



The transformation: How Michelin redefined the twenty-first century industrial corporation

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Michelin had been always proud of its shop floor ambiance – its “soul” – made of benevolent foremen and of workers smiling and greeting visitors. Then, in the early 2000s, Michelin’s adaptation of Toyota Production System (TPS) threw a spanner in the works. Just like many Western companies, the Michelin Manufacturing Way (MMW) focused on the TPS tools instead of its human-centered philosophy.

In 2011, several top executives on a regular shop floor visit noticed the distinct lack of smiles – and started to worry.

The corporate Industrial Director shared his observations with his HR counterpart Jean-Michel Guillon: “I propose that you restart the empowerment programme we had before the MMW and give workers responsibility for their production activities.” In fact, this restart has been already underway.

In 2008, Guillon began undertaking employee engagement surveys to find out if Michelin was really “losing its soul.” Not convinced by the results, he asked his deputy Bénédicte Perronin to revitalize in all the plants the old empowerment (in French, *responsabilisation*) programme Michelin had in the 1990s and simultaneously, to conceive a true in-depth empowerment programme. To achieve the second, in January 2012, she organized a four-day seminar involving 25 carefully selected top managers. Introduced by both the Industrial and the HR Directors, its findings were presented to the CEO Jean-Dominique Senard. The findings were limited but profound: the group formulated a goal to build a

corporate organizational model that allowed the teams' full autonomy. The CEO asked to see them again once they had devised a way to achieve this. The group interpreted this as *carte blanche* to create a plan to truly transform Michelin.

One participant at the seminar was the Shanghai plant director Bertrand Ballarin. He was preselected to coordinate this transformation beginning in March 2012. A former army colonel, Ballarin had a habit of reading a lot when facing a novel challenge, hoping for a “eureka” moment. This came in June 2012. His insight was that the workplace transformation must be carried out by those who do the work! To allow it, he launched the first in-depth *responsabilisation* experiment.

The experiment, called MAPP (in French, *Management Autonome du Progrès et de la Performance*) and coordinated by Ballarin and his associate Olivier Marsal, involved 1500 workers in 38 “islets” – Michelin’s basic manufacturing teams – from 18 plants, representing all of Michelin’s products and geography. Each team was asked the same question: “What would you need to do your work better?” Teams demanded to have full responsibility for operations, maintenance, multi-skills development, or safety, with some even asking to be informed of corporate financials or strategy. Though the teams didn’t know it, the goal was to pretty much meet all their demands and allow them to put them into practice. Consequently, the teams assumed full collective responsibility for the areas they requested. Each team leader became a coach, Ballarin and his associates remaining in the teams’ service if required.

The result was that the teams were allowed to redesign any or all of the MMW they chose without any outside control. It met Jean-Michel Guillon’s two objectives: first, to integrate the experiment in the MMW

context; and, second, to explore how it could contribute to the manufacturing teams' wellbeing, a.k.a. Michelin's "soul." It was time to present the experiment to Michelin's top management.

In December 2013, Ballarin presented the results of the experiment to Michelin's executive board. Once he had finished, there was applause. Ballarin waited a while, then said: "We haven't proven a thing yet: these 38 islets are protected from the plant management's intrusion. Yet, since you've appreciated the presentation, we need one to two industrial plants to prove the concept at the level of an entire plant. In addition, we need your agreement to transform our divisional headquarters and corporate support units." He got six plants. For his additional request, he got a three-hour slot in the next Michelin Top 60 meeting, so that he could explain the *responsabilisation* concept to all the executives and try to enroll some of the divisional and corporate support unit directors in the transformation.

Ballarin contacted me for the first time in June 2013. He had read my book *Freedom, Inc.*, in which he found the freedom- and responsibility-based philosophy he sought for Michelin. He asked my opinion on his approach. I replied to him doubtfully: "I have studied several dozen transformations to build a freedom- and responsibility-based workplace, but none the size of Michelin. I don't believe it's doable, but I wish you success and am interested to follow how it goes." I also told him that the key to such transformation is the capacity of the plant directors to practice leadership without ego. We agreed to continue our conversation on a regular basis.

At a further meeting in early 2014, Ballarin asked me for help in the forthcoming Top 60 meeting to explain the corporate liberation concept and attract volunteers. I did, and several divisional and corporate support

unit directors volunteered. He also asked me to run the kick-off seminar for the six plant directors. The goal was again to explain and illustrate the concept and involve them in designing the first steps of the transformation they would lead locally. Ballarin's small team of facilitators helped plant directors, while he focused on the corporate and support units' transformation. Within the plants, the islets' heads asked their teams the same question: "What do you need to do your work better?" If some islet heads were unwilling to relinquish the responsibility their team claimed, they had to justify it, and then, redefine their role as creating the conditions for the team to ultimately assume this responsibility.

Independently, in 2015, Michelin's CEO established four axes for its future: client service, digitalization, simplification and *responsabilisation*. Thus, the *responsabilisation* programme became a corporate basis for Michelin's differentiation. Ballarin even proposed to the executive board that Michelin should aspire to become the twenty-first century Toyota. The motto was rejected by the company, whose culture has always been low-key.

Meanwhile, outside the company *responsabilisation* was beginning to get noticed. In March 2015, a leading French business monthly *l'Usine Nouvelle* featured "Michelin libéré" (liberated Michelin) as its cover story. In 2016, Michelin's CEO, largely thanks to the *responsabilisation* programme, won the Corporate Leader of the Year Award. Then in 2017, the *Financial Times* published an in-depth examination of what it described as "Michelin's great experiment."

Michelin charged ahead. At the beginning of 2018, in addition to its initial plants, 12 new ones joined the programme. In the plant in Homburg, Germany, teams self-direct most activities and managers have

transitioned into the role of leaders without formal authority. Operators set their work schedules and their vacations, design and monitor their own performance indicators, do their own maintenance, and are consulted on the choice of new machinery. *Responsabilisation* also includes several divisional headquarters, such as agricultural tires and mold manufacturing, corporate support units, such as IT, HR, and R&D. Amazingly, it even includes the executive board – top executives have handed authority over to their units’ staff and instead become “sponsors” (similar to Harley Davidson’s transformation carried by Rich Teerlink in the 1990s). The HR Director Guillon doesn’t even tell the HR staff what to do anymore and the team has shrunk from 100 to 15. There, as in all support units, the staff were asked to “let people breathe” and to keep only the documents and procedures compatible with the *responsabilisation* philosophy. Altogether, 1000 support staff migrated to value-adding roles.

Michelin is a huge company in a relatively mature industry, but it has still managed to increase its sales from €19.553 billion in 2014, to €22.208 billion in 2018. In 2018, Michelin was ranked by *Forbes* the #1 America’s *Best Large Employer*. Google came third.

Lessons

1. The WHY of the transformation

Michelin launched its organizational transformation to allow freedom of action and responsibility – not to make more money. The company did it to (re)create a workplace where people go not because they must but because they want to, and while there, they also want to give their best. Michelin considered that the natural by-product of this is increased economic performance.

2. The WHAT of the transformation

From the beginning, Michelin asked the participating plants and support units to find their own way to articulate the general *responsabilisation* philosophy in their unique organizational form. There was no organizational point B at which to arrive, because each unit started at a different point A (its human, cultural, and industrial heritage) and because point B doesn't exist. The WHAT wasn't a new fixed organizational form but an evolving one, which employees cocreated and continue to adapt to meet their needs and those of the changing world.

3. The HOW of the transformation

Michelin didn't provide the units with a transformation method or consultants. While it did provide coaching, readings, or seminars, the transformation itself had to be carried out by those "who do the work," per Ballarin's insight. The plant's or unit's leader provided them with the proper conditions for the transformation effort, while Ballarin's team made sure that the evolving workplace fitted in with the overall *responsabilisation* philosophy.

4. The LEADERSHIP of the transformation

Each plant's or unit's transformation success relied on its director's "leadership without ego" capacity. First, they had to be driven by human – not economic – concerns to enter this transformation, all the while understanding that the latter was the by-product of meeting the former. Second, they had to practice *leadership without ego*: not considering themselves better than other employees in terms of special perks – corner office, chauffeured car, and so on, or intelligence – believing they had better ideas and solutions than others. Third, these leaders practiced the Taoist attitude of *Wu Wei* – to act without acting – which according to one inspiratory leader of *responsabilisation* philosophy, Jean-François Zobrist, is "a *laissez-faire* approach that does not mean doing nothing, but means

creating conditions in which things happen by themselves.” *Wu Wei* requires a constant vigilance on the part of the leader to seize favorable circumstances and sometimes even provoke them.

Such leadership capacity is the world’s scarcest resource. Michelin had it to start the transformation: Ballarin, Guillon, and Senard – who supported it at the corporate level – and then, half a dozen plant directors. Michelin had more in reserve to continue: Florent Menegaux, the new CEO, who is very supportive of the *responsabilisation* transformation, the executive – a former plant director – who replaced Ballarin after his retirement, as well as several dozen plant, corporate, and support units’ directors. Thus, for its biggest French plant, Michelin’s incoming director was chosen on the criterion of being namely such a leader with a clear mandate to implement the *responsabilisation* transformation. Eighty percent of Michelin’s eighty plants are in the programme, half having been partially transformed and about a quarter having been essentially transformed.

That said, for the *responsabilisation* to succeed, all of the company’s top managers must be leaders without ego. That’s what Michelin has embarked on lately with its top 1000 managers, 500 of whom, including its executive board, are already being coached in this style of leadership.

Responsabilisation isn’t just another change project. Former CEO François Michelin used to say: “We don’t do projects, we build cathedrals,” meaning Michelin thinks in centuries, not in quarters. *Responsabilisation* is one of those cathedrals. Perhaps, after all, Ballarin was right? Perhaps we are witnessing in Michelin *the* industrial company of the twenty-first century? Like Toyota was of the twentieth century, but with no tools or models to share – just the freedom- and responsibility-based philosophy.