

## Supporting Workplace Innovation amongst SMEs in Bulgaria

– *Why Is It Important and How to Achieve It?*

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The COVID-19 pandemic created an unprecedented situation which affected companies globally. Many saw their revenues drop, leading to decreased spending on innovation and investments with medium- and long-term return, such as providing learning opportunities and training for employees. Others, however, tackled the challenges of the crisis focusing on innovation practices which nurture employees' potential, creativity and collaboration. This is what our research among Bulgarian small and medium-sized enterprises (SMEs) has confirmed. It has long been demonstrated that workplace innovation (WPI) enhances the innovative potential of companies. The current crisis has revealed how critical these practices are for improving companies' resilience to adverse market conditions and tackling periods of transformation.

Our research was part of a project, called [“Supporting workplace innovation among SMEs in Bulgaria: analysis and recommendations”](#), which was implemented between January and July 2021 with financial support provided by Iceland, Liechtenstein and Norway under the EEA Financial Mechanism. The main goal of the project was to identify measures to support workplace innovation among SMEs in Bulgaria, as well as to increase societal awareness about the benefits of implementing such practices.

As part of the project, we conducted an online survey with 84 Bulgarian SMEs from different industries and regions. The results of the survey helped us identify companies which had successfully adopted WPI in their work processes. These enterprises were interviewed to get a closer look at the practices and what factors drove/hindered their implementation. The results revealed that the identified workplace innovations had already been implemented within the companies when the pandemic started. The companies had previously experimented with or had already established mechanisms and infrastructure for inducing employees' engagement with decision-making processes (e.g. promoting vertical communication within the organisation), stimulating employees' autonomy and creativity (e.g. creating self-organising teams), fostering their continuous learning and development, as well as cross-team collaboration (e.g. multi-functional teams). The COVID-19 crisis accelerated the pace of implementation and expanded the scope of these previously introduced practices, which were often in the heart of companies' efforts to manage the consequences of the crisis. This observation points to the capacity of WPI to help companies adapt more successfully and in a timely manner to changes in the external environment, which makes them more resilient in the long run.

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Despite the growing evidence about the benefits which WPI brings to companies, it has been a rather unknown concept in the country. Bulgaria has been among the EU member states with least percentage of companies which have implemented WPI-like practices. This has been demonstrated by a number of sources, incl. OECD (2019)<sup>1</sup> and Eurofound and Cedefop (2020)<sup>2</sup>. Considering the role of WPI for stimulating the innovative potential of businesses, as well as their resilience to crises such as the one induced by COVID-19, promoting such practices among SMEs is critical for the stability and growth of the economy.

As part of the project, we formulated a number of policy recommendations for promoting WPI among SMEs in Bulgaria. They are based on the results of several consultations with relevant stakeholders, amongst which are representatives of a few ministries and other governmental bodies, non-governmental organisations, the academia, as well as SMEs. We summarise the proposed measures below.

### **Advancing research and improving knowledge on the dissemination of WPI among businesses in the country for developing effective evidence-based policies and support mechanisms**

- 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.

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

<sup>2</sup> Eurofound and Cedefop. 2020. *European Company Survey 2019 - Workplace practices unlocking employee potential*. Luxembourg: European Company Survey 2019 series, Publications Office of the European Union.

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- 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. The draft Operational Programme “Human Resources Development” for the period 2021-2027 (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, digital transformation is of key importance as well as the improvement of the digital skills of the workforce in SMEs.

**More information about the project and its results can be found at:**

<http://www.arcfund.net/fileSrc.php?id=23898> (Final report in Bulgarian)

<http://www.arcfund.net/index.php?id=2314> (Policy brief and project information in English)

### **European Workplace Innovation Network (EUWIN)**

EUWIN was established by the European Commission in 2013 and is now entirely supported by contributions from an international network of partners co-ordinated by HIVA (University of Leuven). EUWIN also functions as a network partner for the H2020 *Beyond4.0* project.

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