

Workers of Europe Innovate

By Brian M. Carney
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HALLENCOURT, France -- In this hamlet in the north of France, Jean-Francois Zobrist leads the sort of company that isn't supposed to exist any more in high-tax, high-cost socialist Europe. It's a company -- in France, remember -- where workers volunteer to work Saturdays when an extra-large order needs to be filled by Monday, where front-line employees redesign products to improve efficiency, and where prices have fallen almost every year for decades.

The business is as old-economy as they come. FAVI is an 800-employee copper foundry that began in the 1940s making plumbing fixtures. In the 1970s, with the market for copper plumbing in decline, it moved into water meters, and in the 1980s FAVI started making copper forks for automotive gear boxes; it is now the European leader in this niche, with over 50% of the market.

Moreover, FAVI makes money in markets in which its competitors lose money -- or have long since outsourced production to Asia. How does FAVI do it? Mr. Zobrist is a man of many maxims, but one of them is that the company he runs (he owns no stake in the family-owned company himself) makes its employees happy.

The key to happiness, in Mr. Zobrist's view, is to free workers from the arbitrary restrictions of the chain of command, or rather, the *chaine de comment* -- the chain of "how."

"In the system of 'how,' you talk to the foreman, who doesn't know. The shop chief, he doesn't know. Neither does his boss, so he goes to the director, who doesn't know, so he asks the factory manager and the CEO. This is the chain of 'how,'" Mr. Zobrist explains, mockingly. Everyone must ask his boss how to get anything done, so nothing gets done. "If you want to work, you are obliged to disobey; if you want to get anything done, you must forget about the chain of 'how.' . . . Because the 'hows' are always so contradictory that it is impossible to work without disobeying [someone]."

If this sounds overstated, few people who work in a large or medium-size company will find Mr. Zobrist's description wholly unfamiliar. The inability or reluctance to

take decisive action to improve the efficiency of one's day-to-day tasks is pervasive in most firms of any size. Many of us are trapped in the *chaine de comment*.

When Mr. Zobrist was put in charge of FAVI, he set about to break the chain. Most businesses, in his view, are "Soviet" in character -- they rely on centralized control by bosses, whose priority is the reduction of risks to *themselves*. This in turn means control of "how" things are done and the assertion of authority of managerial *nomenklatura* through deference and perks. At FAVI, what matters is "why" and "for whom," not "how." That is, workers aren't told how to do their jobs, but whom they are doing them for -- the customer, not their boss. "The only power lies with the customer," Mr. Zobrist avers. "I have no power in here. I enter a meeting, no one stands up. I don't have a parking space, and if I start pretending to expertise in a meeting, my people will often cut me off."

What's more, FAVI has no personnel department; Mr. Zobrist eliminated it 20 years ago, "because this department's main job was to put constraints on people's activity and grow its own ranks to enforce these constraints." There is virtually no middle management at FAVI; the company is organized into teams, which each serve one customer -- one automaker, for example. Those teams choose their own leader, who reports to Mr. Zobrist. Thus, the organizational chart is only three layers deep.

Instead of obedience, Mr. Zobrist seeks responsibility and initiative from his employees. And to get it, he gives them freedom -- to innovate and experiment, but also the freedom to solve customers' problems in their own way. He tells them they work for the customer, and gets out of the way. His only demand, just about, is that they always look for ways to do it "better and cheaper" -- and never deliver late.

Thus, the workers on the factory floor have redesigned their own work spaces to improve their own efficiency. In at least one case, a junior factory worker suggested a product redesign that cut in half the number of rivets the company was putting into a particular auto part. In this way, FAVI has reduced the cost of producing a gearbox fork by 40% in real terms over two decades. Most of the examples of how this has been accomplished are mundane rather than transformative. One employee designed a cart that made the parts she was assembling more accessible, and designed a rake to help her pull the parts out of a large box. Another figured out a way to drill a hole with one drill bit instead of two. But in every case, the employees exercised the freedom

simply to get it done -- no review committees, no manager approval. Just try it; if it works, tell others, so they can try it too.

To some, the result seems chaotic. Mr. Zobrist tells a story of a customer, a tradition-bound car company, that sent a team to audit FAVI's work practices. "This won't do at all," they said after their inspection. "You have no metrics for tracking late orders . . . no structure, no planning, no delay management [procedures]."

Mr. Zobrist responded: "How many years have we been supplying your needs?" "11 years," said the customer. "And in 11 years, have we ever been early or late?" "No." "Have we ever delivered too many parts, or too few?" "No." "So, why do you want to put in place measures of things that don't exist?" Mr. Zobrist asked. He got no response.

Remarkably, FAVI has thrived in, of all places, France -- a country Mr. Zobrist describes as the "last Soviet Republic." In a country obsessed with centralization, and that still produces five-year plans, Mr. Zobrist has pushed control down to the front lines, where it does the most good.

Friedrich Hayek, the Nobel Prize-winning economist, argued 60 years ago that decentralized systems would always beat centralized, command-and-control systems because, in his famous phrase, all important information is distributed and the "man-on-the-spot" knows best. Thus, no one person or ministry knows enough to direct resources for an entire economy. The collapse of the Soviet system underscored his point.

But if central planning has gone out of style as a means of organizing the economy, it remains far too prevalent as a means of organizing firms. If Jean-Francois Zobrist can break that mold in France, there must be hope for workers everywhere who are trapped in the chain of command.

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