LABORATOIRE SOCIAL D'ACTIONS D'INNOVATIONS DE REFLEXIONS ET D'ECHANGES
[SOCIAL ACTION, INNOVATION, REFLECTION AND EXCHANGE LABORATORY]

12TH LASAIRE BIENNIAL

"Anticipation and Participatory Change Management in Companies during a Period of Crisis and Technological Change"

UP GROUP

(by Anne-Marie Grozelier – April 2017)

In its current configuration, the "Up" group (formerly known as the "Chèque Déjeuner" [Lunch Voucher] Group), is a cooperative French group active in France and abroad, that provides services to businesses, works councils, municipalities and private individuals. It is established in 17 countries and ranks 3rd on the international payment instrument market. Today, "Up" is organised round the parent company which constitutes the umbrella structure of a holding corporation (which holds all the group's capital) and under which fall the French subsidiaries and foreign affiliates, including European companies.

The company's variable capital amounts to €14 million. It is held by the parent company which has cooperative status, and thus by 70% of the French employees. In 2015, the group generated a turnover of €347 million, issued vouchers worth €6.6 billion, and made a profit of 24 million. The aim for 2018 is to double the turnover and bring it to €500 million.[1]

Like all international companies, the development of the group brings it up against developments marked by such changes as reorganisations, mergers, acquisitions, site closures, etc. On the other hand, as the group cannot be taken over, it remains the only decision-maker for change and its procedures, with the capital being held fully (100%) by the parent company.

If we consider the matter from the subject at issue in the biennial, i.e. the participation of employees in the decision-making process and the management of change and technological advancements, it is clear that the strategy of the "Up" Group entails restructuring operations and mergers linked to major changes that it has impelled itself, but which are managed in partnership with the employed co-operators of the parent company.

[1] "Up" Group – Annual Report 2015

THREE SINGULAR FEATURES

The “Up” group consequently has three singular features in connection with our study:

1. It is a group that registers high growth – growth based on the globalisation and diversification of its activities.
2. A group whose parent company has the legal status of a *société coopérative et participative* (SCOP) [Cooperative and Participatory Association] characterised by a quite advanced social policy.
3. A group that operates in quite a competitive and regulatory market, which is particularly subjected to trends in living and working conditions.

GROUP STRUCTURE

The ‘Up’ Group was the offshoot of a workers’ cooperative called “Chèque déjeuner” [Meal Voucher] created in 1964 by some twenty trade unionists. The company initially issued payment instruments earmarked for the purchase of meals paid in part by the employer so that employees could enjoy a proper meal during their day at work. It could be used only to pay in a restaurant or to buy food.

At the end of the 1980s, the board of directors decided to diversify its activity to other earmarked payment instruments: the gift voucher (Cadhoc), the culture voucher (Rêve et Sens), the reading voucher, the home voucher for services to individuals etc. But these new entities did not have the status of cooperative companies – they are private limited companies, in fact. The entire company was regrouped under a “voucher cluster.” In 2016, the cooperative company *Chèque déjeuner* absorbed three of its subsidiaries in the voucher cluster, which joined the cooperative.

ACTIVITIES

The group diversified its activities extensively from its flagship product, the lunch voucher. Since then, it has acquired several companies and has expanded its range to services to businesses, to works councils, and to local municipalities. For the latter, it positions itself as an expert in social action both through these vouchers and ad hoc earmarked payment cards, as well as its software packages for management, the computerisation of social action, the provision of specialised software, etc. Thus, in 2015, it acquired in particular ABC Engineering, a software publisher, and leader on the computerisation of Local Plans for Integration and Employment. In certain municipalities it manages the RSA (French social welfare system).

The group today pursues its activities on five markets:

- Earmarked payment instruments: lunch voucher, gift voucher, etc.;
- Services to municipalities;
- Programmes for sales staff;
- Professional expenses;
- Services to affiliates.

THE COMPANY'S OWN BUSINESS PLAN

One of the Group's strategic thrusts consists of strengthening the cooperative model. The merger of three French subsidiaries in the parent company to become one cooperative company was the first step, the aim being to duplicate the cooperative principles in the various subsidiaries of the group, including outside France. To that end, it determines the forms of involvement of the employees of its subsidiaries in the company's life on a country by country basis.

To preserve its cooperative approach the group has embarked on a strategy that relies on two essential objectives: i) to preserve its financial autonomy, i.e. its economic sovereignty, by providing resources to finance its investments from its equity capital; and ii) to secure the long-term sustainability of the company by developing in a very competitive environment, whilst the French market of the restaurant voucher is not open-ended. To that end, the plan rests on three pillars:

1. Accelerate international development;
2. Invest heavily in innovation;
3. Become an emblematic player of the social economy, and constitute a reference as a cooperative company.

Although situated in a niche that is changing very rapidly with the development of digital technology and dematerialised means of payment, the group has invested heavily in start-ups. It also comprises a considerable research branch, the Department of Innovation and Experimentation, which plays a technological monitoring role.

Investments were financed with equity capital up to 2015. 45% of the group's net profits feed a provision for investment. A loan had to be taken out nonetheless from social economy banks for the branch in Brazil. Three competing companies were acquired. They are currently being restructured to constitute a single entity.

DEVELOPMENT THROUGH GLOBALISATION: THE GROUP IS ESTABLISHED IN 17 COUNTRIES

The group has registered strong development in the last decade in Europe and abroad with subsidiaries in Turkey, Morocco, Mexico and Brazil. Financed mostly with own funds as we have seen, this development has entailed:

- the acquisition of competing companies, in particular in Brazil, Mexico and Turkey;
- the creation of companies from scratch, as in Greece, Romania and the Czech Republic.

Consisting mostly of small units, with the exception of the parent company and its Romanian subsidiary, the group has nearly 3000 employees.

In Europe it is present in Italy, Spain, Portugal, Hungary, Slovakia, the Czech Republic, Romania, Belgium, Germany, Bulgaria, Greece and Poland.

In Italy, the group has a site, the DAY Ristoservice restaurant voucher company, which sells and manages vouchers.

The group has gained a foothold in Spain by buying a local company. It issues different types of earmarked payment instruments, the *cheque Gourmet* [gourmet voucher] for catering and two products aimed at reconciling working with private life: *Educainfantil* (childminding service) and the *chèque transport* [transport voucher]. The dematerialised voucher was launched in Spain.

The group created a subsidiary in Germany in 2012.

In Romania, the group created a subsidiary in 2002, then developed it with the acquisition of two local companies. The Romanian activity is based on the restaurant voucher, the gift voucher and the holiday voucher. The group has increased its market share by 20% in 5 years in that country. In 2010/2013, profitability declined. This did not lead to a reduction of the workforce but the costs were optimised without considering any redundancies. Furthermore, the group diversified its offer to meet an important tax reform that threatened the core activity.

STRATEGIC STAKES: ANTICIPATION AND TRAINING

The group is faced with significant changes, technological advancements, the development to new markets, as well as a change in governance. Said changes were impelled on its own initiative, but may also be imposed from the outside when the environment is highly regulated (we shall see the effects of a change impelled by the government in Hungary).

All these developments have had an impact on employment and on the organisation of the production system. They can generally be a source of concern for employees when the latter are put in an environment where short-term profitability rationales predominate. For its part, the UP group organises its development by supporting managerial policies which do not put employees in a situation of uncertainty about their place in the group, but focus on the internal flexibility of the company. The technical aspects of changes are tackled very early on upstream. Employees are informed, trained and prepared for the eventuality of having to change jobs.

LONG-TERM PERSPECTIVE

Certain subsidiaries may register a deficit, so the group’s strategy is to bank on the long term and to support them. This is the case of the home voucher, very promising in respect of the current needs, but which has not developed as expected because of a number of external factors, such as the effect of social policies of governments or the difficulty to make services to individuals really professional. The product is maintained nonetheless because, whereas it is still developing slower, it provides an important service to its users and constitutes an essential tool for the development of this subsidiary. Similarly, in the German subsidiary, the restaurant voucher has had a hard time taking off because it is not really part of the German culture, where the lunch break is often very short. But the group is counting on a gradual change of mentality.

MANAGEMENT OF MERGERS AND RESTRUCTURING OPERATIONS

Because the group is developing and especially because it is not restricted by an obligation of a two-digit return on investment (as is often the case in other companies that are subject to financial imperatives) it has not had to manage any overstaffing that could have been brought about by regrouping or corporate merger operations. The company has of course proceeded to mergers and acquisitions, but none has led to redundancies.

Conversely, the group has had to close its subsidiary in Hungary to comply with a reform impelled by President Viktor Orban who limited the right to issue payment instruments to banks only. The hazards of a highly regulated market that makes companies highly dependent on a country's legislative changes become evident here. Having had to close its subsidiary, the company introduced a redundancy plan. A specialised firm was commissioned to see to the redeployment of employees whose pay was maintained until they were able to find another job. They were all redeployed. Faced with the same situation, employees of competing companies were faced with forced redundancies.

The absorption by the cooperative "Chèque Déjeuner" (the parent company) of its three voucher-issuing subsidiaries and their reintegration in a single entity with cooperative status came into force in 2016. The merger was prepared long in advance. It was an undeniable challenge, requiring the agreement of employees of the parent company – all of whom are members of the cooperative – to enlarge the cooperative company and thus to have new members of the cooperative (since the employees of those subsidiaries would have to become members of the cooperative). It also involved the implementation of a new organisation of labour and thus a redefinition of the work positions in the newly created entity.

After the decision taken in the board of directors, a period of preparation followed over two years. The project was implemented according to an internal three-step process:

1. Have the conversion of the company approved by the members of the cooperative of the parent company;
2. Convince the employees of the subsidiaries to become members of the cooperative;
3. Overhaul the organisation, reconfigure the organisation of labour and jobs in the new entity. This merger was carried out with a constant workforce, in cooperation with the employees, in many workgroups that overhauled the organisation, revised the working posts and organised the training courses and redeployments in the case of duplications.

BOARD OF DIRECTORS

The company falls under what is known in France as the social and solidarity economy. All (100%) of the capital is held by the employees. All thirteen members of the board of directors come from the world of work. They are elected by all the company's employees. They are joined by three representatives elected by the works council and one representative from each of the three trade union confederations (CGT, CFDT, FO). The chairman is elected by the directors. The voting is according to the rule in force in the social economy:
1 man/1 vote.

Conversely, the situation is different in the group's subsidiaries, which retain their original status, SARL (private limited company) or other. The employees are not members of the cooperative. Ultimately, 70% of all French employees are now members of the cooperative. In a second stage, in the longer run, the cooperative principles will be extended to foreign subsidiaries. Said second stage is currently being discussed with the different entities. Before switching over fully to the cooperative status, the group has embarked on an exploration of what could be a European and international charter that would define a common basis for the values and rules applicable to the different entities of the group and draw inspiration from the solidarity principles underlying the standards of the parent company. Workgroups are focused on the most relevant and efficient procedures to transmit this base of values to the entire group. The implementation of this plan in 10 years' time is expected to bring about a profound change in the governance of the group.

SOCIAL RELATIONS MARKED BY THE CORPORATE CULTURE

The corporate culture driven by the parent company is marked highly by its cooperative status. Its objectives and management method are very far from the practices of most multinationals, whose prime objective is the search for short-term profitability and for whom the labour force is generally seen as a cost. The recognition of the value of labour, information and support for employees therefore constitute essential management tools. The group is endeavouring to introduce a permanent exchange between the board of directors and the employees.

UP wants to be exemplary on the social front. Accordingly, through negotiations and agreements to reduce the working time it gradually brought the French company to 35 hours, without reducing pay, several years before the implementation of the instituting law. The pay scale between the highest and the lowest salaries is 1 to 12.

Overall, the company promotes a social policy that is rather favourable to employees, including in its foreign subsidiaries. Its stated objective is to put in place a minimum of social guarantees, particularly concerning pay, in each of its subsidiaries.

Furthermore, the significant development registered by the group, particularly abroad, does not seem to be a source of particular concern for the employees, as could be the case in multinational groups which are prey to quasi permanent restructuring, absorption and merger operations. Similarly, this climate is not conducive to industrial action or heavy demands. We could perhaps simply speculate that the social dialogue is a little complicated between employees who are members of the cooperative and those who are not.

In this respect, some interlocutors reiterate the need to draw a precise distinction between the places where the company's strategy is decided and the places where the working conditions are negotiated. A discussion is moreover in progress to renegotiate a trade union agreement that would specify the rights of employee representatives to perform their office, in particular the number of hours of delegations during which elected officials of the works council and other employee representatives could be absent from their work post in order to perform their duties. It pertains also to the occupational situation of elected officials and their prospects of returning to their job at the end of their term of office. This is a condition that should enable them to perform their trade union duties with a certain peace of mind.

EUROPEAN WORKS COUNCIL

This is the first European works council of a group whose parent company is a cooperative. Decided in November 2014 at the initiative of management, on a purely voluntary basis in anticipation of legal thresholds, its establishment was preceded by a long preparatory and negotiating phase of nearly 4 years. The first step of the process was to draw up an inventory of fixtures of the social dialogue in the foreign subsidiaries.

The employee representation systems in European countries differ very widely from one country to another and are also based on very different cultures as well. The establishment of a European works council is an opportunity for the elected officials from the various countries concerned to discover these different cultures and more particularly that of the country of origin. Particular attention must be focused on elected officials representing subsidiaries established in Eastern European countries. Their switch to a market economy was often accompanied by a rejection of institutions such as works councils which reminded them of the Communist era – a fortiori, the very idea of a cooperative. It is therefore the culture of information and consultation of employees (some of whom are members of the cooperative) in the specific context of the social economy that has to be disseminated. The task is complex for these countries, who suffer from an image that remains very negative.

To achieve this objective, the elected officials of the European Workers Council underwent prior training on the rules of social law and the European directive pertaining to EWCs. More specific training courses (on analyses of accounts, corporate strategy, etc.) are also put in place.

The European Works Council consists of 18 elected officials (members and alternates) from the various countries of the group, and meets four times a year, in two plenary sessions and two select committee meetings. These meetings are scheduled alternatingly at the headquarters of the UP group and in each of the countries represented in the Works Council.

The aim of the EWC is to debate strategic and transnational questions of the group and to promote the consolidation of a common culture in the group's companies.

The year 2015 provided an opportunity for each of the representatives of the European Works Council to get to know each other. "We learnt to gauge the respective ways of working, interact in different languages, share information and engage in the social dialogue."[2] The next objective will be to manage to transpose exemplary national agreements at the European level.

The immediate stakes pertain to the implementation of protection systems for the elected officials, because all national legislations are not at the same level as in France.

[2] Sabine Henno, secretary, EWC

CONCLUSION

The experience of the UP group is interesting because it differs substantially from the other case studies for this biennial. It presents an economic model and a governance model that give preference to the sustainability of the company and its jobs and sees to its financial autonomy whilst registering strong growth. This model is based on patient capital, for the long term, geared to creating wealth for all. In that respect, it is different from certain multinationals that rely on a short-term, financialised capitalism that is not very sensitive to social and environmental damage, but is keen on generating a double digit return on investment.

The group relies on the value of work. It endeavours to practice a method of change management that safeguards the employees – a system in which the share capital is held by the employees who take part in the strategic decisions.

The group wants to export its model, and become an emblematic player in the social economy throughout the world. "By reinforcing its cooperation in France in the medium term and deploying its founding principles to all its subsidiaries around the world, the UP Group is exporting its model and showing that it is possible to succeed economically by doing business differently."[3]

To that end, a double challenge will have to be taken up: develop at world level while preserving the cooperative culture and underlying values, and disseminate, duplicate, and acclimatise those principles in countries where the corporate culture is based on very different models.

[3] Catherine Coupet, CEO of the UP Group, in Challenges, 10 September 2015