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Jaga: Managing creativity and open innovation (B)

[Wim Vanhaverbeke](https://iveypubs.my.salesforce.com/003A000001IGNFf) wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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The 2008 financial crisis and subsequent slowdown in the real estate market in Europe made it considerably challenging for Jaga to remain profitable. The situation in the Belgian market in 2010 was still manageable, but sales dropped substantially in neighbouring countries such as Germany and the Netherlands. New growth markets, such as Turkey and the former Soviet states, were being prospected. However, Jaga was essentially producing investment goods, which forced the company to consider how to cut costs and optimize cash flow within the company during the economic crisis.

The deteriorating financial situation also had serious consequences for the workforce. When the economic crisis started in late 2008, Jan Kriekels, Jaga’s owner and director of marketing and research and development, avoided layoffs by asking employees to accept short-time work.[[1]](#footnote-1) In 2009, 135 employees decided to work a four-day week for six months, with a possible extension of another six months if the economic situation did not improve. These workers could not rely on other compensation for their loss of income. The other 270 workers, who had a different type of contract, could afford to rely on temporary short-time work and stayed home twice a week. “This approach is necessary to spread the cost savings across all shoulders,” said spokeswoman and communication manager Anneleen Jacobs. There was a strong sense of solidarity among Jaga employees—they preferred to share the burden of the crisis, rather than having the company lay off part of the workforce.

As the crisis persisted, Jaga’s management was ready to take bold measures. In March 2011, Jaga’s top management team developed a plan to substantially reduce the number of employees, but Kriekels vehemently resisted the proposal. In an unexpected turn of events, Kriekels decided to fire half of the management team, rather than any employees, citing a lack of product knowledge and a loss of touch with the Jaga corporate culture as the motivation for his decision. Jacobs conveyed the idea behind the firing of top managers as follows:

These decisions are the result of a new organizational structure that the company must implement to prepare for the future. We are convinced that the focus should be on Jaga product development, especially in innovative technology. Our key strength lies in product development. And we must leverage that asset even more in the future. The recent decisions are a consequence of this strategic change.

Kriekels later reorganized the company into smaller units, empowering those people who were involved in the design, production, and sales.

Kriekels’s decision to fire half of the top management team divided opinion in Belgium. Most managers considered the decision a suicide operation that would drive the company toward bankruptcy. Most business analysts were equally critical. In contrast, labour unionist Peter Kunnen, from ACV-Metal, welcomed the decision and explained his reasons:

I have watched, as a trade unionist, many cost cutting operations in various companies, but the way Jaga tackles the crisis is unique. In the first meeting, we discussed temporary unemployment and the reduction in working time for all employees, but at the meeting this week, Kriekels suddenly announced that he had fired part of the management team. I’m pleasantly surprised by his attitude.

Kriekels took a more philosophical stance. He explained his decision as follows:

From my many backpack trips, I have experienced how important it is when people help you when you are in need. When a company is in distress, employees can help and vice versa. A company needs to create wealth or prosperity. People who have no job usually miss the feeling of prosperity: they are in need. As an entrepreneur, you must help them. For many managers this seems absurd. That’s because they only think in terms of growth and short-term financial targets. Jaga cannot ignore the economic logic, but for an ethical entrepreneur, there is always a continuous search to find a balance between opportunism and idealism.

1. Short-time work was a temporary reduction in work designed to maintain the employer–employee relationship. It could take the form of a reduction in working hours for a limited period of time or a complete but temporary suspension of employment—in both cases maintaining the employment contract; “Short-Time Work,” Eurofound, January 31, 2013, accessed July 11, 2018, https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/short-time-work. [↑](#footnote-ref-1)