*.

In defining workplace innovation, it is important to recognise both process and outcomes. The term describes the *participatory process of innovation* which leads to empowering workplace practices which, in turn, sustain continuing learning, reflection and innovation. Most importantly workplace innovation is an inherently *social process*, building skills and competence through creative collaboration. It leads to *self-sustaining* processes of organisational development fuelled by learning from diverse internal and external sources, and by experimentation. Thus, workplace innovation does not offer a blueprint; rather it provides

Workplace innovation is the creation of jobs and practices that *"empower workers at every level of an organisation to use and develop their full range of knowledge, skills, experience and creativity in their day-to-day work, leading both to high performance and enhanced quality of working life"*

Totterdill et al, 2002

global concepts and practices as generative resources which organisational actors contextualise *as "local theories" to fit local circumstances*. Thus, it is inherently *innovative* in that each instance is the outcome of *contextualisation* and *customisation* drawing on local knowledge, resources, cultures and institutions.

Workplace innovation is also a *systemic approach*, influenced in part by studies of failed organisational change which emphasise the role of "partial change" in undermining the introduction of empowering working practices (see, for example, Business Decisions Limited, 2002). It is also influenced by the European sociotechnical design tradition in recognising the *interdependency of organisation practices*. Other research evidence also emphasises the interdependent nature of workplace practices, and the importance of *aligning* them to form a *system of mutually reinforcing parts* (Teague, 2005). This systemic perspective has shaped the creation of *The Essential Fifth Element*⁸, an action-based framework to support practitioners in understanding and contextualising workplace innovation principles within their own organisations (Totterdill, 2015).

Table 1: The "bundles" of working practices associated with workplace innovation

Element	Indicative Practices	Associated Outcomes
Jobs and Teams	Individual discretion Job variety Constructive challenges Self-managed teams Collaboration within the team Reflective team practices	Improved workflow Enhanced quality Better productivity Cost reduction Engagement and retention Improved workforce health
Employee-Driven Innovation & Improvement	Productive reflection in teams Cross-team improvement groups Company-wide innovation events	Enhanced capacity for innovation & improvement Enhanced quality & performance Learning & development Engagement & retention Intrinsic job satisfaction
Organisational Structures, Management and Procedures	Reduced hierarchies and silos Strengths-based career structure Coaching style line management Simplified procedures	Improved workflow Cost reduction Better productivity Engagement & retention Improved workforce health
Co-Created Leadership & Employee Voice	Openness and transparency Visible leadership Delegated decision-making Representative participation	Strategic alignment Better decision-making Engagement and retention

⁸ <http://uk.ukwon.eu/the-fifth-element-new>

Building on the original Hi-Res framework, the origins of The Essential Fifth Element lie in an analysis of more than two hundred articles and case studies which found a strong association between high performance and high quality of working life on the one hand, and four bundles (or 'Elements') of working practices on the other (see Table 1). Alignment between these bundles creates synergy in the form of the 'Fifth Element', manifested in convergence between high performance and high quality of working life.

With the conceptual and evidence framework defined, it is then helpful to explore how workplace innovation has already been deployed as policy instrument in different countries by policymakers and wider stakeholders as an integrated approach to transforming workplace practice. A key intention is to explore its application and in turn the potential benefits it offers the different nations of the UK.

Workplace innovation as public policy

As a policy instrument, workplace innovation addresses diverse yet interconnected policy goals. The adoption of workplace innovation practices at enterprise levels leads to demonstrable benefits in productivity and other performance indicators including workforce skills. Improvements in intrinsic job quality also enhance workplace health, engagement and the retention of older workers.

Workplace innovation is recognised within the OECD's Innovation Strategy (OECD, 2010, 2017) and occupies an important place in EU innovation and competitiveness policy. This subsequently led to the creation of the *European Commission's Workplace Innovation Network*⁹ (EUWIN) in 2013, jointly led by TNO¹⁰ and Workplace Innovation Europe CLG¹¹. EUWIN has organised a succession of awareness-raising events in at least 15 European countries, attracting many hundreds of people in total, and in many cases creating networks of workplace innovation activists at national and regional levels. EUWIN's online Knowledge Bank is a unique source of inspiration, knowledge and learning resources, attracting more than 8000 hits per month at peak.

Workplace innovation is also embedded in national and regional programmes in Belgium, France, Germany, The Netherlands and some Nordic countries where national and regional workplace development programmes have existed for some decades (Totterdill et al, 2016). Workplace innovation programmes have also been developed in Singapore and South Korea (Alasoini, 2009).

Experience from these countries offers important lessons for European countries grappling with policy issues such as productivity and Good Work. EUWIN has played an important role in connecting policymakers across national borders as a means of *sharing experience of 'what works'* in public intervention. For example, the experience of three countries with significant experience of successful policy intervention is summarised in Table 2 below.

Analysis of the programmes in these and other countries (Totterdill et al, 2016) poses complex policy design choices, not least where interventions are being created for the first time such as in the Basque Country and Scotland. For example, there is an evident trade-off between concentrating resources on *in-depth*

⁹ http://ec.europa.eu/growth/industry/innovation/policy/workplace/index_en.htm

¹⁰ www.tno.nl

¹¹ www.workplaceinnovation.eu

interventions in a limited number of companies, or spreading the money more thinly across *broader interventions*, involving a greater numbers of enterprises. A related challenge is whether to focus on the creation of actionable knowledge through *exemplary cases* of systemic transformation or whether to support *incremental innovations* in large numbers of companies based on existing knowledge. Experience from Finland and elsewhere suggests that a combination of *action learning* and *learning network* methods can successfully combine in-depth interventions with ‘thickening the soup’ of shared knowledge. *Short interventions* such as those delivered by Anact or by agencies in regions such as North Rhine Westphalia appear successful in creating a sustainable momentum of change within beneficiary companies. However, this sustained momentum is likely to reflect wider national or regional business environments in which the knowledge and resources to support workplace innovation have become abundant.

Table 2: National and Regional Workplace Innovation Programmes across Europe

Country	Features of the Programme
<p>FINLAND</p> <p>Business Finland</p>	<p>The first workplace development programme was launched in 1996 by the Ministry of Labour; subsequent responsibility for workplace innovation was transferred to TEKES where it became an integral though distinctive part of national innovation policy. It subsequently became part of Business Finland, the national economic development agency, following a further government re-organisation. Its most recent programme, <i>Liideri - Business, Productivity and Joy [sic] at Work</i> combines action research in individual enterprises with learning networks to disseminate outcomes and promote peer-to-peer learning.</p>
<p>FRANCE</p> <p>Anact (<i>L'Agence nationale pour l'amélioration des conditions de travail</i>)</p>	<p>Anact was formed in 1973 against a backdrop of industrial relations conflict, in part a reaction against the Tayloristic forms of work organisation that predominated in French enterprises.</p> <p>Anact's Fund for the Improvement of Working Conditions (FACT) supports short-term interventions in SMEs or groups of SMEs for projects adopting a comprehensive approach to improving working conditions. It also uses learning network methods to promote wider dissemination. Anact also supports a wide range of regional interventions using diverse methodologies for different types of company.</p>
<p>GERMANY</p> <p>Federal Ministry of Education & Research</p>	<p>Since 1974 successive programmes have focused on building the innovative and adaptive capability of German companies by developing and realising human potential. There is a strong focus on action research, combining tangible benefits for beneficiary companies with wider knowledge creation.</p>

A further question for policy designers is whether workplace innovation programmes should *stand alone*, or whether workplace innovation dimensions should be *incorporated into mainstream business support* measures. The answer is probably both. For example, public programmes designed to promote the uptake

of technological innovations are unlikely to help enterprises achieve a full return on investment unless the introduction of new technologies is accompanied by workplace innovation practices that involve and empower affected employees (Brödner, 2002). Thus, effective action in some circumstances is required across business support areas. On the other hand, standalone workplace innovation programmes are seen to be highly effective in engaging companies in positive change, while at the same time creating shared knowledge and competence within a wider network of actors (Totterdill et al, 2016).

Researchers and policymakers are keen to point out that the success of these programmes cannot only be measured in narrowly quantifiable terms; rather their *effect is cumulative* in changing the mindsets of company decision-makers through education for example. Furthermore, and vitally, programme resources also *build coalitions of actors and influencers* to create a rich milieu of workplace innovation experience and resources, thus seeking to *enhance the capacity and capability of local business communities in a more enduring way*.

The potential benefits of workplace innovation as a programme for the UK can be further explored by focusing in more depth on the policy experience of a country closer to home. In the following section it will be seen that Scotland provides particularly useful insights for the UK as a whole.

A Case Study: Workplace Innovation in Scotland

In 2016 the Scottish Government joined the community of workplace innovation countries, in part learning from their experience through opportunities created by Workplace Innovation Europe CLG and EUWIN.

The devolution of certain powers from the UK to an elected Scottish Parliament has opened a different trajectory for economic development and industrial policy in Scotland. The Scottish Government's *Inclusive Growth strategy* and its *Fair Work Framework* were both grounded in a commitment to win-win-win outcomes for companies and people: high levels of economic performance, high quality of working life and a high skill equilibrium in the labour market.

Crucially, workplace innovation has been adopted as a key policy strand, supporting improvements on the *"demand-side"* within Scotland. In little more than three years, Scottish Enterprise (the country's economic development agency) has developed an extensive programme designed to raise awareness of workplace innovation through workshops and masterclasses, to provide direct support to companies implementing workplace innovation measures, and to help *build a wider ecosystem of support* for workplace innovation through its large team of specialist advisers.

The Workplace Innovation Engagement Programme

Scottish Enterprise's new portfolio included the pilot *Workplace Innovation Engagement Programme* (WIEP). Workplace Innovation Europe CLG, a not-for-profit organisation, was selected by Scottish Enterprise to deliver the programme.

The first cohort of ten companies was recruited by Scottish Enterprise in Autumn 2016, and a second cohort of nine companies entered the programme in September 2017. Both cohorts represented considerable diversity in terms of size, sector and geographical location. 'Engagement' in one form or another was cited by the majority of companies as the *principal motivation* for joining the programme, whether to support anticipated growth, manage internal restructuring, or to address a 'burning platform' created by changing

market conditions. None of the 19 companies identified improvements in specific quantifiable indicators as a motive for participation.

In some cases, participation in WIEP was the sole support mechanism for change available to the company. For the majority, WIEP played a complementary role alongside other publicly-supported programmes, including leadership development courses, organisational development reviews and training in lean methods, or in support of corporate change programmes.

Two employees were nominated by each company to participate in the programme and *act as "catalysts"* in developing and implementing workplace innovation, with support from Scottish Enterprise and the Workplace Innovation Europe team. It was intended that one participant should represent *senior management*, lending the weight of their authority to the change initiative; the other should be the leading *'change entrepreneur'*, stimulating and *steering the process on the ground*.

WIEP sought to create an evidence-based, systemic approach to workplace innovation, and combined formal learning, action learning, individual support for key personnel, and external facilitation of in-company dialogue events. The programme's structure was previously suggested by Workplace Innovation Europe from its experience of designing and delivering comparable programmes elsewhere (Sharpe & Totterdill, 1999; Totterdill, 2017). It combined *individual learning* and *competence development* with the translation of newly acquired *knowledge and skills into action* through the introduction of workplace innovation practices within the participating companies. It was also designed to maximise opportunities *for peer-to-peer knowledge exchange* and support, creating a *community of practitioners* on comparable journeys.

The conceptual framework for the programme was provided by 'The Essential Fifth Element'¹². It provided the evidence base for a Diagnostic survey and Action Plans, and shaped the content of structured learning, action learning, coaching and facilitation sessions that ran throughout the programme.

Programme Impact

Evaluation of the programme's impact on business performance presents several challenges, not least because of the paucity of reliable and relevant 'before and after' performance measures at company level. While productivity is an understandable priority for policymakers, none of the 19 companies measured it directly nor were there readily identifiable surrogate indicators. A second, and equally challenging problem, is that of attributing changes in specific indicators to the programme itself. For example, Company D achieved a £1.4m turnaround on profit without additional investment through increased volume and efficiency, entirely attributed by management to enhanced engagement and behaviour change. Yet this transformation had already started before WIEP, and there is no ready way of attributing a specific share of £1.4m to the programme.

Reports from participants during the programme sessions, anonymous survey responses and post project interviews show that each company participating in the programme made *significant process improvements* attributable wholly or in substantial part to WIEP. These improvements led to faster throughput time, greater efficiency, more effective problem solving, enhanced competencies and/or greater capacity for innovation. In several cases, silo working has been reduced by enhanced collaboration between functional departments,

¹² <http://uk.ukwon.eu/the-fifth-element-new>

leading to less bureaucracy and fewer conflicts or delays. By empowering teams, time previously spent on micro-management is freed up, leading to greater agility and speed of response. Each of the companies also instigated mechanisms for stimulating and utilising employee ideas for product, service or process innovation, unleashing the potential for further wealth generation well into the future.

While few of the companies have quantified the *economic benefits* of these improvements, examples include:

- the reduction of throughput time at Company E by nearly a third;
- the savings of £100k on a single improvement project at Company F;
- the resolution of a business-critical problem at Company I;
- the profit uplift in teams at Company R.

Each of the companies reported *improved levels of engagement*, validated in several by their internal engagement survey results as well as by our interviews. This is likely to be reflected in better mental and physical health, the retention of older workers and enhanced skills development for younger employees.

Multiplier effects can also be added to the assessment of impact. For those companies on a 'burning platform', these financial gains will help to protect existing jobs. Elsewhere, enhanced innovation capacity or improved competitive advantage is likely to stimulate further job growth.

WIEP was designed specifically to enhance the *competence of individual participants* in terms of management and leadership skills, change facilitation and knowledge of workplace innovation, as well as to support them and their companies in introducing new working practices. *Individual learning journeys* were therefore important in securing wider outcomes for each company. The importance of this is not limited to the individual alone; rather it reflects their continuing ability to drive positive changes forward in their companies. Over time, WIEP alumni will become an important asset for the future of the Scottish economy.

Sustainability of change and the avoidance of innovation decay lies at the heart of *The Essential Fifth Element* approach with its emphasis on the *interdependent practices* that can ensure the success or failure of changes. Each company considers that it has built a *sustainable momentum of change* through WIEP, though some recognise the need for further support especially those faced with adverse trading circumstances.

Finally, in evaluating the impact of WIEP it is also important to consider the costs of participation for the companies concerned. For most participants, WIEP involved a commitment of 8.5 days away from the workplace plus an estimated 4 – 8 hours on the Fresh Thinking Labs platform. This would be a substantial commitment for a conventional leadership course in which there was only an indirect impact on the business. WIEP, however, offered *a triple helix of benefits*: personal development, practical support for workplace change and peer-to-peer network building.

Scotland's next steps

The Scottish Government is articulating a distinctive vision for the future of the country's economy, embedding workplace innovation within national policy frameworks, with a clear focus on win-win-win outcomes for business, employees and society. Scotland leads the rest of the UK in recognising the significance of workplace innovation for the achievement of national economic and social policy goals and is already demonstrating its potential to make a significant economic and social impact.

Scotland's Fair Work Framework¹³, created by a government-sponsored commission in 2016 and currently reflected in the Scottish Government's Fair Work Action Plan¹⁴ offers a *strong statement of values as a basis for collective action* by public agencies, employers, trade unions and other actors. The Framework's five dimensions (Effective Voice, Opportunity, Security, Fulfilment, Respect) touch on certain workplace innovation practices while blending them with baseline HR practices such as the living wage and measures to promote equality and diversity in the workplace.

While these five dimensions offer a rallying cry for key stakeholders in Scotland's political milieu, their potential impact at enterprise level is much less clear. Enterprises whose business models are locked into low skill, low wage, low security modes are unlikely to be swayed, On the other hand, those who have already established constructive employment relations and sound HR policies will question the campaigning emphasis on basic 'Fair Work' practices and look for focused support to move to the next level. In short, there is a need for *bespoke messages targeted at different company pathways* rather than a blurred one-size-fits-all approach. (The same challenge can also be said to apply both to the Taylor Report's Good Work agenda and Government's associated Good Work Plan in England and the Fair Work Commission in Wales).

Coinciding with the third anniversary of the formation of Scottish Enterprise's Workplace Innovation Specialist team, the Government's Enterprise & Skills Strategic Board published its review of business support services in Scotland, setting as a principal goal its commitment to drive forward further improvements within workplaces (see Box)¹⁵

Yet the consistency of language advocated at the beginning of this paper remains elusive, demonstrated by the varied terminologies deployed throughout the Board's report. Despite its explicit commitment to promoting workplace innovation, the Board has yet to acknowledge its potential as a unifying and cohesive narrative.

"The Strategic Board will harness the full potential of progressive business models, workplace innovation and Fair Work to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive."

Scottish Government

A wider concern is that the Enterprise & Skills Strategic Board's review largely limits its focus to the internal workings of the public sector. There is welcome emphasis on cross-agency working and the creation of common pathways for supported businesses. Yet the review skims over the nature of the public sector relationship with external stakeholders and actors, and ignores the potential for building a wider social movement to drive workplace innovation. Enterprise-level support for workplace innovation (including programmes such as WIEP) is typically delivered by external providers who compete against each other for contracts offered by Scottish Enterprise and other agencies. As discussed below, this fragments expert communities, weakens their relationship with policymakers and risks the dilution of workplace innovation as a systemic and evidence-based concept.

¹³ <https://www.fairworkconvention.scot/the-fair-work-framework/>

¹⁴ <https://economicactionplan.mygov.scot/fair-work/>

¹⁵ <https://www.gov.scot/publications/working-collaboratively-better-scotland/pages/2/>

2. Way forward & concluding thoughts

Learning from experience

Scotland's engagement with workplace innovation has generated important insights, yet is still at an early stage. It is therefore timely to assess achievements and challenges and wider lessons from Europe, in drawing our future implications for how to proceed both at UK level and for emerging local industrial strategies in, for example, the West Midlands¹⁶ and Greater Manchester¹⁷.

In doing so, we can build on the rich strand of analysis and engagement represented in the work of the UK Commission for Employment & Skills¹⁸ (UKCES) from 2008-16, some of which has been referenced above. In addition to a range of employer-led initiatives, some of which sought to drive the dissemination of workplace innovation practices, UKCES demonstrated the importance of a collaborative arena for dialogue, experimentation and collaboration. The absence of such an arena makes it much harder to identify how an integrated approach to shaping the future of work can be formulated.

It is helpful in assimilating experiences from Scotland and elsewhere in Europe to adopt a triple layer approach (Argyris and Schön, 1974; Flood and Room, 1996). The following sections capture: (1) insights into policy goals and objectives (2) practical lessons for programme design and delivery; and (3) challenges to the structural framework within which policies are designed and delivered.

Lessons for setting policy goals

Workplace innovation as a unifying narrative

The concept of 'workplace innovation' was created by the Hi-Res study as a unifying, evidence-based and action-oriented framework for organisational practices based on employee participation and better utilisation of existing human talent.

In the UK, the four-decade-long absence of effective social dialogue and wider stakeholder engagement has limited the possibility for national consensus about the nature of Good Work or good workplaces. Yet rather than leave a vacuum, this policy lacuna has led to a proliferation of competing models, propositions and brands driven by public agencies, advocacy groups and consultants. Practitioners can be forgiven if they find this landscape confusing, not least in the absence of roadmaps to show how, or if, each approach relates either to its competitors or to sound evidence. How are company decision-makers to reach informed choices when governments and other stakeholders can't forge a unified perspective? The challenge to *Be the Business* and other new entrants to the workplace agenda is to avoid creating yet more brands. Rather, they should focus on how they can add value through collaboration,

¹⁶ <https://www.wmca.org.uk/what-we-do/industrial-strategy/>

¹⁷ <https://www.greatermanchester-ca.gov.uk/what-we-do/economy/greater-manchesters-local-industrial-strategy/>

¹⁸ <https://www.gov.uk/government/organisations/uk-commission-for-employment-and-skills>

putting the spotlight on good practice, connecting the dots and supporting better navigation through a fragmented landscape; this means working with existing recognised and valued products, and partners such as trade, professional and expert bodies. Recognising and endorsing *core signature business programmes, guidance and tools*, and providing a product and programme *endorsement for quality*, will be crucial in over-coming market failures, securing general business take up and building a wider social movement for change.

While some might argue that workplace innovation adds to the cacophony, there is a stronger argument for its role as an integrative concept, testing other approaches against its own strong evidence base and embracing those that emerge as both robust and systemic. Moreover, workplace innovation brings together different policy agendas from productivity and innovation to workplace mental health and the retention of older workers. As such it is compatible with current policy attempts to drive forward a more strategic, integrated, whole-government approach through the Industrial Strategy.

At the same time, an emerging challenge arising from the wider spread of workplace innovation policies and measures at national and regional levels is that of *maintaining the integrity of the core central concepts*, alongside other reputable business products and tools. There is worrying potential for ill-informed policymakers and opportunistic consultants to offer simplistic solutions, with the offer of “quick wins” which erode the focus of reputable business products, like workplace innovation, which place a defining insistence on practices derived from solid evidence. EUWIN has begun to establish international collaboration between policymakers and researchers designed to build a common understanding of workplace innovation’s parameters, and accredit the use of the term accordingly.

Workplace innovation remains an evolving concept, and remaining so will be part of its continuing strength by avoiding formulaic prescription and dogma. It can only be enhanced by engaging stakeholders such as employers, trade unions and other actors through dialogue and by building social capital through knowledge-sharing networks and collaborative interventions. In this it shares with other similar albeit complementary products such as Productivity Through People.

Workplace innovation: creating synergies between human and digital potential

The need for a clear narrative is becoming even more urgent with the rapid emergence of digital technologies and their widely anticipated impact on work and organisations. Digital technologies have the potential to remove repetitive and unhealthy work, releasing frontline employees and managers for higher value activities including enhanced customer service, devolved planning and decision-making, maintenance, and continuous improvement.

Case examples show contrasting approaches to digitalisation with very different consequences for employees. In the ‘low road’ approach, operators are marginalised and their skills devalued, while control of the technology migrates to a highly paid technical stratum or to expensive external consultants. Operational departments become dependent on others for adaptations, improvements, bug-fixing and even routine maintenance, usually at significant cost to their budgets and diminishing their capacity for learning and future innovation. History suggests that low road approaches rarely secure a full return on investment for companies and can lead to expensive errors (Kopp et al, 2019).

The ‘high road’, on the other hand, configures technology to decentralise control to operators and stimulate (formal and informal) knowledge acquisition and experiential learning. Frontline workers gain enhanced job autonomy and

span of control, creating conditions for employee-driven innovation and improvement. Distributed information and delegated decision-making also facilitate the creation of flatter organisational structures.

Workplace innovation provides both the preconditions for the successful design and implementation of digital technologies and the means by which companies can achieve the best possible synergies between human and digital potential. Much of the “digital readiness” support offered by public agencies in the UK pays little attention to the human and organisational factors which provide a significant condition for successful technological investment, and a workplace innovation perspective can play a valuable role in filling such a major gap.

‘What works’ in successful programme design and delivery

Scotland’s WIEP initiative reinforces and elaborates many findings from previous studies (notably Work Foundation, 2018; UKCES, 2016) that have helped build a knowledge base for the design and delivery of intervention measures to support workplace change. WIEP’s experience draws particular attention to the following:

- *Target participants at the right level.* Programmes need to be sensitive to the unique configurations of influence and authority within each participating company. In some, middle managers will lead the change process and facilitate effective channels of communication to senior management. In others, effective change agents can include employee representatives, emerging leaders or simply people with a passion to see change happen. Elsewhere again, senior leaders themselves may be the right choice for participation in programmes, especially in smaller companies.
- *Blend competence development with workplace innovation.* Programmes should help individual programme participants to build the knowledge, skills and personal attributes required to stimulate, resource and sustain change. At the same time, the test of effectiveness lies in how these competencies are translated into effective and sustainable change within participants’ own organisations. In short, “there can be no learning without action and no action without learning” (Revens, 1998, p. 83).
- *Combine multiple learning modes.* Text, film, personal stories, individual coaching and group dialogue can combine to create a mutually reinforcing learning milieu, recognising that many participants will respond more effectively to some stimuli than to others.
- *Embed peer-to-peer learning and support.* Participants consistently cite exchanges of experience and peer support as one of the most important resources offered by programmes such as WIEP, whether through action learning sets or as a result of company-hosted ‘critical friend’ visits.
- *Establish a systemic view of change.* The concept of workplace innovation focuses on bundles of interdependent practices that must be aligned with the proposed changes in order to ensure their success and sustainability. Non-alignment will create ‘antibodies’ that erode individual changes and lead to ‘innovation decay’. The Workplace Innovation Diagnostic® is one tool designed to provide companies with a systemic perspective on the achievement of successful change from the outset of the process.
- *Create a relatively intensive momentum of change.* A structured programme of workshops and action learning helps to build and maintain a consistent level of activity. Monthly events that bring the whole cohort together builds pressure on participants to demonstrate progress to their peers, and the momentum of change is further supported by online activity and individual coaching between sessions.
- *Create a sustainable momentum of change.* Workplace innovation is never complete but leads to a continuing process of learning and development based on aspirations that grow with each success. Creating such a

momentum is often the true test of a programme's effectiveness. This can be sustained beyond the life of a programme by continued peer-to-peer exchanges within learning networks that evolve over time.

- *Capture and disseminate generalisable knowledge and experience created by programmes.* As an international movement, workplace innovation has been fuelled by shared learning and mutual support, especially through EUWIN. Programmes generate knowledge and experience that belong within the public sphere by means of publications and peer-to-peer networks, challenging established practitioners with fresh thinking and supporting new entrants to intervention.

Towards a new paradigm of public policy production

Transforming public organisations through workplace innovation

Can public agencies in Europe be effective in stimulating and resourcing workplace innovation when they are not applying its principles to their own organisations? A company manager might well be justified in asking a public agency "if it's so good, why aren't you doing it yourself?" Responses to this question sometimes take the position that the public sector is an exception because of its need for political accountability, but this argument stands up to little scrutiny given that the hierarchical and functionally divided nature of government does little to promote effectiveness in dealing with real-world issues. The answer to the manager's question is more likely to lie in ideology and the dead weight of tradition.

The idea that innovative and collaborative public policies can be introduced successfully without changing the structure and culture of governmental institutions themselves is fraught with difficulty. To fulfil its role as an effective partner for external stakeholders in stimulating, resourcing and sustaining workplace innovation, *a public agency must ensure that its internal culture, processes and work organisation empower staff* at every level to experiment and become more like entrepreneurs, working in the spaces between formal structures, building partnerships and mobilising stakeholders around creative and inclusive ways of working.

From public policy to social movement

As in the Nordic countries and elsewhere, Scotland has begun to embrace a vision for work which has far reaching consequences. At its most aspirational, this is about the *collective power of society coming together for a shared purpose* – enhanced prosperity, healthy workplaces as focal points for individual learning and development, and a more inclusive society. It means challenging established norms and changing the mindsets of enterprise-level decision-makers. Yet, while recognising the importance of mobilising diverse sources of power and influence in achieving its economic and social vision, Scotland is only beginning to discover what this means in practice.

In attempting to deliver such a vision, the state has to deal with the great complexity of actors and levels. Its actions must embrace this diversity, operating within and across myriad interfaces, networks and micro groupings. Policymakers must recognise that there are *multiple sources and forms of power already available in society* that can be brought to bear on a public issue or goal such as the transformation of work and workplace practices. They should therefore strive to empower and rely on those best-positioned to act on such a public issue, moving beyond uniform contractual relationships. In our view, this requires structural changes to governmental culture and practice in many countries (Totterdill et al, 2016).

A central issue is that of *building strategic partnerships with public and private stakeholders* based on shared long-term goals, objectives and metrics. In practice key stakeholders are often reduced to the status of 'suppliers' by rigid public sector procurement policies. Competitive tendering was designed to ensure 'best value' through competition

but can very easily have the effect of setting potential collaborators against each other, rather than making common cause in pursuit of strategic policy goals. This characterises many stakeholder relationships with public sector agencies across the UK.

In an earlier report¹⁹ on social innovation in Europe, (Totterdill et al, 2016), we argued that:

Public policy is excessively focused on:

- *short-term funding*, reflecting electoral cycles and the perceived need to demonstrate immediate results;
- *quantifiable outcomes* which are relatively easy to measure in demonstrating impact;
- *political fashion* rather than focusing on evidence-based practice;
- *anticipated media reaction*.

The result is:

- *failure to achieve 'landscape change'* via successive short-term initiatives with little cumulative impact;
- *limited impact on capacity building in stakeholder organisations* because quantifiable deliverables neglect the need to strengthen competencies, knowledge and renewal mechanisms required for sustainability;
- *the suppression of enterprising behaviour by public sector staff*, often linked to a blame culture, and both tacit and explicit incentives to maintain established practices;
- *transactional rather than transformational relationships between public agencies and other key actors* because the funding relationship leads to an unequal distribution of power and the dominance of contract compliance as the principal focus for interaction;
- *few spaces for innovation* because competitive procurement processes encourage bidders to pursue established approaches, resulting in *conservative interventions*.

Governments need to *embrace power sharing* if they wish to *mobilise the collective power* of stakeholders in shaping the future of work. Resources should be focused on *inclusive, multi-stakeholder dialogue, building strategic coalitions* and *creating collaborative programmes* based on the strength of each actor. Norwegian regional and workplace development programmes, for example, begin interventions with dialogue conferences involving key stakeholders and leading to the creation of inclusive coalitions focused on tackling agreed issues of strategic significance (Ennals et al, 2007), thereby building coalitions based on the specific strengths contributed

Concluding thoughts

Workplace innovation is a powerful but under-utilised resource for achieving diverse economic and social policy goals in the UK. It seems reasonable to argue that workplace innovation warrants the attention of the UK government in addressing the country's deep-seated economic challenges. Its task is surely to unleash the collective power of stakeholders, building a movement capable of reshaping work and workplaces around a shared understanding of 'what works' and grounded in workplace innovation as a unified narrative. This means it has the potential to bring together and to evolve existing recognised and valued products,

¹⁹ Whilst this critique was written in the context of public policies for social innovation, the core messages resonate well with the focus of the current paper.

core signature business programmes, guidance and tools, and partners such as trade, professional and expert bodies seeking to advance the workplace agenda and working practices.

Experiences from Scotland and elsewhere in Europe offer important and positive lessons for the UK government in its fragmented attempts to understand and create an industrial strategy. Many Scottish companies are gaining a unique advantage compared with their English and Welsh counterparts through the country's workplace innovation programmes. In contrast, emergent local industrial strategies in areas such as the West Midlands appear in urgent need of a unifying organisational concept that glues together disparate "foundations of productivity" such as "Ideas", "People" and "Business Environment" at enterprise level.

Scotland also illustrates the difficulty of attempting landscape change in the business environment from within deeply constraining government and governance structures. Such constraints are echoed, and indeed magnified at EU level. The European Commission's commitment to the active promotion of positive workplace change has waxed and waned repeatedly in the last three decades, and has never achieved a joined up approach that embraces the different Directorates responsible for employment, economic growth, innovation and research. EUWIN itself is now funded by an international consortium of partners without financial support from the Commission which, while showing how short-term policy intervention can lead to sustainable innovation, also reflects policy volatility. There is a pressing need for enhanced and sustained EU intervention to encourage and support policy developments across the large areas of Europe in which workplace innovation remains relatively unknown.

The UK's newly emergent focus on the workplace, exemplified by the Taylor report, will lose momentum if it fails to mobilise a wide coalition of public and non-public sector actors around a single coherent narrative. The Industrial Strategy provides an important over-arching vision and basis to better co-ordinate and integrate a whole government approach, strengthening collaboration in key areas, including around business enterprise, management, skills and employment, nationally and locally. This paper has argued that workplace innovation, an internationally recognised, evidence-based and practically oriented approach for business improvement, provides a uniquely powerful framework for driving industry collaboration and a social movement, as part of this broad approach. Achieving such a movement requires a new commitment to inclusive stakeholder dialogue, strategic partnerships and co-ordinated action.

3. Annex

The UKCES was established following recommendations within the Leitch Review in 2008. It was a Non-Departmental Body which was industry-led, with a Board of Commissioners representing the interests of employers and employees across the economy, and seeking to work independently of Government to enhance the skills and employment system. It operated across the UK with sponsoring ministries including: HM Treasury; the Department for Business Innovation and Skills; the Department of Education; the Department for Work and Pensions; Welsh Government; Scottish Government and the Northern Ireland Assembly. It ran several business and industry-led initiatives²⁰ in an attempt to build the capacity and capability of employer engagement in the UK skills system, driving better workplace practices and performance through people in different sectors of the economy. By working in partnership with different stakeholders and industry bodies, including Sector Skills Councils, its aim was to inspire employer-led innovation. Some examples of its initiative are provided in the Table below

Table 3 - Examples of Employer-led Initiatives Run by the UKCES

Employer-led Initiatives

With concerns about a “long tail of low skills” in the UK economy the UK Government established the UK Commission for Employment and Skills (UKCES) in 2008. It was led by a team of Commissioners, including large and small employers across a wide range of sectors, and representatives from trade unions and government. Its role was to incentivise investment across the UK economy as much around raising employer ambition, and stimulating employer demand, as on enhancing skills supply and work-based development and training. From 2008 to 2017, it implemented different initiatives testing a range of financial and non-financial policy measures and practices, co-designed with employers to enhance employer engagement and support collaborative approaches. A key intention was that good practice could be scaled up to extend reach within mainstream policy interventions, enhancing skills and employment opportunities for all. Some of these initiatives are set out below.

The UK Futures Programme. Run from 2014 to 2016 and costing £5m, its intention was to research, develop, pilot and scale innovative solutions to tackling current and emerging workforce development issues. The UK Futures Programme encouraged an R&D approach to skills development and application in the workplace, testing ‘what works’ in addressing people problems that restrain business performance. It aimed to address market failures in relation to workforce development, creating solutions for adoption in policy development and wider business practice. It also supported collaborative approaches to workforce development amongst employers and, where applicable, involving wider social partner stakeholders.

Investors in People: Investors in People, first introduced in 1991, specialises in transforming business performance by aligning business planning and goals with people management. In April 2010, responsibility for Investors in People passed to the UKCES. Investors in People helps organisations to grow, improve their performance and business impact, and ensure that the skills of their employees are fully used. Organisations working with Investors in People demonstrate a business’s commitment to developing people. Since 2016 it has become an independent Community Interest Company. To learn more about Investors in People visit <https://www.investorsinpeople.com/>

Employer Ownership of Skills: The Employer Ownership pilots ran from 2012 to 2014. These offered employers in England direct access to upto £250 million of public investment over two years to design and deliver their own training solutions, including apprenticeships, training courses and pre-employment opportunities. The pilots were jointly overseen by UKCES, the Department for Business, Innovation and Skills and the Department for Education, and tested employer-led delivery models. The initiative invited employers to work with employees, trade unions, colleges and training providers, and other partners to develop proposals to drive skills investment, enterprise, jobs and growth within a sector, supply chain or locality. The fund also piloted 8 *Industrial Partnerships*, bringing together employers across an industry sector to lead the development of skills, with a focus on growth and competitiveness. This involved 8 sectors: aerospace, automotive, creative, nuclear, digital, energy & efficiency, science and tunnelling (construction) industries.

²⁰ See for example <https://www.gov.uk/government/collections/ukces-investment-funds>

Employer-led Initiatives

The Employer Investment Fund: The Employer Investment Fund was a UK-wide fund targeted only at Sector Skills Councils to incentivise innovative and self-sustaining skills solutions that strengthen employer leadership, drive up skills levels and ensure better use of those skills. It ran from April 2012 to March 2014. Its aim was to leverage greater co-investment in a range of activities, including projects to improve skills development in key areas; enhance industry standards; strengthen career pathways, progression routes and employment opportunities so that talent is effectively developed, managed and retained; and to build stronger employer networks within sectors.

Growth and Innovation Fund: The Growth and Innovation Fund (GIF) was launched in 2011, open to all employer representative organisations, including Sector Skills Councils in England. GIF helped employers develop their own innovative, sustainable skills solutions to transform growth in sectors, regions or supply chains by raising their collective capacity to upgrade workforce skills. Public investment in this portfolio of projects totalled £37.2 million plus £47.3 million of investment by employer representative organisations.

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