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PlaneSpace MF1: the "Liberated Company" Experiment to Build an Innovative Workplace

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QuInnE - *Quality of jobs and Innovation generated Employment outcomes* - was an interdisciplinary project investigating how job quality and innovation mutually impact each other, and the effects this has on job creation and the quality of these jobs.

Drawing on the Oslo Manual, both technological and non-technological innovation were investigated. Through quantitative analyses and qualitative organization-level case studies, the factors, as well as the mechanisms and processes by which job quality and innovation impact each other were identified.

The QuInnE project brought together a multidisciplinary team of experts from nine partner institutions across seven European countries.

QuInnE Project Member Institutions:

- *Lund University, Sweden*
- *The University of Warwick, UK*
- *Universitaet Duisberg-Essen, Germany*
- *Centre Pour La Recherche Economique Et Ses Applications (CEPREMAP), France*
- *Magyar Tudományos Akademia Tarsadalomtudományi Kutatóközpont, Hungary*
- *Universiteit van Amsterdam, The Netherlands*
- *Erasmus Universiteit Rotterdam, The Netherlands*
- *Universidad de Salamanca, Spain*
- *Malmö University, Sweden*

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More information about the project and project generated publications and material can be found at www.quinne.eu.

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The QuInnE teaching cases and teaching notes are based on the confidential field research conducted in the context of the QuInnE project. They are written to provide material for training and class discussion rather than to illustrate either effective or ineffective handling of a management situation. Personal names and identifying information from the research cases have been altered for the purpose of confidentiality. The case studies and teaching notes have been developed in cooperation with RSM Case Development Centre of Rotterdam School of Management, Erasmus University (www.rsm.nl/cdc).

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PlaneSpace MF1: the "Liberated Company" Experiment to Build an Innovative Workplace

Introduction

In March 2017, Robert Dalman looked down on the shop floor of one of the newly organised mini-factories in his plant. Dalman directed an aerospace manufacturing facility, MF1, the largest of several plants, for PlaneSpace, a leading European aerospace OEM. He paused to consider the new organisation of his facility.

Two years earlier, Dalman and his management team had been convinced that growing employee dissatisfaction was having a negative impact on innovation in the workplace. The results of job satisfaction surveys, as commented by the HR manager, had repeatedly highlighted these problems:

The engagement surveys were carried out during three successive years, from 2012 to 2014. The results were not very good. Employees had the feeling that their innovative capacity...was not sufficiently taken into account; [they were] a bit overwhelmed by bureaucracy. Some employee responses stunned top management, such as, if I summarize, 'I don't always understand what I do, but I am asked to do it.'

The HR manager further explained:

The results of the job satisfaction survey in 2011 were not really good. So we introduced working groups on 'life quality at work,' and implemented some changes. Two years later, we carried out a new survey.... and discovered that the results had not improved! We realised that the problem was much deeper...

Since the first disappointing results of job satisfaction surveys in 2011, Dalman had been researching organizational innovations, and was now convinced that: "Social innovation is as important as technological innovation," and even more that, "social innovation preconditions technological innovation."

In 2012, Dalman made a first attempt to foster employee engagement and improve horizontal communication, with the introduction of "manufacturing multifunctional teams", which included employees from production - operators and technicians - as well as design, engineering and support functions. The results had been less than expected, as witnessed in the employee surveys. But the big change came in 2015, when Dalman, after intense brainstorming with his top management team, introduced the "liberated company experiment", a radical organisational innovation for the facility.

Dalman's facility was perfectly positioned to undertake an organisational experiment. According to MF1's HR manager, the engagement surveys and Dalman's learning journey were part of the general background, but were not the main factors to have induced the "liberated company" experiment. As a manufacturing facility wholly dedicated to a single, mature aircraft, MF1 had specific features including long lead times from client order to delivery of final product, stagnating productivity, but also, a stagnating production level, which

made it easier to try a radical innovation, as the pressure from demand was lower than at other facilities currently facing rapid production ramp ups. Also, because MF1 produced segments for a mature aircraft, there were no more significant product or process innovations to be implemented, in contrast to what would have been necessary in the early stages of a product's life-cycle. While R&D-based innovation was very important during the early stages of the product life-cycle, experience-based, hands-on incremental innovations became increasingly important as the product reached maturity; at this later stage in the product life-cycle, innovations by continuous improvement were the main way to increase productivity and quality.

The "liberated company" experiment was a top-down initiative, as was to be expected in the technocratic, heavily hierarchical company that was PlaneSpace. Dalman was a traditional sort of manager, authoritarian, with more than 20 years' experience at PlaneSpace, his legitimacy derived from his credentials and competence. He did not have the expected profile of a radical organisational entrepreneur. But he was conscious of the limits of the current organisational structure and management. In his free time, he had read extensively on experiments of new forms of organisation in other firms. He was impressed by the "liberated company" cases in particular, inspired by Isaac Geetz, a professor of management based in France. According to Geetz:

A liberated company' is one in which the majority of employees have complete freedom and responsibility to take actions that they – not their superiors or procedures – decide are best for the company's vision...The first lesson from companies in which employees enjoy freedom and responsibility of action is that workers really do their best for their firm...The second lesson from liberated companies is that employees embrace freedom and responsibility of action because their psychological needs are met. These needs are: respect, trust, self-realisation, and self-direction.⁴

After intensive brainstorming with his management team, Dalman led "learning expeditions" through companies where this new type of organisation had been introduced. In line with a basic tenet of the "liberated company", Dalman insisted on job satisfaction as a key condition for innovation.

Launching the Liberated Company

When the experiment was launched, all the employees of MF1 gathered in the facility's amphitheater to hear Dalman present the new guidelines: "We're tearing up the rulebook," he announced to his employees. "You're getting the keys to the factory."

The HR manager provided more detail: "In the beginning of 2015, we also met all the employees in small groups to go more in-depth...their reaction was very positive. 'You're finally listening to us,' they said. 'At last, we're being acknowledged.'"

Multifunctional employee working groups were put in place on a voluntary basis to make suggestions concerning all aspects of work organisation and

⁴ Isaac Geetz, "What can 'liberated companies' teach HR?", blog, December 16, 2016

management. A key aspect of these working groups was that managers were not allowed to participate -- the company wanted to solicit a free exchange of ideas from the shop floor. Every Friday afternoon, the working groups held debriefing meetings open to all employees to present and discuss their ideas.

Overall, many suggestions were made which significantly impacted the organisation at MF1:

- The number of managers was more than halved, from 18 to 7, and the remaining first line managers were elected by the employees.
- The facility was divided along the steps of the assembly process, into 7 "mini-factories", each with its own production and support functions (e.g., quality, logistics, etc.). "Mini-factories" had their own budget, and profit and loss account, and enjoyed considerable autonomy, e.g., in purchasing, work and working time organisation. For example, workers in a "mini-factory" made collective decisions concerning workload allocation between permanent workers, temp agency workers, and subcontractors. One team leader commented:

In my mini-factory, there has been a decrease in the total workload. So we decided that to maintain the workload of permanent workers, we needed to re-internalise some cleaning activities that had been contracted out... It was not easy to accept for some operators, who are skilled, and felt a bit degraded by having to do some cleaning activities at the end of the day.

- A "workshop for the operator" was put in place, where operators could develop and construct small technical innovations that would be directly tested and put in place. One example was the introduction of a three-step, mini staircase to facilitate a given manual operation. In the previous organisation, it would have taken weeks: the operator would have had to fill in a form, send it up to his manager and further up through the hierarchy. If approved, the request would then have been sent to the purchasing department, and would have worked its way through the bureaucracy and processes there. In the new organisation, the stairs were up and working within the week.

First Results from the Experiment

According to management, the initial impact on employee satisfaction has been very positive. Machine operators expressed feeling greater autonomy and recognition: "Before, we just executed; now, we think to make."

Employee innovation increased significantly; ideas, some very useful, were constantly being generated and tested. One example was the introduction of a robot to perform a particular kind of screwing on a segment which resulted in increased product quality and employee safety.

Absenteeism also decreased significantly. Employees were perhaps more enthusiastic about work, but there was also more control over sick leave; this increased control was actually requested by the majority of employees to

stigmatise "free riders." Some managers acknowledged that with an organisation based on autonomous teams, employees who were absent likely felt more guilty. Union delegates, however, were somewhat less enthusiastic.

MF1's HR manager acknowledged that she had not consulted the unions before launching the experiment. In her opinion, this had probably been a mistake.

When I look back, my main regret is that we did not sufficiently consult the unions in the early stage of the experiment. But it was difficult to do so, because our system of consultation [i.e. with the Work Council and the Health, Safety and Working Conditions committee] is highly formal. Our innovation was radical, and we did not know exactly where we were going... During the early stage, we would not have been able to provide answers for many questions raised by the unions... But this was maybe a mistake, because several unions were very suspicious, and even opposed the process, as they did not feel a part of it...

Some union delegates refused to participate in the working groups put in place to launch changes in the organisation. They even refused to attend weekly employee debriefing meetings intended to keep employees up-to-date on changes in the early stage of the experiment.

According to one union delegate, some workers felt "lost" in the new organisation:

There has been a big decrease in the number of first-line managers... Workers are supposed to be more autonomous, but at the same time, they often don't know what they have to do or the boundaries of their responsibilities.

The liberated company experiment was seen by unions as just a new way of cutting costs: the number of managers had been reduced and the work had been intensified by requiring more employee engagement and by encouraging peer pressure. Their impression was that the "liberated company" only pretended to foster autonomy and initiative; the main problems - work intensity and lack of time and other means to properly accomplish the work - remained. One union delegate voiced this impression:

Autonomous teams are a way to make everybody keep tabs on everybody else...Those who do not perform well are stigmatised, and even excluded by the others...It's like the reality survival game show that we watch on TV.

But the defensive attitudes of unions contributed to their negative image. Many workers had the feeling that unions were opposed to any change, and had a negative impact on innovation. As one union delegate remarked: "When the 'liberated company experiment' was launched, we had warned against some negative potential effects. [But] some workers told us, 'You, the unions, you are systematically opposed to any change.'"

Despite misgivings and lack of cooperation from the unions, the company overall felt a significant positive impact from these organisational changes. Dalman was more than satisfied with the progress to date:

Productivity increased 10% during the first year, and initiatives coming from employees were multiplied by 5! For a start-up, this might be common, but for a big company like PlaneSpace, with a stabilised process, it's quite unusual!

Still, Dalman couldn't keep wondering whether his company had taken the correct path. How long would these leaps in productivity and innovation last? Was this organisational model sustainable? Could this organisation continue once the current aircraft programme had been terminated and a new one began? It was true, the company had not sought input from the unions prior to making this experimental leap, but it now seemed that the more successful this experiment was, the angrier the unions became. How could the company appease the unions and develop a more collaborative company atmosphere?