

# CREATING THE BOTTOM-UP ORGANIZATION FROM THE TOP: LEADERS AS ENABLERS OF WORKPLACE INNOVATION

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## About the authors

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## Abstract

Workplace innovation enhances economic performance and quality of working life simultaneously. Yet successive surveys show that its adoption rate is slow. In many European countries, there is little infrastructure to support the adoption of workplace innovation, often despite a long history of poor productivity and skills utilisation. Enterprise leadership therefore plays a critical role in determining whether or not workplace innovation practices are adopted. Three selected case studies illustrate journeys towards workplace innovation from different starting points. They demonstrate how a consistent approach to shared and distributed leadership can stimulate employee empowerment and initiative from the bottom up, as well as the cumulative impact of small incremental changes.

## Introduction

The evidence is clear. Workplace innovation enhances both economic performance and quality of working life, presenting a compelling case for change in organizations characterised by traditional cultures and ways of working (Pot, Totterdill, & Dhondt, 2016; Ramstad, 2009; Totterdill, 2015).

There is a growing number of case studies of companies such as Innocent and Red Gate Software created by a new generation of entrepreneurs who attribute their success to empowering and non-hierarchical workplace practices and who are not burdened with conventional management attitudes and organizational practices. Such cases, inspiring though they can be, should not lead us to underestimate the challenge faced by those seeking to drive change in more traditional and longer established organizations, often in the face of resistance or inertia. A systemic and transformational approach is required if established practices are to be uprooted and replaced with active workforce involvement and participation (Totterdill, 2015).

The term “workplace innovation” is now widely used to describe such an approach. Based on their meta-analysis of 120 case studies across ten European countries, Totterdill and colleagues (2002) argue that it takes diverse forms but is always characterised by the adoption of workplace practices that enable employees at every level of the organization to use and

develop their full range of skills, knowledge, experience and creativity in their day-to-day work (Totterdill, Dhondt, & Milsome, 2002). Workplace innovation stresses the importance of individual job autonomy, self-managed teams, permeable organizational walls and ceilings, systems and procedures based on trust and empowerment, systematic opportunities for employee-led improvement and innovation, shared and distributed leadership, and employee voice in strategic decision-making.

There seems to be little evidence to show that evidence about the benefits of workplace innovation motivates or stimulates its actual adoption in companies. While much is known about the practices and behaviours associated with workplace innovation, less is known about the drivers and situational settings which stimulate and sustain it. We need a much better understanding of the factors which shape workplace practices at enterprise level not least because successive surveys demonstrate a substantial gap between the evidence from research of “what works” and what actually happens in European enterprises (Eurofound, 1997, 2012, 2015a; OECD, 2010).

These contextual factors can reflect national characteristics as well as those at the workplace, and a “varieties of capitalism” (Hall & Soskice, 2001) approach might be used to explain differences in the distribution and nature of workplace innovation in Europe (Totterdill, Exton, Exton, & Gold, 2016). Hall and Soskice distinguish two distinct types of capitalist economy based on the ways in which firms operate in the market and interact both with each other and with actors such as government and trade unions. In Liberal Market Economies (LMEs) such as the UK, firms interact principally through market mechanisms; in Co-ordinated Market Economies (CMEs) such as those in Northern Europe, non-market forms of interaction such as social partnership and regulation play a more prominent role in shaping patterns of interaction.

Constraints on the development of workplace innovation are likely to be greater in liberal market economies than in the coordinated market economies. Godard (2004) argues that high performance workplace practices challenge the LME paradigm in which distrust and adversarial relations often underpin the employment relationship. In the CME paradigm, levels of trust are higher and provide a sounder basis for ways of working based on autonomy and self-management. For example, enterprise level “Co-operation Committees” long-established within the national social partnership arrangements in Denmark, can play a significant role in stimulating and resourcing workplace innovation (Mulvad Reksten & Dragsbæk, 2014). Likewise, public policy intervention to promote and support the adoption of workplace innovation is widespread within CME countries, and actively involves both labour market partners, but is rare elsewhere (Totterdill et al., 2016). In LME countries such as the UK, explanations for the adoption of workplace innovation are therefore more likely to be found at enterprise level, with a much greater emphasis on voluntarism and managerial discretion.

Analysis of fifty-one case studies undertaken as part of the Third European Company Survey provides a rare insight into the “paths to workplace innovation” found at enterprise level (Eurofound, 2015b). In particular, the study explores the variations and similarities between organizations in which workplace innovation:

- is instigated by top management or by employees;
- involves employees in the design and implementation of workplace practices, or not;
- is driven by the strategic goal of securing a sustainable future (the “burning platform”) or by specifically targeting performance or quality of working life indicators;
- reflects the existence or absence of organizational freedom from control by a parent company or by other stakeholders.

While these variations are seen to shape the specific characteristics of workplace innovation in each organization, common outcomes are found in terms of innovative behaviour based on enhanced employee autonomy.

Each of the six case studies conducted in the UK describes the instigation of workplace innovation practices from the top down, perhaps reflecting the relative absence of the workplace social partnership arrangements associated with CME countries. In four of the cases, workplace innovation resulted directly from the appointment of a new Chief Executive committed to distributed forms of leadership and with a transformational agenda. Three of these cases are examined below.

It is equally important to understand the nature of the journeys that followed. While some people in shared leadership roles have a clear vision of the systemic change they are trying to establish, others begin the journey from one of several specific issue-related angles such as industrial relations, a changing competitive environment, concordance with a parent company's corporate values or the need to sustain competitiveness. At its best, this begins an incremental though sustained journey of experimentation, trial and error, and learning as workplace innovations are established, consolidated and extended, characterised by 'bottom up' employee empowerment and initiative. As the Eurofound case study report argues, the resulting practices "do not often constitute a coherent programme, and in many cases, they reflect developments over a number of years" (Eurofound, 2015b, p. 41).

### **Workplace innovation and "the British disease"**

The UK has a multi-faceted and well documented problem with productivity, skills development and skills utilisation. According to the UK Commission for Skills and Employment (UKCES, 2010, p. i):

*"Our stock of skills and their optimal deployment fare relatively poorly when compared internationally according to skills utilisation measures such as labour productivity and levels of qualifications among different workforce groups. Access to opportunities for skills acquisition is uneven as are their impacts."*

UKCES and other commentators describe this as a "low skill equilibrium". The economy is seen to be trapped in a vicious spiral of low value-added and low skills; enterprises are staffed by low skilled staff producing low quality goods and services to which the training market responds rationally by providing training aimed at the demand for low skills.

This "British disease" has a long clinical history, achieving cyclical but transitory public policy prominence over several decades though seemingly without reaching solutions capable of closing the productivity gap with competitor nations (Wright & Sissons, 2012). Survey findings (UKCES, 2010; LLAKES, 2012) point to:

- a widening gap in the labour market between the number of workers with qualifications at various levels and the number of jobs that require those qualifications;
- the tendency for UK employers to require lower educational qualifications for otherwise similar jobs than their counterparts in many other developed countries;
- 35 – 45% of workers with qualifications that are not fully utilised in their current jobs (Wright & Sissons, 2012) but which would be of economic value if they could be put to better use in more demanding roles;
- the slow pace at which UK employers have adopted workplace innovation practices despite long-established evidence that they are associated with enhanced levels of productivity and performance.

The two latter points are of particular relevance to this article as well as providing a partial explanation for the “British disease”. The fundamental premise underlying workplace innovation is that traditional ways of organising and managing work limit the ability of employees at all levels to use and develop their full range of skills, knowledge, experience and creativity, both in performing their functional tasks and in contributing to improvement and innovation, thereby weakening productivity, competitiveness and quality of working life. Workplace innovation seeks to broaden job roles and employee discretion at both individual and team levels, transcend vertical and horizontal demarcations, enable employee-led improvement and innovation, and engage the tacit knowledge of frontline workers as a resource for all levels of decision making. It therefore embraces the concern with skills utilisation and development in the workplace (Totterdill, 2016).

These workplace practices enhance the ability of employers to secure a full return on their investments in training and technology as a result of improvements in performance, innovation and quality of working life. Moreover, as a 2015 study by CEDEFOP (the EU’s Centre for the Development of Vocational Training) shows, increasing the complexity of jobs leads to enhanced opportunities for workplace learning and development.

“Workplace innovation” emerged during the early years of the century as a unifying concept which brought together work organization, human resource management and other antecedents. Frank Pot (2011, p. 404) describes workplace innovation in terms of “new and combined interventions in work organization, human resource management and supportive technologies” which are strategically informed and highly participative in nature.

In defining workplace innovation, it is important to recognise both process and outcomes. The term describes the participatory *process* of innovation which leads to *outcomes* in the form of participatory workplace practices. Such participatory practices grounded in continuing reflection, learning and improvement sustain the process of innovation in management, work organization and the deployment of technologies.

Workplace innovation is fuelled by open dialogue, knowledge sharing, experimentation and learning in which diverse stakeholders including employees, trade unions, managers and customers are given a voice in the creation of new models of collaboration and new social relationships. It seeks to build bridges between the strategic knowledge of the leadership, the professional and tacit knowledge of frontline employees, and the organizational design knowledge of experts. It seeks to engage all stakeholders in dialogue in which the force of the better argument prevails (Gustavsen, 1992; Pot et al., 2016).

Research highlights the importance of internal consistency in such policies and practices (Huselid, Jackson, & Schuler, 1997). As Teague (2005) suggests, organizations with mutually reinforcing employment practices achieve superior performance as their collective impact is greater than the sum of individual measures.

Such insights led to the creation of *The Fifth Element*<sup>1</sup> as a means of providing practical and actionable insights into the vast body of research evidence relating to workplace innovation in order to enhance productivity, performance and employee health and well-being (Totterdill, 2015). Grounded in a cross-cutting analysis of research studies and documented cases, *The Fifth Element* identifies four basic building blocks which, in concert, create a system of mutually reinforcing practices (See Table 1):

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<sup>1</sup> <http://uk.ukwon.eu/the-fifth-element-new>

*Table 1. The Fifth Element*

<b>Element 1</b>	<b>Empowering jobs and self-managed teams.</b>
<b>Element 2</b>	<b>Flexible organizational structures, people-centred management practices and streamlined systems and procedures based on trust.</b>
<b>Element 3</b>	<b>Systematic opportunities for employee-driven improvement and innovation.</b>
<b>Element 4</b>	<b>Co-created and distributed leadership combined with 'employee voice' in strategic decision-making.</b>

Element 5, *The Fifth Element*, represents the enterprising behaviour, the culture of innovation, the high levels of employee engagement, and the organizational and individual resilience which flourish when the other four combine to shape experience and practice across the whole organization.

If workplace innovation produces tangible economic and employee benefits at enterprise level it is also likely to have wider impacts on the labour market and economy. Skills demand is enhanced because employers need individual workers to embrace wider technical functions and, critically, to enhance generic skills including problem solving, communication and team working. Product and service quality are enhanced while the rate of innovation grows, thereby breaking out of the low skills equilibrium trap (CEDEFOP, 2015; OECD, 2010; UKCES, 2010).

### **The gap**

Even though evidence about the effectiveness of workplace innovation has been around for a long time (Totterdill, 2015), successive surveys show that the vast majority of UK companies do not make systematic use of it. One UK survey estimated that less than 10% of employees work in self-managing teams, a basic building block of good work organization, while less than 30% have a say in how their work is organised. The UK compares unfavourably with several other Northern European countries against many such indicators of employee involvement and participation (LLAKES, 2012).

At enterprise level the limited spread of workplace innovation practices can be understood in terms of several interwoven factors (Business Decisions Limited, 2002; Totterdill et al., 2002) including:

- an excessive tendency to see innovation purely in terms of technology;
- low levels of awareness of innovative practice and its benefits amongst managers, social partners and business support organizations;
- poor access to robust methods and resources capable of supporting organizational learning and innovation;
- barriers to the market for knowledge-based business services and the absence of publicly provided forms of support;
- the failure of vocational education and training to provide knowledge and skills relevant to new forms of work organization.

Resistance to high involvement work practices can also be explained in terms of the embedded structures that shape management behaviour. Power can be seen as a zero-sum game: to empower workers, managers may wrongly perceive that they have to lose it, potentially challenging their self-identity and status within the organization (Hardy & Leiba-O'Sullivan, 1998).

## Driving workplace innovation in UK organizations

As with other liberal market economies the UK lacks both the social partnership structures and the public policy frameworks that help to stimulate the adoption of workplace innovation in the CME countries. UK governments have relied on a market-driven approach to workplace innovation and instigated no policies or programmes to close the gap in productivity caused by the very long tail of companies who fail to respond to evidence. This stands in stark contrast to France, Germany and some Nordic countries where national and regional workplace development programmes have existed for some decades (Totterdill, Exton, Exton, & Sherrin, 2009).

In this context, it is unsurprising that enlightened leadership should play an important role in driving workplace innovation within public and private enterprises, though the systemic adoption of highly participative working practices remains relatively rare in UK enterprises. Leadership theory is a highly-contested field but leadership development has nonetheless gained increasing prominence through business school curricula, professional institutions and consultant offerings. Early theories were primarily focused on the distinction between “task focus” and “people orientation” (for example Vroom & Yetton, 1988) but the emergence of “New Leadership Theories” led to the celebration of “transformational”, “charismatic”, “visionary” and “inspirational” leadership (Storey & Holti, 2013), often drawing on the burgeoning hagiographies of business leaders such as Jack Welch and Steve Jobs.

The dark side of such leadership approaches soon began to emerge including the potential for abuse of power, narcissism, destabilisation, blind obedience and fear of questioning. It can even be argued that the extraordinary trust in the power of charismatic CEOs displayed in these leadership approaches “resembles less a mature faith than it does a belief in magic” (Khurana, 2002, p. 8).

Alternative approaches focused on leadership as a creative and collective process (Senge, 1990) were less concerned with the central, charismatic individual and more with the creation of opportunities for employees to seize the initiative and contribute to decision making. Such shared and distributed leadership relates to a concern with empowerment (Caldwell, 2005) and change agency, a phenomenon characterised by dispersed responsibility for change and not to be confused with the more heroic or charismatic models of change leadership (Buchanan, Addicott, Fitzgerald, Ferlie, & Baeza, 2007). For Gronn (2002) the principle advantage of distributed leadership is that it builds organizational capability, and is, therefore, a key element of workplace innovation in that it helps to release the full range of employee knowledge, skills, experience and creativity.

Recent developments in the UK add extra weight to the focus on leadership. On the same day in June 2015 two public agencies coincidentally published guidelines on productivity (Acas, 2015) and employee well-being (National Institute for Clinical Excellence, 2015), both referring to the need for positive leadership styles which encourage creativity, new ways of doing things and opportunities to learn, and for leaders to be open, honest and visible.

### The case studies

The authors were part of a team of researchers commissioned by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) to interview a sample of companies identified from their responses to the earlier European Company Survey (Eurofound, 2015a) as scoring highly in relation to indicators of workplace innovation.

During 2014-2015, interviews were held in fifty-one selected companies covering ten EU member states. In each company interviews were held wherever possible with a manager (mostly an operational director or HR manager), a group of employees and an employee representative. These provided in-depth, qualitative information about workplace innovation practices, the motivations and actions of different actors and their contributions to their development and implementation, and their outcomes and effects including company performance and quality of work. Interviews were recorded and transcribed, and for each case, a coding matrix was completed in which all the answers were incorporated in a systematic manner (Eurofound, 2015b).

Of the six UK case studies, we selected the three which most clearly illustrate the choices that leaders make in shaping working practices and culture within their organizations. While in all three cases workplace innovation was instigated by a newly appointed Chief Executive and led to greater employee empowerment and innovation, their journeys of transformation were very different, reflecting the varied contexts within which each operated. In the following section both the divergences and commonalities of the three journeys are explored.

### **Drax Power: Transforming industrial relations and leadership**

Drax Power is the owner and operator of Drax Power Station in North Yorkshire, the largest power station in the UK. It is a wholly owned subsidiary of Drax Group plc. Some 850 people are directly employed by Drax Power at the power station site, around 600 of whom operate the plant. The remainder are in corporate and other Drax Group functions. Union density amongst plant workers is around 80%, though much lower in senior roles and corporate services.

Drax Group has been listed on the London Stock Exchange since 2005. AES, the previous US owners of the power station, transferred ownership to its lenders following a period of financial hardship for the business triggered by a period of all-time low power prices. Drax Group recognised that coal-fired electricity generation would have little future beyond 2020 due to national and EU regulatory regimes. Lobbying by the company, led by its Chief Executive Dorothy Thompson, persuaded government of the environmental and strategic benefits of conversion to biomass, reducing greenhouse gas emissions typically by 80% compared with coal-fired generation. A massive programme of investment which is still underway led to consequent changes in working practices and the need to engage the workforce in the process.

Improved industrial relations and greater staff engagement in innovation and improvement were central to the future vision for Drax. Between 2010 and 2012 the company developed a twin-pronged strategy based on both representative and direct participation in order to build the culture of openness and participation which it saw as vital to its future success.

#### **Working together with trade unions**

Prior to 2005 industrial relations were adversarial and this legacy persisted even after the formation of the Drax Group. This was a context not conducive to the transformation facing the company, limiting prospects for employee engagement in the change process. Richard Neville's arrival as Head of HR in 2009 created an opportunity to break with the past, not least because of his previous track record in securing effective partnerships with unions in other utility companies.

Overcoming their initial scepticism, Richard worked closely with union representatives to design 'Working Together', Drax Power's partnership agreement. Working Together doesn't just focus on communication and consultation at corporate level but seeks to shape line management behaviour at all levels of the organization. It commits managers to a process of "open, honest,

clear and accurate” communication and two-way dialogue; the agreement has been reinforced by a programme of management training and development in partnership behaviours, from supervisors upwards.

The emphasis is also on early stage trade union involvement rather than consulting on a finalised proposal. In addition to the quarterly Joint Consultative Committee, senior managers and union representatives meet weekly in informal “Point of Contact” sessions, providing an off-the-record sounding board for ideas and allowing specific issues to be addressed flexibly.

Replacing adversarial industrial relations with management-union partnership has played a vital role in Drax Power’s technological and cultural transformation. In particular, it has engaged unions as active and knowledgeable partners in the programme of technological innovation and prevented adversarial industrial relations from becoming an obstacle to change. Of equal importance, it has helped to build trust and engagement in change throughout the wider workforce.

Leading a culture of communication and consultation at Drax

Drax’s flagship communication channel is the twice-yearly Open Forum instigated by Dorothy Thompson and involving the senior executive team in face-to-face, hour-long dialogue sessions with the whole workforce. In view of very strict rules about how many people can leave their posts for reasons of safety, and to keep the plant going, Forums are conducted in sessions ranging from one or two people to groups of forty.

This very significant investment of time by the Chief Executive and her senior team exposes them to the concerns, ideas and tacit knowledge of employees at all levels of the organization. While part of each session is based on a presentation to employees, the emphasis is firmly on two-way communication. Open Forums replaced the previous company-wide meetings and suggestion schemes which had struggled to stimulate open and constructive dialogue and feedback. Outcomes and suggestions from the different Forum sessions are assimilated and disseminated throughout the company using various media channels.

Employees at all levels report that the Forums symbolise Drax’s visible and approachable leadership, helping to drive a more open culture characterised by improved communication through both formal and informal channels.

Who benefits?

Improved understanding

A 2010 workforce survey asked whether employees understood the company’s future direction. Only 11% of respondents strongly agreed that they did. When the same question was asked in 2011, 96% of respondents agreed (and 63% *strongly* agreed), representing a major shift in engagement levels.

Partnership working from a trade union perspective

Union representatives stressed during the interview that partnership working hasn’t yet shaped the behaviour of managers at all levels and there are still blockages. But they acknowledged that the agreement provides a tangible focus: “[*Management*] will discuss more things with you, more things about the business.” It is a safeguard: “*But when all else fails you can always refer back and say, this is what we have signed, why aren’t you following this procedure?*” And informal contact plays an important role: “*Every fortnight we have a Point of Contact meeting so there is more chance of us getting across things that we find are not right and we can sit down and discuss those things.*”

## Supporting people through change

One person summarised the general view expressed during the employee peer group interview: *“the workforce is very well supported . . . the first thing the business did before implementing any of those changes was roll out the Vision and Values . . . and basically let everybody know what was going on and . . . that we would be supported through it . . . The way the changes are implemented, it is a very inclusive process.”*

## Employee voice

One employee commented: *“It is interesting isn't it, you go to the Open Forums and people will say what they think and absolutely nobody will turn round and go, I can't believe he said that . . . they might not agree with you but nobody will actually knock anyone for having a view because we are encouraged to have a view. That's really empowering I think.”*

## Prognosis

Drax Power has succeeded in improving industrial relations, securing union commitment to a common vision and creating a more open and entrepreneurial culture. This has helped in the company's transformation and is releasing staff ideas for innovation and improvement. Dorothy Thompson's open leadership creates trust and employees feel confident about the future. Remaining obstacles such as instances of unsupportive management behaviour need a consistent approach if the new culture is to become fully embedded.

## **Skanska: Living corporate values**

Skanska, a Swedish-owned company established in 1887, is one of the world's leading project development and construction groups. The UK operation was established with the acquisition of Kvaerner Construction in 2000, McNicholas Utilities in 2006 and Atkins Highways Services in 2013. It is now one of the country's largest contractors, employing more than 5,000 people.

The UK construction industry traditionally had a poor image tarnished by corruption, quality issues, insufficient regard to safety, a poor environmental record and the blacklisting of union activists. When Skanska acquired Kvaerner, it inherited many of these practices, at odds with the Swedish parent company's open and transparent culture and values. Mike Putnam's appointment as CEO in 2009 demonstrated a clear commitment to break with the past. Visibility and accessibility is characteristic of his leadership style and in a 2012 article (Oliver, 2012), he explained that:

*“One of the big transformations has been to adopt the Swedish approach to openness and transparency.”*

*“Everybody in the UK talks about it but in the Skanska Group it is at a completely different level. When you have your values you need to be visibly seen to follow them. The behaviour that backs up that leadership is absolutely crucial.”*

Although the Swedish parent's values provided a powerful driver, the interviews suggested that Putnam is known in the company to be motivated by “gut feel” rather than spending time preparing an elaborated business case for culture change.

“Respect” is a word that recurred frequently in our interviews with managers, union representatives and frontline staff alike. It is reflected in the company's core values which aspire to:

- zero accidents;
- zero environmental incidents;
- zero tolerance of bribery and corruption;

- zero defects.

Respect forms part of a culture which, according to a senior manager interviewed as part of the study, is intended to “penetrate the company’s DNA”, releasing employee voice at every level of the business. While hierarchical structures remain in the business, he argued, hierarchical management behaviour is increasingly out of place.

Mutually reinforcing practices: the journey to culture change

In Skanska, graduated improvements in culture have resulted from a series of incremental workplace innovation initiatives that took place between Putnam’s appointment in 2009 and the interviews in 2014. Interviewees in each group were clear that the new CEO was personally responsible for stimulating and sustaining each initiative. While each initiative is relatively modest in itself, they consistently reflect Putnam’s commitment to Skanska’s core values and build on each other to create a sustainable momentum of change:

- *Breaking down silos*: Skanska UK started with the acquisition by the Swedish parent of three businesses with separate cultures and practices. The first part of the journey was to demolish the walls between different parts of the organization, centralising and transforming “Enabling Functions” such as HR and Finance. This helped embed Skanska’s core values in each function and allowed consistent, company-wide initiatives to develop, addressing management development, healthy working and environmental sustainability.
- *Changing management behaviour*: Management development programmes focus on culture, not basic procedures. Skanska’s Great Boss initiative defines expected management competencies and behaviours which are reinforced through management training programmes and appraisals. Progress is measured through an annual working climate survey. Union representatives interviewed for the study agreed that it is working and that there has been a steady change in management culture.
- *Reinforcing ethical behaviour*: At least once a quarter – and often monthly – management team meetings will spend half an hour exploring an ethical dilemma relevant to the business, either hypothetical or real. This reinforces the message to all managers that Skanska seeks to be driven by its core values.
- *Trade union partnership*: senior management teams work closely with the trade unions which are seen as vital partners in reinforcing company values and in ensuring health and safety. Early-stage involvement and informal dialogue between union representatives and management at all levels play a critical role in dealing with potential issues quickly and collaboratively.
- *An “Injury Free Environment”*: Safe, healthy working is driven from the top. It is seen as part of a shared learning culture rather than a regulatory stick. A rare death on any Skanska site in the world leads to a Global Safety Stand Down - a one minute silence plus an opportunity to learn from the experience and improve practice. Employee voice and union safety representatives play a critical role in highlighting risks and identifying better ways of working. This extends to the supply chain, ensuring consistent practices on site.
- *A learning culture, not a blame culture*: “If things go wrong and you tell us you get nothing but support.”
- *Engaging employees in improvement and innovation*: Skanska recognises that there is no single way of stimulating employee initiative. An open and enabling management culture is the starting point, supported by specific initiatives including local Consultation Forums for

frontline workers and union representatives, the Skanska Way Week – a focus for dialogue on important issues such as wellbeing and mental health, a You Said/We Did board, and even an Innovation App that enables employees to take a picture to illustrate ideas for improvement.

- *Open access to learning*: Prominently positioned in the main entrance hall of Skanska's headquarters, the Learning Centre hosts diverse personal development opportunities from on-line courses to tailored one-to-one support.

Who benefits?

Skanska has one of the best health and safety records in the UK construction sector. Likewise, levels of employee engagement are consistently high. Annual engagement surveys typically secure a 75-85% favourable response to every question set.

Active engagement with trade union representatives in working towards common goals has secured positive employment relations.

A clear strategy has been adopted for integrating new acquisitions. Skanska acquired Atkins Highway Services in 2013, and these practices are ensuring the integration of its staff into the company's culture.

Prognosis

This case study does not describe a dramatic example of workplace innovation. It is about a series of incremental innovations sustained by consistent leadership and slowly generating a strategic change in culture, working practices and employee engagement.

It is still work in progress, and the company recognises that it will always be so. An open and innovative culture is not something you create just once: rather it needs to be maintained and renewed continuously.

Asked if there was one message he would like to give to Mike Putnam, one trade union representative said that his would be: "fantastic job, keep going!"

### **Bristan: Positioning for sustained competitiveness**

Bristan was founded in 1977 in Birmingham (UK) as a family owned business. It is now a leading supplier of showers, taps and bathrooms in the UK with exports to Europe and Russia. It has been awarded one star status in the Sunday Times *Top 100 Best Companies To Work For*.

Leadership by Behaviour

The company is led by Chief Executive Jeremy Ling. He joined Bristan Group in 2009 when it was a family-owned "can do" company but with "a lack of clear focus and inconsistent objectives". One of Jeremy's first tasks was to guide the sale of the company to Masco, a US-based group of companies. Each company within the group operates autonomously and Bristan has retained its family atmosphere.

Employees interviewed as part of the study tended to see Jeremy's arrival as transformative. A series of measures instigated by him since his appointment in 2009 and our visit in 2014 have placed continuous improvement at the heart of the company's practice and this is reflected in the experiences of several of the employees interviewed. Jeremy himself describes the Bristan Group as "always moving forward".

Jeremy's approach is informed in part by his past frustrations when working for larger and less empowering organizations. He set out to create a culture based on shared leadership, values and behaviours: *"empowerment of my top team and feedback on performance are essential for us to be a learning organization"*. He and his senior team are guided by "boundaries" rather than strict role definitions and are trusted and empowered to be entrepreneurial within those boundaries. Jeremy points out that all employees have two duties: to develop themselves and to change and develop their roles.

One person summarised the view of Jeremy's leadership held by members of the employee peer group interviewed as part of the study: *"This senior management team are the best ever, they know all our names."* He argued that Jeremy is passionate about bringing people with him. The "Big Briefing", a quarterly meeting to keep everyone aware of company progress, results and updates, enables employees to ask questions and give feedback. Everyone attends in prearranged hourly slots and people are encouraged to send Jeremy emails on the topic he presents.

Jeremy argues that line managers drive the organization and they take their own decisions about how to lead their teams. Self-managed team-working is an important part of the culture of non-hierarchical behaviour that Jeremy is creating in Bristan. Teams are empowered to address issues from customers directly, working within boundaries set to give room for entrepreneurial behaviour. Open plan offices and working groups enable cross functional collaboration throughout the company, and job swaps provide opportunities to work in different areas and support career progression.

Training, skills development, apprenticeships and career progression are a priority for Jeremy, and the majority of the senior team have been promoted from within the company. The "Leadership by Behaviour" training programme based on the empowerment-based values that Jeremy introduced to Bristan is cascaded from the senior team to all managers.

Employees value the company's commitment to their learning. Individual development goals, learning needs and SMART objectives are discussed at conversational one to one meetings with line managers each month; together with mid-year reviews these lead to a "no surprise" year-end appraisal.

The senior team makes sure that everyone works within Bristan Group's SHINE values - Straightforward, Helpful, Innovation, No Limits to Customer Service, and Empower and Engage. Each quarter, three finalists from each of the five categories are chosen by the company's Employee Forum, which then decides on an overall winner. These winners are then entered into the Star Performer category, with the overall winner being announced at an award ceremony in January. At the end of the year, the company holds an awards ceremony where the SHINE Star of the Year is named.

Continuous improvement (CI) is part of the everyday vocabulary at every level. CI champions organise improvement projects and teams organise cross-functional working groups involving people from all areas of the company to improve the way they work. At the time of interview, in 2014, there were 146 CI initiatives in progress, each based on an opportunity identified by an employee. Bringing people together from different parts of the company enables problems to be seen "with a fresh pair of eyes." Every employee is also encouraged to sign up for a Kaizen project, taking time out for a week to join a cross-functional team. Between four and six Kaizen events are held every year and outcomes are presented to the senior team as an important means of learning, engagement and networking.

For example, a warehouse-led “fast despatch” group recruited from across the company met for a week and reviewed the despatches, cutting 7.5 miles of walking per week. Everyone in the warehouse is involved in continuously improving the integration of technology for “Just in Time” with their team working practices and USP (Unique Selling Point) of “next day delivery”. The warehouse people rotate their roles and tasks regularly, but individuals can self-organise if they want to stay to complete something.

An Employee Forum offers further opportunities to discuss issues or ideas for improvement. Thirteen Employee Representatives are nominated by their peers and attend four formal meetings a year with a member of the senior management team. The Forum helps run ‘PeopleFest’ which is an annual event encompassing sessions on well-being, career, financial and health advice, cycle to work, benefits, discount vouchers and child care information. The Forum is given a budget to organise the annual family open day which is the climax to PeopleFest.

Trust and open communication are reflected in the employee survey with an 89% return rate. Managers reflect on what to do differently based on survey results. As part of their action plan they write individual ‘I promise to...’ commitments on the Management Pledge Board in the canteen.

Who benefits?

Open leadership, communication and trust have enabled Bristan Group to undertake a potentially difficult ‘journey of efficiencies’ with a reduction in overall staff numbers and the closure of sites, while retaining high levels of staff engagement. Profits have risen as a result of these actions and employees have gained yearly pay rises and even bonuses throughout the recession. Employees are kept fully informed of plans to expand and are upbeat about the future. One employee summed up the feeling of the interview group: “Bristan Group are investing in their people so people will stay - those who leave come back.”

### **Conclusion**

These three organizations undertook major journeys of transformation during the period between 2009 and 2014, stimulated by the appointment of new Chief Executives. In each case, the CEO-driven momentum of change led to an increase in bottom-up initiative including the greater empowerment of frontline workers in their day-to-day jobs and to the amplification of employee voice in decision-making. This reinforces the view of Gronn (2002) and other writers that distributed leadership builds organizational capability and helps to release the full range of employee knowledge, skills, experience and creativity. Since the adoption of workplace innovation practices in LME economies relies more on managerial discretion alone than in CME countries, distributed leadership models have a particularly important role to play.

Positioning the organization for a better future, not responding to crisis

None of the three companies was motivated to change by short term problems or issues. In each case, the Chief Executive was driven by a ‘gut feel’ that responsiveness to future opportunities and resilience against future challenges needed to be strengthened by making better use of the skills, experience and creativity of the company’s entire workforce.

Diverse entry points leading to systemic approach

The journeys of each organization began from very different starting points but each CEO emphasised consistency of values, aligning work organization, organizational structures, systems and procedures, high involvement innovation and improvement, and employee voice in

order to create a sustainable body of mutually reinforcing practices based on participation and empowerment.

Workplace innovation as 'the sum of the parts'

Each of the three companies achieved profound improvements in culture and working practices through the cumulative impact of small, incremental changes rather than by big leaps. None of the CEOs began with a masterplan: rather they created opportunities for inclusive reflection and dialogue that led to the identification of ideas for improvement and innovation. These transformations reflect the *process* of generating and implementing these ideas as much as the ideas themselves.

Consistent values and behaviours

Workplace innovation can be deflected by short-term problems and contingencies, especially when senior management becomes overly involved in crisis management (Business Decisions Limited, 2002). Jeremy Ling, Mike Putnam and Dorothy Thompson share an approach to leadership based on delegation and the rejection of micro-management. This enables them to focus on strategic matters including consistency in the design and implementation of workplace innovation initiatives.

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