

# The positive employment impact of the Liideri programme: A thought experiment

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## Abstract

The Finnish TEKES and later Business Finland invested in the Liideri programme. This programme supported firms to improve workplaces, with the idea that better quality of work would enhance the performance of these firms. The programme was conducted in the period 2012-2018. After finalisation, an external evaluator looked at possible benefits. This evaluation showed the positive impact of the programme in general on turnover and employment. It is unclear what the programme meant for quality of work. This comment digs deeper into the employment impact. The evaluation in 2020 undervalues the societal benefit of the programme. A thought experiment is provided to prove this point. A closer look at this employment impact shows that Liideri delivered a positive return-on-investment during the programme's lifetime. Even with many issues still not understood, the evaluation shows the importance of conducting such major workplace innovation-driven initiatives.

**Keywords:** Workplace Innovation, evaluation research, programme management, employment impact

## A positive investment decision<sup>1</sup>

Should countries invest in programmes that support Workplace Innovation in firms? The short answer is yes. There is a positive bottom-line for countries that make these investments in improving workplaces or organisational innovation. A well-considered investment into such a topic repays itself in a short period. And we understand that you, as a reader, need the longer answer to be entirely convinced. We are focusing in this article on the Finnish Liideri programme's impacts on the stimulation of firm performance and "Joy at work". Let us take you through a set of questions to show what kind of impact such a programme as Liideri has had. Several questions help in our quest: what was the aim of this programme? What impact

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can we see? How do we assess the final results? Why do we think this is a significant result? And finally, can we explain why such a programme has the impact that anyone interested in Workplace Innovation would love to see. We provide a thought experiment to prove our point.

## The Liideri programme in a shifting context

Our short answer is a bold statement. We derive this answer from reading the evaluation report on the completed Finnish Liideri-programme (full name: Liideri, Business, Productivity and Joy at Work Programme 2012-2018) (Business Finland, 2019; Oosi et al., 2020). Next to the fact that our Finnish colleagues are great programme managers, they also have a good practice to evaluate what they have been doing. The Liideri programme started, in fact, under the guidance of the TEKES programme, a Ministry of Employment and the Economy initiative. All such programmes were refocused in 2016 as part of the change in strategy of TEKES. In 2018 Business Finland was responsible for the finalisation of the programmes.

Besides the Liideri programme, there were also the Feelings (Creative Industry), the Luovimo and the Lifestyle programmes. The latter two mainly aimed at deploying external expert support for firms. The financial scope of these two programmes was also much smaller than Liideri and Feelings. For TEKES and Business Finland, Liideri and Feelings were unusual initiatives to support in which the focus was on intangible innovation, and they were, in a way, fairly human-centric by approach. TEKES and Business Finland are mainly focused on innovation financing and export support for firms. Business Finland positioned these new programmes as awareness-raising campaigns on the importance of non-technological innovation.

The Liideri programme stands for the Leadership programme. It focuses on Leadership in business, productivity and joy at work. The Liiderii programme started in 2012 and was finalised in 2018. At the start of the programme, the actions were very much in line with the previous quality of work programmes (TYKES-funding for organisational development) the Ministry of Labour and TEKES have managed. The programme implemented the Working Life development strategy of the Finnish government. In 2015 and 2016, the programme changed in mission and vision. The purpose of Liideri was to be a “next-generation” workplace innovation development program that represents an approach in keeping with a broad-based innovation policy, i.e., the new Finnish national innovation strategy that was adopted in 2008 (Alasoini, 2021). After that change, the programme was focused on international growth and digitalisation. The impact of Business Finland on the Liideri programme can only have been limited, since it just took over the governance of the programme in 2018, at the end of the programme. The shifts over the years came with the changes in what TEKES tried to achieve with new themes such as participation, new working methods, managing international growth and utilising digitality. The shift in strategy to international growth meant that only firms that looked at growth in the international markets were included in the programme. For the topic of Workplace Innovation, this may at first seem to be a limitation.

Still, understanding how the quality of work and productivity are connected is even more interesting. Liideri provides (some) information about the effectiveness of such a programme for international development and growth. There was some concern about this redirection in the Finnish context, because public institutions and firms focused on growth in the Finnish market were left out.

### The view from the evaluators

According to the evaluators, Liideri has recorded many concrete results at the project level. The development projects led to some important (organisational) changes for the firms and pushed them along their development path. The evaluators also point out that the final adjustment of the programmes did not happen automatically. The adjustment in focus was accompanied by a decision only to allow export-oriented companies to get funding and to raise the bar for large companies to get funding. These decisions led to a decrease in the number of project applications. Somewhat euphemistically, the comment is that adaptation required careful planning and communication with programme participants.

The evaluation report by the Owl Group & MDI (Oosi et al., 2020) is intriguing. It analyses the results for four major programmes by comparing the firms' performance funded by the programmes to control firms (not funded). Liideri is only one programme in this evaluation. The report provides numbers and assessments of these numbers. For Liideri, the assessment is that there was too little data available to make a full evaluation. The impact of the programme is only visible three years after the project decision. The authors of the evaluation report were contacted to provide more data and to comment on the publication. They did not respond.

Nevertheless, there are results to be seen. The Liideri firms show faster growth in turnover than the control firms, a statistically significant result for all firms and new customers of Business Finland. The growth of the number of employees has been faster in the Liideri firms compared to the control firms. Interestingly, the development in added value per person has been similar between Liideri and the control firms. Programmes such as Liideri always lead to an increase in costs of firms at the outset. The fact that productivity did not decrease is certainly a positive message for the programme. The evaluators make the results more tangible by indicating that in 57 to 58 out of 100 cases, a funded firm grows faster than randomly selected control firms. The corresponding effect size is 61 to 62 among firms that are new customers (i.e. firms that have not received previous funding from Business Finland). Liideri would not affect the firms' export performance. Does one wonder if this was the original expectation then? Before the strategy change in 2016 and the actual implementation, the programme was mainly focused on the internal development of staff and organisation within the participating companies. These companies were focused on growth, probably mainly in Finland. Only at the end of the programme, the international impact was introduced as a goal. Apart from the fact that this focus is difficult to trace, it is also a bit "too little, too late". Besides, the impact of the last cohorts, in particular, is not yet visible.

Still, the report itself is not very conclusive on the impact of the Liideri programme itself. Probably, the authors wanted to err on the side of caution. That is, of course, wise to do, but it does leave out positive messages that should be shared. The evaluation perspective is also exclusively on individual firm benefits. What is not discussed, is the programme benefit itself. Does the programme itself show a positive return-on-investment? Can we estimate for policymakers if their investment has a positive return?

### What about the societal benefits of the programme itself?

The results do help us to calculate this ROI. The programme eventually reached 267 firms. On average, these participating firms employed at least 50 persons. Our Finnish contacts indicated that the average size of the firms was actually bigger. This meant that the firms employed at least 13.500 employees at the start of the interventions. We propose to take you along in a thought experiment.

The evaluators first show that the Liideri firms have a 10% higher turnover growth above the control firms after three years. This difference persists two years after the programme. For evaluation purposes, the number of firms dropped for 'two years after project closing'. The actual number was too small to deliver sounding results. Even so, the figures do deviate in the right direction. Most of the evaluation is focused on the investment period and three years after finalising the separate projects. We can expect that there may be a "petering out effect" after the discontinuation: so without further investment, the impact of the initial investment should be lower. This is, however, the pessimistic scenario because, with workplace innovation, this should be a permanent impact (Gibbons & Henderson, 2013). The Feelings programme shows results in line with Liideri, but the statistical underpinning of positive results is less decisive for these firms. The Liideri-firms always compare better than the control firms, whatever indicator is used. These results can be seen as positive breadcrumbs for supporting programmes, but important ones for any discussion about the economic impact of such a programme.

The employment effect is also 10% above the control firms. For any person interested in Workplace Innovation, this is certainly a result that should draw attention. What does this employment effect mean? Could we assume that implementing such a programme leads to a ten per cent higher growth in employment? Maybe. Suppose we concede that the result might be less than ten per cent, mainly because of the low statistical significance of results. In that case, we can assume that we should not use a ten per cent difference with control firms, but maybe only a two to four per cent jobs growth difference to estimate the impact of this result. A simple calculation shows that with the 13.500 employees  $\times 0,02$  to  $0,10 = 270$  to 1350 new employees after 3 years. The figures seem to hold after two years, closing of the project. What do 270 to 1350 new employees mean? Can we get a feeling of what this represents in added value for society? And how does this relate to the initial investment by Business Finland?

If we assume that the average yearly wage cost for a Finnish employee is 40.000 €, this would mean that in year 3, we see an additional wage cost between 10,8 million to 54 million € a year. We are not completely sure what happens after three years, but it seems that the impact persists, so: 10,8 to 54 million for at least three years = 32,4 million to 162 million € in total (above control firms). Let us do this in a more precise calculation.

Let us assume that the total investment of 126,3 million € is split evenly during six years of operation (2013-18), which means that the annual investment is 21 million €. Let's also assume that the participation of firms is split evenly during six years of operation, which means that every year new firms with 2250 employees are funded. If the programme starts project funding in the year 2013 and it funds firms with 2250 employees, the extra employment growth in 2014 is 75 employees. The table shows how this works out.

<b>Employment effects (+ number of employees)</b>							
	Cohorts						Total employees added per year
	2013	2014	2015	2016	2017	2018	
<b>2014</b>	+ 75						75
<b>2015</b>	+ 75	+ 75					150
<b>2016</b>	+ 75	+ 75	+ 75				225
<b>2017</b>		+ 75	+ 75	+ 75			225
<b>2018</b>			+ 75	+ 75	+ 75		225
<b>2019</b>				+ 75	+ 75	+ 75	225
<b>2020</b>					+ 75	+ 75	150
<b>2021</b>						+ 75	75

Table 1. Overview of the employment effect of Liideri programme (thought experiment)

After 2021 there is no extra growth. With our assumption of an average wage cost of 40,000 €, the added value by the programme cumulates in the following way:

	Total employees added per year	Cumulative effect in personnel (number)	Extra added value generated (in million euros)	Cumulative added value generated (in million euros)
<b>2014</b>	75 employees	75	3 mln €	3 mln €
<b>2015</b>	150 employees	225	3+ 9 mln €	12 mln €
<b>2016</b>	225 employees	450	12+18 mln €	30 mln €
<b>2017</b>	225 employees	675	30+27 mln €	57 mln €
<b>2018</b>	225 employees	900	57+36 mln €	93 mln €
<b>2019</b>	225 employees	1125	93+45 mln €	138 mln €
<b>2020</b>	150 employees	1275	138+51 mln €	189 mln €
<b>2021</b>	75 employees	1350	189+54 mln €	243 mln €

Table 2. Overview of employment effect of Liideri programme (thought experiment)

Calculated in this way, the added value by the programme exceeds the level of investment during 2019. Of course, the calculation misses the point that the programme's value is dynamic and cumulates only in time. This positive cumulative trend also presupposes that the involved firms continue their development after the end of their project, and they managed to maintain the competitive edge they have gained. Still, by the end of the programme, the programme has paid itself back, and after eight years, the programme has nearly doubled the investment.

### Why are these outcomes significant?

There is little evidence in the scientific literature of such Workplace Innovation projects' actual benefits for firms and societies. The final presentation and the evaluation report of Liideri provide anecdotal evidence of the impact of the intervention. It is not completely clear what the firms have done to change working procedures and what this has meant for employees. The figures show both abstract performance benefits. It would be good to understand what the other benefits are. In most evaluation studies, the stress is on the qualitative impacts such as quality of work, stakeholders' satisfaction, and the actual changes in the firms (Alasoini, 2016; Pot et al., 2021). This evaluation report does not devote any attention to these qualitative results. These results will not be documented in future publications, as far as is known. Such evaluations are, however, needed. Practitioners will want to understand what they need to change, and what they may see as actual processes after interventions.

The fact that the evaluation of the Liideri programme shows an employment effect is significant. If only the firms' performance improved, then the public investment would merely have been a tax transfer to the firms. Public money would have lowered the tax burden and improved performance. It could even be the case that Finnish tax funds were exported,

depending on if the firms had international management or ownership. The employment effect is really a local impact. These employment benefits are for the Finns and the local economy. The fact that the export performance of the firms improves (well, that is not completely clear) also helps Finland improve itself compared to the rest of the world.

Another result is that the study allows for comparisons between programmes and other public investments. It would be good to see if such organisational improvement programmes have higher societal outcomes than labour market activation programmes.

In conclusion, even with the limited information we have about Liideri, the evaluation results help programme managers develop plans for organisational change. We must remember that most programme managers arguing the importance of such programmes are stuck between a rock and a hard place. They need to argue that such (public) investment will deliver positive outcomes, but they know that actual results will take time (Alasoini, 2021). And in most cases, they do not have this time. They are pressured to show immediate results. Until this Liideri evaluation, they had no clue when such results could arise and how big they may be. The Liiderii programme brings just this kind of insight: you do not have to wait for a long time to win your (public) money back.

### Lessons for future programme management?

Developing and implementing a programme for the improvement of organisational structures and systems is complicated and difficult. Rodrik & Sabel (2019) advocate an open programme management approach to such an endeavour, in which stakeholder parties are able to monitor and follow activities regularly. The Finnish agencies have been able to develop and evaluate impactful programmes. The Liideri programme is evaluated as a programme with a positive impact. However, the programme's buzz is limited, and this neglects the actual benefits such a programme has. It is good to understand these benefits and to learn from the programme management that was conducted. The evaluation report only touches the surface, if we may say. Oosi et al. (2020) summarise two lessons.

The first lesson in programme management is that changing the management team comes at a cost. Programme managers and staff provide continuity. They have knowledge, networks and experience. Intervening in this leads to disruptions that can only be dealt with in the longer term. It is, therefore, all the more striking what benefits the programme ultimately delivered. The evaluation report also points out that to create impact, another, more ecosystemic approach is probably needed in the end, in which the cohesion between firms is strengthened. The programme management must respond to this cohesion, which clearly requires different competencies and different programme management actions. The guidelines of Rodrik & Sabel are helpful here.

Liideri was a continuation of a long tradition of innovation instruments to develop working life in Finland (Alasoini, 2021). Although there were many success stories for the individual firms

at the project level, changes in Tekes' strategy rendered some of the programme's original ideas obsolete. The themes presented in the evaluation report do not include those relevant to that programme. Still, based on the findings, it could be argued that support for employer-driven and management innovation is not part of public funding schemes, and does not fit into the thematic portfolio of activities of Business Finland and the Ministry of Employment and the Economy. This leads to whether this is something that the Ministry of Labour should consider and include in the development of working life and guiding public funding. Organisational innovations should be compared to other labour market activation programmes. Such a lesson is understandable, but what firms do and what impact they may have should not only be on the plate of Labour Ministries. This is the kind of silo-thinking that organisational innovation wants to address. Another suggestion could be to create inter-ministry co-operation on the different outcomes. The public benefits are important for more policymakers. Also, we must understand that most Labour Ministries have a strong focus on labour market policies and institutions. They are very reluctant to say anything about firm policies. Therefore, a collaboration between ministries would be a better option. In the meantime, the Finnish Prime Minister Marin's government launched a new WORK2000 programme that has now been in operation since the beginning of 2020. This programme is co-ordinated by the Finnish Institute of Occupational Health (FIOH) under the Ministry of Social Affairs and Health and labour market organisations' guidance. There is a lot of continuity, but also discontinuations with previous programmes.

## In conclusion

Public investments in organisational innovation do lead to positive public benefits. Our assessment is, of course, limited. We are limited by the aggregated results in the Oosi-report. The best we can do is a thought experiment on the basis of the limited results that are presented. We surely want access to the data and to do more in-depth calculations. We would also need to look at the separate interventions and the impacts on the employees. These last impacts are not visible. At this moment, we only work with the results from the evaluation report. There remain many limitations to our approach. All of this is very true. But still, even if you consider all the limits to what has happened in the programme and what we can see, there is this clear positive bottom-line. It would be professional neglect if we were not to share this insight. Many countries want to understand if they should invest in improving working conditions, quality of work, and organisational innovation. The European Commission invests many European Social Fund-millions into improvements of workplaces. Guidance on how programmes could be developed to use organisational innovations such as Workplace Innovation should be on the agenda.

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## Bio Statement

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