

Adaptability of the Finnish Workplace Development Model and Methods in Hungary and Romania

ADAPTYKES Project

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Introduction

The ADAPTYKES project aims at increasing organisational innovativeness in Hungarian and Romanian SMEs. The project is based on the experiences from the Finnish workplace development programme (TYKES Programme), which aimed at promoting performance and the quality of working life by furthering innovation-supportive modes of operation and employee skills in the Finnish workplace. The ADAPTYKES project analyses the adaptability of the Finnish workplace development model and methods in Hungary and Romania, and develops long-term and short-term training for the local SME managers in these countries. The objective is to develop SME-related curricula by adapting the workplace development experiences of Lahti University of Applied Sciences (LUAS). The main tasks of the ADAPTYKES project are the following: 1) to investigate and analyse the similarities and differences between work organization models, knowledge use patterns and innovative activities of SMEs in the participating countries, 2) to train Hungarian and Romanian future leader trainers, 3) to develop short- and long-term training programmes for SME managers, and 4) to develop learning materials for Hungarian and Romanian circumstances.

In the first phase of the project, the similarities and differences between work organisation models, knowledge use patterns and innovative activities of SMEs in the participating countries were investigated and analysed. In addition, a survey was taken among the companies represented by the Budapest Chamber of Commerce and Industry and the APM Cluj-Napoca to find out the development needs and the competence shortages of the companies. In the second phase, the trainers' trainings including study visits by the Hungarian and Romanian future leader trainers at LUAS, and the BBS and BBU trainers' training by the LUAS professionals in Hungary and Romania were carried out.

SME sector in Hungary and Romania

In order to be able to better understand similarities and differences between the SME sectors of the countries, the project team carried out a desktop analysis by secondary investigation of statistical data, research results and other relevant documents focusing on the work organisation models and especially the manpower, knowledge use and development practices of SMEs. The national analysis (Kerekes 2013; Kása 2013), consisted of 1) a brief overview of the national economies, 2) an overview of the national SME sector, and 3) knowledge use and innovation in the SME sector. Both Hungary and Romania define SMEs using the standard criteria provided by the European Union: an SME is an enterprise with fewer than 250 employees and which has an annual turnover of up to EUR 50 million, or a balance sheet total of no more than EUR 43 million. Like in the European Economy as whole, the SME sector plays a very significant role in both countries in terms of employment as well as in the creation of value added. The majority of enterprises in Hungary (99.9%) and in Romania (99.7%) are SMEs, and they provide over two-thirds of employment (71.2% in Hungary, 65.6% in Romania) and over half of the added value (53.2% in Hungary, 50.9% in Romania). Hungary's SME sector is very similar to the EU average, but Romania's SMEs are below the EU average. (Annual Report on European SMEs 2012/2013; SME Performance Review; 2013 SBA Fact Sheet Hungary; 2013 SBA Fact Sheet Romania).

Innovativeness of SMEs

According to the European Union, innovations are based on the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. Innovations can be developed by the SMEs itself, together with other enterprises, by another enterprise or by adapting or modifying processes originally developed by other enterprises or institutions. The area that consists of skills and innovation is the most challenging of ten areas analysed as part of the Small Business Act for Europe (SBA) for both countries' SME sectors. On all but one indicator in this area, sales of new-to-market and new-to-firm innovations, both countries score far behind the EU average. In Hungary, the weakest skills and innovation areas compared to EU averages are related to in-house innovations, product and process innovations, and marketing and organisational innovations. Correspondingly, product and process innovations, training provided for employees, collaboration with others, and in-house innovations are the weakest areas in Romania. (The Annual Report on European SMEs 2012/2013; SME Performance Review; 2013 SBA Fact Sheet Hungary; 2013 SBA Fact Sheet Romania). According to EUROSTAT, only 26% of the small enterprises and about 50% of the medium-sized enterprises introduced any kind of innovation in Hungary in 2010. A great majority of SMEs did not implement any type of innovations. Regarding the whole SME sector, the share of firms that introduced any kind of marketing innovation was 17%, organisational innovation 13%, product innovation 7%, and process innovation 4%.

Behind the fact that Hungarian SMEs are less innovative than the EU-SMEs average, is the possibility that there is a lack of risk-taking attitude and a lack of human skills necessary for innovations. In addition to the shortage of innovation competence, Kása (2010) mentions the lack of solid financial resources as a reason for low-level innovativeness. This is consistent with the 2013 SBA Fact Sheet Hungary that mentions a lack of skilled people and a lack of funding for innovation as the barriers in the area of skills and innovation.

In Romania, correspondingly, only 28% of small enterprises and 39% of the medium-sized enterprises were innovative in 2010. Of the Romanian SMEs, 3% introduced process innovation. The shares of marketing innovations, organisational innovations and product innovations were 2% for each innovation type. Innovation activities are quite poor in Romania and it seems that SMEs have not understood the potentials of innovation activities. On the other hand, both Hungarian and especially Romanian SMEs have actively implemented new organisational methods. Of Romanian SMEs, 91% introduced new methods of organising work responsibilities and decision making, 52% new business practices for organising procedures, and 47% new methods of organising external relations in 2008. At the same time, 67% of Hungarian SMEs introduced new methods of organising work responsibilities and decision making, 67% new business practices for organising procedures, and 48% new methods of organising external relations. In both countries, organisational changes and innovation activities are varying substantially by size-category of the firms. (EUROSTAT 2010) However, according to The Global Competitiveness report 2013–2014 the capacity for innovation is better in Romania than in Hungary.

Skill development in Hungarian and Romanian SMEs

Participation in continuous vocational training in Romania deviates a great deal from the general line in the EU. Both countries, Hungary and Romania, invest less in employee training and skill development than the average in European countries (24%). According to the 2013 SBA Fact Sheets, in 2010, only 9% of all Hungarian and only 3% of all Romanian enterprises provided training to their employees. In microfirms, the rate was 3% compared with the EU average of 11% in both countries. The European-level Continuing Vocational Training Survey (CVTS), carried out by Eurostat, provides information about the training policies and training practices. In Hungary, company size has fundamentally affected the propensity to participate in training. SMEs provide training for their employees much less than larger companies. In addition to the choice of whether to support training, company size also significantly affects the employees' access to training and the company's choice of training forms. The majority of SMEs relied on other forms of training, such as on-the-job training in a work situation and the exchange of experience and know-how at conferences and seminars, rather than supporting participation in traditional training courses. In general, companies were satisfied with their employees' skills. In Hungary and in Romania, the participation rates (19% in Hungary, 17% in Romania in 2010) are the lowest of the EU countries (EU average 36%). The amount of training received per employee in Romania is higher than the EU average.

Based on the survey of the ADAPTYKES project, development needs and competence shortages were found in the following areas in Hungarian SMEs: information technology, other technology-related issues, organisational structure and working conditions & working environment. Also, products & services, leadership, quality management, organisational structure, work processes and customer satisfaction all need development. Correspondingly, the following areas need development in Romania: products & services, information technology, internal co-operation, co-operation with companies, other technology-related issues and lastly, competence of personnel. Romanian SMEs tend to show a clear emphasis towards the company's internal development needs.

Both the statistics and survey results clearly indicate the necessity for projects like ADAPTYKES supporting the education of employees in the Hungarian and Romanian SMEs.

Trainers' training

The second step of the project focused on the training of Hungarian and Romanian future leader trainers. It included introduction to the Finnish workplace development programme and to the advanced work-oriented teaching methods used in the Master's degree programmes and workplace development projects at LUAS. During the trainings, trainers were guided in learning how to make a current state analysis in pilot companies by introducing process thinking to him/her, process modelling techniques and competence management with its tools, how to discover requirements for change from the future point of view in pilot companies, and how to develop processes and competences towards the defined future state. The trainers were also guided in learning about forecasting and its methods and how to use those methods in pilot companies, together with company staff, by using participating tools. In addition, there was a focus on the importance of practice-based innovations and people-inclusive approach to ensure new kinds of activities in the future. Special focus was paid to pilot companies' strategies, processes and future competences.

Conclusions

The ADAPTYKES project helps Hungary and Romania catch up with their more developed western partners in the field of innovations, especially in organisational and process innovations, by contributing to the competitiveness and capacity of SMEs in target countries. Workplace development is a significant part of broad-based innovation policy, and it should be strengthened both in Hungary and Romania. The ADAPTYKES project is an example of how this can be contributed to through international project cooperation. In the future, working-life research and workplace development should be combined in order to form curricula to answer the development and competence needs of SMEs. Employee skills and competences, broad-based participation and cooperation will be success factors that have to be strongly taken into account as a cross-cutting principle in innovation policy in the target countries. Combining Strategic Human Resource Management (SHRM) and innovation management will be a key area in the future development of working life in these countries. Special attention should be paid to the following topics: co-operation with other companies/workplaces, strategy making, knowledge management, quality management, interdisciplinary cooperation, integration of functions, and autonomous working groups. Employee skills and competences are the hidden reserve, which needs to be given proper attention when promoting innovation activities and workplace development tools with various tools and methods among beneficiaries, as well as forming a cooperative culture between the SMEs, universities and research institutions.

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Please read UAS Journal article [FUAS Research Review – An evaluation of research, development and innovation activities at FUAS institutions](#) (UAS Journal 1/2014).