

# EUROPEAN POLICY BRIEF



## TRANSLEARN

### Transnational learning through local experimenting – The creation of dynamic complementarities between economy and society

Ongoing project

#### SUMMARY

#### Objectives of the research

Translearn searches for causes why the Nordic Welfare States, despite high tax levels, have become highly competitive and sustainable economies with accelerated innovation and deep engagement in globalization. Do the Nordic countries provide citizens, firms and other agencies with more enabling institutions? Is a transition towards Enabling Welfare States observable?

#### Scientific approach / methodology

Translearn departs from field studies of how firms and localities have transformed, and how they have made novel use of or changed institutions. Framing these field studies within quantitative comparative data, the distinctiveness of the Nordic countries can be highlighted in the European context. This concerns especially how new complementarities have evolved with respect to business strategies, work organization, work careers and family life.

#### New knowledge and/or European added value

Translearn shows how firms have developed close links to customers in open innovation systems, which created a magnitude of new demands on firms for learning, for flexibility and for making role shifts. Novel forms of learning organizations have evolved, enabled by many kinds of institutions, including high quality education systems as well as national investments in R&D, continuous skill improvement and support for active labour markets. Public social services enable families to combine unpredictable and highly demanding working lives with high birth rates and quality of life. The Enabling Welfare State provides a novel way of sharing risks, which results in creating highly elaborate business strategies, flexible labour markets, entrepreneurial

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**Key messages for  
policy-makers,  
businesses,  
trade unions and  
civil society actors**

families, and continuous upgrade of skills.

By combining offensive and defensive risk sharing, the Enabling Welfare State constitutes a new template for combining social concerns and offensive business strategies into a *fourth way*. At the European level it provides a new framework for employment strategies, modes of speeding up employee driven innovation and constructing knowledge societies. At national levels it shows politicians how to open up novel spaces for institutional innovation and for social partners to jointly search for ways of combining reforms in work organization, in the structuring of labour markets and work careers. Translearn demonstrates such efforts by suggesting ways of reforming the Slovenian economy.

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### Objectives of the research

Since 2000 the Nordic countries have increasingly constituted a paradox to the *Washington Consensus* developmental template. Despite continuing high tax levels, high social spending, comparatively strong unions, egalitarian and high wage levels, they have since the mid-1990s outperformed the US and UK in economic development, as well as innovativeness and international competitiveness, as measured for example by the Lisbon Scorecard. This situation begs for a new understanding of economic development in highly developed economies under the guise of globalization and fast innovation.

Translearn searches for why and how the Nordic Welfare States, have become highly competitive and sustainable economies under globalization and accelerated innovation. Our hypothesis is that the institutions of the Nordic countries have unintendedly been transformed so that they enable firms to compete globally in novel ways and citizens to create novel professional identities that make them highly adaptable and able to take advantage of constant changes in the international division of labour. In this way Translearn is searching for potentially new metamorphoses between Welfare State institutions and the global games their citizens play.

### Scientific approach / methodology

Translearn breaks the disciplinary divides between scholars that have earlier studied either welfare state reforms, evolution of innovation systems or national business systems. The research design has been set to search for an even more comprehensive understanding of socio-economic links. The project departs from studying how firms reposition themselves within global value chains and reform their work organization and, by doing so, at the same time carve out new mandates for themselves by meeting the demands of their (multinational) corporate owners. The project then searches for if and how this type of double bind process is manageable by detecting examples of dynamic complementarities between subsystems and between levels of governance systems. Such complementarities seem to emerge when citizens are involved in tailor-made projects that link needed changes at the firm level with the adoption of new tools for labour markets and investments in the infrastructures and services of local societies.

These types of enquiries make it clear how important the educational systems and their high quality are in the Nordic countries for providing the individual with a capability to change. But equally important are the social services that enable families to participate in highly demanding and fast changing work contexts.

Secondary quantitative data are used to interpret the case studies so that patterns of emerging Enabling Welfare States can be drawn, with distinct features for each of the Nordic Countries.

Finally the contours of a comprehensive Enabling Welfare State and

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its mode of governance are drawn. The need for such a complementary institution comes from the fact that it is able to systematically engage in sharing risks – offensively and defensively – with firms and citizens that are constantly engaged in routine-breaking experiments linked with novel global strategies, and new ways of organizing and pursuing working careers.

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### New knowledge and European added value

The project has generated new knowledge as to business-society relations by placing welfare state policies at the core of innovation policies. This in turn has implications for framing new research programmes in social sciences and crafting new policy approaches.

#### *1 Business-Society relations*

In an economic space in which firms are participating in the ongoing dynamic re-construction of global value chains, it is imperative for firms and employees to mutually change roles in order to be both economically effective and innovative. To do so firms must also co-create open innovation systems with global reach. The project has revealed that new forms of work organisation facilitate firms to both recombine and move skills beyond existing routines. These new forms of work organisations, often referred to as learning and high performance work organizations, are based on high employee autonomy, widespread customer interaction among all employee groupings and a mixture of stable and ad hoc teams. In this way firms can take distance themselves from standardised competence bases and establish future comparative advantages. This mode of continuous experimenting implies that both at the firm and all employee levels actors are continuously taking risky steps into the unknown. In such a work environment, in which skills, routines, habits, and roles are constantly doubted and changed, employees must be willing to live with a job that is unpredictable with respect to location, timing and content.

Experimenting and facing the risk of failing have pressurized the building of new ties between the firm and the society, particularly in an employee perspective. A key finding is that socio-economic models that share risks pro-actively with individuals sensitise them to new opportunities in working life. This mechanism has a multiplying effect: risk sharing speeds up processes for engaging in further new opportunities. Employees with accumulated successful experience in bottom-up initiatives can support the breakthrough of radical innovations in firms. The case studies from the Nordic countries are in this respect compelling. The project evidences how a number of traditional *defensive* welfare state schemes and a number of *offensive* and innovation-oriented schemes have been combined in various ways to create new risk sharing tools. Such public-private-partnerships can form the basis for new socio-economic models making it possible for firms and employees to pursue explorative experiments and take high risks globally. In this way the emerging Nordic model provides a significant alternative to the Anglo-American socio-economic model, where risk sharing is primarily organised through market mechanisms.



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The Nordic countries are distinctive in terms of education, welfare, public services, active labour market policies, and further training. Two features distinguish the Nordic countries in enabling firms to deal with the challenges of change and to share risks with employees in addition to cultivating an infrastructure for innovative collaboration such as a high degree of public research. First, the proportion of the population that receives a secondary or tertiary education is higher than anywhere else. Therefore individuals are very well prepared for changes. Secondly, double income and single parent families alike are supported by an infrastructure of public social services that makes it possible for a much larger proportion of the population to cope with an unpredictable and increasingly demanding working life. These social services target life course transitions. Concerning the labour market, they comprise training and education of all sorts of employees, including the training of unskilled workers which resulted in their high participation in the labour market. Such schemes help citizens to transform from one job to another so that citizens can be continuously more economically active thus reducing the risk of ending up in poverty and social exclusion. On the other hand, a comprehensive system of maternity allowance and easily available child care for all enables families to enter these 'learning organizations'. A contrasting case, Slovenia, is used to show how firms have transformed in a different way through different sets of institutional mechanisms. However, in the Nordic countries there are huge differences as to how public services and transfer incomes are allocated on different activities.

### *II Social theory formation*

Linking experimentalist business organizations to welfare state arrangements gives a radical new understanding of business-society ties. This is how welfare states have changed in ways that escaped discussions among welfare state researchers who until now focused more broadly on the duality between market and state, and thereby ignoring the new role played by its core institutions in enabling the new patterns of employee or user driven innovation (rather than compensating for the effects of globalization).

This new understanding of business-society relations has implication for social theory formation. In the traditionally structure-agency dichotomy institutions were understood as means for stabilizing business. A novelty in the project is that institutions are considered tools for change. This dimension pertains in particular to the existence of multilevel governance systems. The project shows empirically how systems of governance rooted in local autonomy and a widespread use of open corporatist negotiating bodies makes it possible to coordinate and make novel use of institutions. It demonstrates how institutions, rather than serving to structure and reproduce economic

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organizations, may instead be used to co-construct change. A multiplicity of actors can co-create new deliberating polyarchies or jointly constitute dynamic complementarities around existing institutions.

By its broad focus on business-society relations, the project also moves beyond the conventional national innovation system approach. First it shows that innovative activities are very much dependent on institutions and labour market construction, which is normally not considered in the traditional 'innovation system' approach. Secondly, the study pinpoints how innovation becomes embedded in nearly all aspects of corporate activity by processing change continuously in their learning organizations.

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### Key messages for policy-makers, businesses, trade unions and civil society actors

A key message is **the necessity to invent an enabling welfare state**. This refers to a **risk sharing approach that is institutionally embedded and gives proactively support** to individuals as employees, entrepreneurs, family members and citizens when engaged in global value constellations. By participating in such constellations they are experimenting and taking employment and business related risks. With the support of an enabling welfare state, individuals are encouraged to take work and career related risks, to learn new occupational and professional competences and to be constantly engaged in user driven innovations both in working life and in civil society. An enabling welfare state extends also to civil society via active citizens that have accumulated social capital, via social movements and new forms of experimental governance that cross sectoral divides. An enabling welfare state is a platform for a positive expansive spiral between well-being, knowledge based working life and the renewal of businesses. Thus, an enabling welfare state implies complementation of a defensive welfare state.

For policy-making at the European level, this means that the divide between social Europe and competitive Europe can be bridged by new policy discourses and operational programs that are cross-sectoral by nature.

Because there are no institutional models for a comprehensive enabling welfare state, **it has to be created from local experiments and through a road map on transnational learning** that should be based on an EU level process, with the help of experience gained from the use of Open Method of Coordination (OMC). The national case studies in the Translearn project and their cross-national comparisons have provided clues as to what an enabling welfare state could mean, and how company managers, interest organisations and civil society are linked to it. The study explicates differences between the Nordic countries as to the types of risk sharing mechanisms available, on the one hand, and the generalised “Nordic model” and the Slovenian socio-economic system as a test case of the distinctiveness of the Nordic model, on the other hand. The differences in the availability and use of risk sharing tools within relatively similar socio-economic systems point out that before a comprehensive enabling welfare state is functioning different types of experiments and forms of experimental governance are needed. This contains processes by which deliberative polyarchies can be mobilised at the national level and become linked to the transnational level with the help of emerging epistemic communities supported by the EU.

(By the term deliberative polyarchy we refer to a social constellation of actors that is engaged in solving joint practical problems despite



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differences in interests and acknowledging at the same time that novel solutions can emerge from such differences of interests if there is willingness to listen to justifications for proposed solutions and to enter into pilots based on which actors redefine their roles and identities for future search).

PROJECT IDENTITY	
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<b>Consortium</b>	Handelshoejskolen Koebenhavn (CBS) Handelshoeyskolen BI (BI) Stiftelsen Norsk institute for studier av forskning og utdanning Senter for innovasjonsforskning NIFU STEP (NIFU STEP), Luleå Tekniska Universitet (LTU) Univerza v Ljubljani (UL)
<b>Duration</b>	1 <sup>st</sup> April 2006 – 31 <sup>st</sup> March 2009 (36 months)
<b>Funding Scheme</b>	
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<b>Website</b>	<a href="http://www.hse.fi/translearn">www.hse.fi/translearn</a>

## PROJECT IDENTITY

## Further reading

Kristensen, Peer Hull and Kari Lilja (eds), *New Recipes for Globalization: Experimentalist Forms of Economic Organization and Enabling Welfare Institutions. Lessons from the Nordic Countries and Slovenia*. (unpublished book manuscript based on research in the Translearn-project)

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Kristensen, Peer Hull and Robson Rocha (2006), *Unions at a Crossroad: Protectors of Achieved Rights or Active Co-Constructors of the Future?* Paper prepared for the Standing Working Group 1: Comparative Study of Economic Organizations: Beyond the National Business System? The Multi-Level Interaction of Economic Actors and Institutions. 22nd EGOS Colloquium. 6-8 July. 2006 Bergen – Norway.

Lilja, Kari, Eli Moen and Christer Peterson (2008). *European Research Area in the Making: the Case of the Forest-based Sector Technology Platform*. Paper and Timber 90:2, 29-33.

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<b>Related websites</b>	<a href="http://www.cbs.dk/">http://www.cbs.dk/</a> <a href="http://www.bi.no/">http://www.bi.no/</a> <a href="http://www.nifustep.no/">http://www.nifustep.no/</a> <a href="http://www.ltu.se/">http://www.ltu.se/</a> <a href="http://www.ef.uni-jj.si/">http://www.ef.uni-jj.si/</a>
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