Organizational Innovations and Practice of Knowledge Use in Comparative Perspective

(Preliminary Results of Company Surveys in Hungarian and Slovakian firms)

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International Research Consortium

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1.Preliminary remarks on the contexts of the topic investigated (1)

- "System specific" changes in the post-socialist countries in the CEE region:
- Cycles and patterns of economic modernization (the Hungarian case):

- The first cycle ("first generation transformation reform"):
  - asymmetric or unbalanced pattern of modernization process, the Hungarian case

1.Preliminary remarks on the contexts of the topic investigated: Forms of ownership and the innovation activity of firms in the Hungarian economy (2)

- **Innovative firms 1999-2001**
- 100 % Hungarian owned firms: 13.4 %
- Mixed ownership: 31.5 %
- 100 % foreign ownership: 17.6 %

- **Innovative firms 2004-2005**
- 100 % Hungarian owned firms: 17.3 %
- Mixed ownership: 30.5 %
- 100 % foreign ownership: 30.1 %

1.Preliminary remarks on the contexts of the topic investigated: need to identify the learning capacity of firms and the factors shaping it (3)

- New road or new cycle of the economic development involves a much stronger participation in the "learning economy" and the creation of a more balance pattern of economic structure.
- - Need to diffuse new organizational values or standards – which encourage individual and especially collective learning through implementing various forms of organizational innovations

1.Preliminary remarks on the contexts of the topic investigated: need to identify the learning capacity of firms and the factors shaping it (4)

- Since the last decades of the 20th century, the service sector became the largest contributor of the GDP both in developed economies and in post-socialist countries of CEE region.
- Drivers of the changes:
  - de-localization (outsourcing, off-shoring) of services
  - intensive use of ICT in services
  - radical shift in the global labor market (i.e. the "great-doubling")

2. Research design, characteristics of the Survey and the issues investigated (1)

- Purpose of the joint-research project: to overcome the scarcity of systematic knowledge on the learning-innovation capacity of the post-socialist firms (i.e. organizational innovations) using comparative approach (i.e. comparing sectors and countries.)
- Unit of analysis: firm
- National firms` population and the survey samples of the firms:
  - Hungary
  - Manufacturing sector: national level firms` population: 2 435, survey sample: 200, final sample:191firms
  - KIBS sector: national level firms` population: 4 049, survey sample, 200, final sample: 196 firms
  - Slovakia
  - KIBS sector, national level firms` population: 2 714, survey sample: 100, final sample 97 firms

3. Organizational demography of the firms: establishment of the firm, ownership (1)

Establishment of the firms surveyed: dominance of the **"de novo" firms,** especially in the KIBS sector.

- Hungary
  - - Manufacturing sector: 14.1 % of the firms were established before 1990. (or in the state socialism)
  - - KIBS sector: 6.5 % of the firms were established before 1990.
- Slovakia:
  - KIBS sector: 6.2 % of the firms were established before 1990.

Ownership

- Hungary
  - Manufacturing sector: 28.6 % foreign owned
  - KIBS sector: 18 % foreign owned
- Slovakia:
  - KIBS sector: 49.2 % foreign owned

3. Organizational demography of the firms: belonging into the company group(2)

Company group (degree of involvement in company network has strong impacts on innovations, evidences from the Danish DISKO surveys)

- Hungary:
  - Manufacturing sector: 24.4 % of the firms belonging into company group
  - KIBS sector: 18.2 % of the firms belonging into company group
- Slovakia:
  - KIBS sector: 50.5 % of the firms belonging into company group
- In Hungary, weaker membership in the KIBS sector, however, in this case the foreign headquarters dominates.
- In Slovakia, every second firm belong into the company group and more than quarter of the firms have foreign headquarters, and more than one fourth located in the USA.

3. Organizational demography of the firms: size category of the firms(3)

Size of the firms	**Hungarian manufacturing firms (n=191)**	**Hungarian KIBS firms (n=196)**	**Slovak KIBS firms (n-97)**
Small firms (10-49 persons)	52.6 %	78.7 %	56.7 %
Medium sized firms (50-249 persons)	37.3 %	16.6 %	26.8 %
Large firms (> 250 employees)	10.1 %	4.6 %	24.3 %

4. Transferring business practice: hybridization (1)

Hungary

- In both sectors (manufacturing +KIBS) the dominant pattern in transferring business practices from the country of origin (e.g. Japan) to the host country is the “creative adaptation” or “hybridization” instead “copying” or “autonomous/original development”.

Slovakia

- KIBS, dominant pattern is the “hybridization” (69.5 %) however, relatively high share of firms develop its business practice independently (16.2 %) and copying (14.3 %) the business practice of the country of origin (e.g. USA)

4. Positions of management, transferring HRM in the case of KIBS sector: hybridization (2)

Patterns of transferring HRM practices	**Hungary**	**Slovakia**
Creative adaptation or hybridization	58.0 %	78.4 %
Copying the practice of the country of origin	5.8 %	11.8 %
Independent (local) development	36.2 %	9.8 %

5. Diffusion of organizational innovations (OI): structural and procedural forms(20)

- Definition: lack of consent, we used the following definition: OI comprise changes in the structure and processes of an organization due to implementing new managerial and working concepts and practices.
- Organizational innovations → business performance

- Typology::

1. Structural OI, which may modify structure of division of labor, functions, hierarchical levels, information flow etc. or in general the organizational architecture of the firm (e.g. project based work, interdisciplinary working team etc.)
2. Procedural OI, which may change the operational routines within the firm. For example, increasing the flexibility of knowledge and manpower use. (e.g. team-work, QC, collecting suggestions etc.)

5. Diffusion of organizational innovations: structural type of OI(2)

Types of OIs	Hungary		Slovakia
	Manufacturing	KIBS	KIBS
Project-based work	22.1 %	34.9 %	69.0 %
Flat/lean organization	7.5 %	10.3 %	13.4 %
Interdisciplinary working teams	20.5 %	13.4 %	36.1 %
Job rotation	26.1 %	9.7 %	28.9 %

5. Diffusion of organizational innovations: procedural type of OI(3)

Types of OIs	Hungary		Slovakia
	Manufacturing	KIBS	KIBS
Quality auditing systems (e.g. ISO)	51.6 %	21.9 %	41.2 %
Collecting suggestions of employees	44.9 %	49.7 %	41.2 %
Team-work	41.5 %	41.7 %	89.6 %
Benchmarking	27.0 %	37.3 %	21.7 %
Quality Circles (QCs)	45.2 %	23.7 %	14.3 %

5. Diffusion of organizational innovations: procedural type of OI(4)

Some visible patterns:

- The "procedural OI" were more frequently introduced in comparison to the "structural ones", in both countries and both sectors,
- In the Slovak KIBS sector's firms more "structural OI" were implemented than in the Hungarian.
- In relation with the "procedural OI" in the KIBS sector, the situation is more balanced:
  - in the fields of "Quality auditing" (41.2% vs. 21.9%) and "team work" (89.6 % vs. 41.7 %), the Slovakian firms are in better position, while in such fields as "collecting suggestions of employees" (49.7 % vs. 41.2 %), "benchmarking" (37.3 % vs. 21.7 %), "quality circles" (23.7 % vs. 14.3 %) Hungarian firms have better position.
  - Slovakia: all firms operating on international markets implemented organizational innovations . While firms, not using any organizational innovations are small ones and operating exclusively on the domestic markets.
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5. Drivers of organizational innovations (5)

The following eight drivers of OI were assessed by the managers interviewed using 5-point scale:

(1) improving daily efficiency in work, (2) improving quality and customer service, (3) smooth cooperation within the firm, (4) better adaption to environmental changes, (5) renewal products and services, (6) renewal the existing knowledge, (7) increasing size of the firm, (8) due to outsourcing business functions.

The first three most important factors:

- Hungary
  - Manufacturing: (1) improving daily efficiency, (2) improving quality and customer service, (3) smooth cooperation within the firm.
  - KIBS: (1) improving daily efficiency, (2) improving quality and customer service (3) renewal the existing knowledge.
- Slovakia
  - KIBS: (1) improving quality and customer service , (2) improving daily efficiency in work (3) better adaption to environmental changes

6. Practice of knowledge use/ development: importance of the "work-related" learning (1)

- The "experience-based or work-situated" knowledge is more important in the firms surveyed – in both countries – than participation in the "formal training and education".
- The following eight forms of knowledge development were assessed by the firms` representatives, on a 5-point scale.(1) Standard educational courses, (2) Further training reflecting the needs of the firm, (3) Sparring/consulting with managers/colleagues, (4) OJT, (5) Visiting professional fairs, (6) Team-work, (7)Via cooperation between organizational units, (8) Job rotation.

- The three most important forms of knowledge generation:

Hungary

- Manufacturing: (1) Consulting/sparring with managers and other employees
  (2) On-the-job (OJT) training
  (3)Visiting professional fairs
- KIBS: (1) Consulting/sparring with managers and other employees
  (2) OJT
  (3)Visting professional fairs

Slovakia

- KIBS: (1) Consulting/sparring with managers and other employees
  (2) Consulting/sparring with managers and other employees
  (3) Team-work

6. Practice of knowledge use and development: training practice in the firm (2)

Types of employers` supported training	**Hungary**		**Slovakia**
	Manufacturing	**KIBS**	**KIBS**
Courses organized and financed by the firm	14.0 %	31.2 %	50.7 %
Courses selected by the employees but financed by employers	7.7 %	16.1 %	24.5 %
Unpaid training, but supported non-financially by the employers (e.g. working time reduction)	1.6 %	5.4 %	10.8 %

6. Practice of knowledge use and development: content of the training (3)

Content of the training	Hungary		Slovakia
	Manufacturing	KIBS	KIBS
Job specific + generic skill formation	51.6 %	50.0 %	50.0 %
Job/work specific skill development	40.8 %	44.0 %	40.0 %
Generic skill formation (e.g. language, negotiation skill etc.)	7.7 %	6.0 %	10.0 %

Future research challenges

1.Developing more sophisticated statistical data analysis

1. Integrating, combining the present sector level data-base with national level data based on international organizational surveys (e.g. CIS, CVTS, EWCS, etc.)

2. Completing the existing or further developed statistical data base with qualitative information based on company case studies in both countries. (e.g. to better understand the learning and innovations dynamics of such firms of organizational innovations as “project based work”, it is necessary to design and carry out company case studies, in firms having radically different markets and ownership)

Thank you for your kind attention!

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