

Liberated firms and digital practices

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Abstract:

By restructuring markets and creating the conditions for new competitors to emerge and for wage-earners to adopt new practices, digital technology is exerting ever more pressure on firms (not just on its corporate bureaucracy). Companies have to change by becoming innovative and inventing work methods that foster employee autonomy. New forms of “open work” are spreading, based on close collaboration with ever more parties outside the firm. The radical horizontality of these new work groups can threaten the bounds and governance of the corporate business model. To keep new forms of inequality and economic dependency from arising, new organizational models have to be developed that provide a framework for fluid, occasional associations to arise among employees, while furthering the freedom and responsibility of as many members of the workforce as possible.

Digital technology and “horizontality”, a natural match?

“Become a platform”, “be agile”, “work in projects, as part of an ecosystem”, “liberate the firm”, “develop the right to error”... these phrases have, over the past few years, cropped up both in magazines for management and in the conferences and seminars organized for senior executives.¹ This wind of freedom along with the injunction to change is a response to external and internal pressures. What are these pressures?

What first comes to mind are the new models for coordinating activities that are grounded on the potential for direct collaboration among individuals thanks to the use of personal computers and widespread access to the Internet. This new potential raises questions about the economic foundation of the theory of the firm, specifically about the concepts used to organize production and create value. It is sometimes more efficient to rely on distributed networks of resources and contributors than on a vertical integration and a pyramidal management inherited from the industrial era (BENKLER 2007). Traditional firms are threatened by small structures, often platforms serving as intermediaries who use their leverage (in particular data) to activate whole ecosystems and develop efficient interfaces.

Another pressure comes from wage-earners. Digital technology offers opportunities to individuals in various socioeconomic activities, opportunities ranging from access to information to job offers or even involvement in politics. The flexibility and, too, the new autonomy offered to individuals in the private sphere are increasingly in contradiction with the reality of the digital transition in firms where software and computers are obsolete, WiFi networks do not exist in core activities on the factory floor, the use of platforms for sharing documents has been banned, and it is impossible to take part in a video conference.² The changes under way have brought to light how tightly a technical environment is linked to methods of organization.

¹ This article, including quotations from French sources, has been translated from French by Noal Mellott (Omaha Beach, France). The translation into English has, with the editor’s approval, completed a few bibliographical references.

² A survey by Capgemini Consulting and OpinionWay of more than a thousand French white-collar workers has shed light on this demand: Capgemini Consulting (2 September 2016), “Comment le numérique va libérer le salarié”, *Décryptage*, LesEchos.fr.

Digital technology has been political since its invention. The pioneers who designed the personal computer and the Internet were imbued with the “political culture” specific to the United States during the 1970s. They were influenced by both Norbert Wiener’s lectures on cybernetics and the American counterculture with its violent criticism of patriarchal society, bureaucracy, pyramidal firms, the military and verticality in general (LOVELUCK 2015). The inventors of this “Californian” information and communications technology had the stated objective of imagining networks and virtual communities that would “empower” the individual and make relations with the group more horizontal. These same scientific and political currents of thought also influenced management and managerial practices at the time. Theories of management broke free from hierarchical, pyramidal models and paid more attention to employees’ motivations and psychology. During the past few decades, more radical currents have sprung that refer to the concepts of “sociocracy”, “holacracy” or the “liberation of firms”.³

Nonetheless, digital practices and theories of horizontal management do not share ideological roots alone. Feedback between these two fields has been concrete and ongoing. The Global Business Network (GBN), founded in 1987 by pioneers of the Internet, tried to *“redefine the organization of big firms by granting some wage-earners a margin of autonomy and invite them to work horizontally by opening toward many, heterogeneous, circulating forms of knowledge. [...] The new ceremonies for the ruling staff placed the cult of the network, of ‘transversality’ and of the expanded mentality in the firm’s strategy. They were present at the turning point in managerial methods, which marked the end of the Fordist era of industrial capitalism, of the age of corporate executives, and opened toward the era of worldwide networks, of knowledge workers in financial capitalism”* (CARDON 2012, p. 25). Getz borrowed the idea of liberation from the American guru of “liberation management”, Tom Peter (1992), who had explained that the hierarchical organization was to be turned into small, flexible, autonomous, *ad hoc* project work teams in the context of the “new economy” of the 1990s, which was spurred by the technological acceleration of the transition from an old manufacturing industry toward a service economy.

Given this tight linkage between digital technology and a “horizontal” vision of management, we are surprised to notice that the digital transformation is still far from having definitively “liberated” firms. We might mention the first wave of corporate modernization (BOULLIER 2016): the mainframes, tools for monitoring workflows, electronic document management and enterprise resource planning (ERP). These digital techniques made the organization’s activities trackable and calculable for the purpose of making the organization more vertical. They could thus be used to standardize and discipline the firm, in particular by bringing into the light processes that used to involve implicit institutional arrangements, sometimes among employees themselves.

Given this situation, we can legitimately ask: what has digital technology actually liberated? Let us see how, at first, it freed productivity by introducing project management and more supple forms of collaboration and even went so far as to redefine the firm’s bounds. We shall then examine the conditions under which it can also help free work and boost the taking employee initiatives and responsibilities.

³ B. Carney and I. Getz (2009) have defined the freed firm as a company where the majority of employees enjoys freedom and full responsibility for undertaking any actions that they feel to be the best for the firm’s future.

Digital technology liberates the firm's productivity

A liberation from bureaucracy

Lowering communication costs has allowed for a more direct collaboration between persons. The social media make it easier for groups to organize; and allow for fast exchanges that short-circuit the formal, pyramidal structures figuring on an organizational chart. Small structures, more flexible and dynamic, not only better respond to the needs of innovation and ongoing adaptation (HAMEL 2014) but also attract skills. As the 25th yearly survey on the employment of graduates from higher education has shown, more young graduates, for the first time in 2017, turned toward small and medium-sized companies than toward big firms.⁴ More importance is being given to the “company culture” and to a management that favors autonomy, whereas big groups are seen as handicapped by slow decision-making and a rigid division of labor, which results in repetitive tasks. Quite logically, employees have tended to demand getting rid of intermediate links in the chain of management. In a survey by a French labor union, two thirds of wage-earners had doubts about the usefulness of their firm's hierarchy, and 82% wanted more autonomy.⁵

The introduction of digital technology has not been, and still is not, a solution in and of itself. For several years now, executives have observed the relation between a more horizontal management and the deployment of in-house social networks (or other forms of collaboration). However digital technology is still seen as a tool or aid at the service of a form of communication and not as a condition or architecture that requires redesigning all roles and flows of information in the firm. This technology realizes its full potential when integrated in models that, depending on the project, flexibly allow for reshaping work teams and reallocating resources. Such is the case, for instance, of “intrapreneurship” projects, which can intensify and universalize innovation in the firm while letting responsibility to a group of employees. More than in-house social networks or the traditional tools of knowledge management, the solutions that offer synchronous and asynchronous forms of collaboration, provide for the sharing of data or propose tools for audiovisual exchanges are better able to bring together employees — outside the hierarchy and regardless of their physical location, inside or outside the firm.

The firm's new frontiers

Just as digital technology can move bounds within the firm, it can also deeply transform relations with the world outside the firm. Aggregating communities has become a major factor in the success of projects, including in sales. The most frequently cited example is the millions of contributors to Wikipedia Foundation, based on a key model for the digital economy: the platform, which externalizes activities toward the surrounding ecosystem. A platform allows for independent work from “partners”, such as Uber's drivers or the developers of third-party applications for Facebook (who communicate via application programming interfaces, APIs).

If, as Benkler has shown,⁶ the platform model has an advantage compared with forms of organization based on a hierarchy, the externalization it fosters generates new forms of economic dependency, which might lessen the autonomy of individuals who used to be wage-earners. This dependency might spawn new forms of inequality in “open work”, which short-circuits the traditional organization of occupations buttressed by its forms of representation and participation in corporate

⁴ Conférence des Grandes Écoles (13 June 2017) Enquête Insertion 2017 des jeunes diplômés, available at <https://www.cge.asso.fr/liste-actualites/vient-de-paraitre-enquete-insertion-2017-des-jeunes-diplomes/>.

⁵ Confédération Française Démocratique du Travail (22 September 2016), “Enquête: Parlons travail” available at <https://analyse.parlonstravail.fr/>.

⁶ “A state in which all agents can act effectively on all resources will be substantially more productive in creating information goods than a world in which firms divide the universe of agents into bounded sets” (BENKLER 2002, p. 419).

decision-making (FLICHY 2017). Other forms of inequality might thus crop up in companies, with new cleavages resulting from how digital technology is used: on the one side, those who benefit from autonomy and the offer of new possibilities; and on the other side, those who, lacking skills or not proficient (in the languages, forms of writing, conventions of communication or the new relation to knowledge) cannot tap the full potential created by the liberated digitized firm.

Digital technology liberates work

Radical forms of horizontality

Although the introduction of a management inspired by the concept of a liberated firm (*i.e.*, activities based on digital practices) can create value and free wage-earners' creativity and productivity, its impact on work is still under discussion. One criticism worth mentioning is that this concept is said to be a label that corporate managers unilaterally design and apply, their main intention being to eliminate middle management, despite its key role in monitoring changes and diffusing digital practices. This criticism points to the fact that wage-earners do not really have a part in defining work methods and performance criteria (LINHART 2017).

In this respect, it is worthwhile observing how these new work groups actually operate and reinvent the relation to work. Such groups, most of them in freeware communities, spring up around a common resource and for the purpose of contributing to, or preserving, it. Members may also participate in the rules of use and governance that apply to their contribution. Leadership is organized flexibly, based on participants' commitments to the project rather than on a pre-existing organization chart (BAUWENS 2006).

This radical "horizontality" does not fail to set off conflicts with traditional forms of organization in companies. For one thing, it raises fundamental questions about ownership, in particular intellectual property rights. For another, the "liberated" contribution made by workers depends on their autonomy and their participation in (or consent to) determining the finalities of production. This form of employee participation is hardly compatible with the usual governance of firms, *i.e.*, supervision by a board of directors and management via delegation to a staff.

Collective decision-making?

Digital technology can reinvent, on different scales, employee participation in making decisions about concrete forms and methods of work and about the finality of production. Besides systems of online consultation, there are forms of codecision during the day-to-day management of a project. For reinventing the social dialog in a platform economy, initiatives such as FairCrowdWorkWatch by the German Metalworkers Union⁷ are evidence that digital technology can be used as a tool of collective bargaining between parties on an ever more dispersed value chain.

This possibility does not at all lessen the institutional issues arising out of employee participation in decision-making and a broader sharing of responsibilities. Among these issues is to define the arrangements whereby company committees and wage-earners will be able to reach a consensus. Another has to do with forms of pay (*e.g.*, on projects that turn employees into entrepreneurs). The current models of corporate governance (even in cooperatives) do not really suit the forms of flexible, transient or intermittent, collaboration possible thanks to digital technology.

⁷ Website of IG Metall's FairCrowdWorkWatch: <http://faircrowd.work/>.

A new social contract for the 21st century?

In many respects, digital technology helps fulfill the promises inherent in the concept of the liberated firm: to eliminate hierarchies, titles and privileges, and to motivate wage-earners. This affects not just the firm's internal bureaucracy alone. New forms of "open work" are spreading that entail tighter collaboration with a growing number of parties outside the firm.

The radical horizontality stemming from these new work groups might go so far as to impugn the very model of the firm, with its boundaries and form of governance. To keep new forms of inequality or economic dependency from arising, organizational tools, including legal instruments, have to be designed to fully realize the liberation of both the firm and the relation to work. It is also essential to devise a social model for liberating individuals and freeing their potentialities without undoing the social advances made over the past century: welfare, dignified working conditions, possibilities for representation and collective actions.

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