

## **Lietuvos energijos gamyba: How state-owned companies can be dynamic, creative and open to change**

### **What does this case study demonstrate?**

AB 'Lietuvos energijos gamyba' – one of the largest state-owned companies in Lithuania: to be innovative as a company, you need to recognise and value the fact that both small and large innovations contribute to the overall company's performance and that innovation potential lies in every single employee either director or process operator - you just need to find the ways to stimulate this endless process. In that sense, the company is a wonderful example of high involvement innovation where every single employee is valued and their input, as contributing to the overall company's performance, is encouraged. Improvement and innovation suggestions of a process operator are considered as equally important as those of the director. Contribution enabling practices are created and further developed by involving employee representatives to make them even more effective over time. According to a recently appointed Director General: 'the company has high aims, objectives and targets and there is no way that myself or any other person on his/her own will achieve them; instead we need to work all together to succeed'.

**Workplace innovation (WPI) elements:** high involvement innovation; learning and reflection; enabling continuous improvement; supporting employee initiative; integrating tacit and strategic knowledge.

### **Context**

AB 'Lietuvos energijos gamyba' is a national state-owned electricity and heat production, supply and trading company combining all electricity production capacities controlled by the State in Lithuania. The company employs around 500 employees and in 2013 it has supplied about 22% of the entire national demand for electricity. The company is of strategic importance for the country because of the fact that its operation directly links to national energy security. Keeping in mind the company's strategic importance for the state, it also has direct responsibility in strengthening the overall country's power economy by making it ever more efficient, competitive, transparent and respecting consumers' interests. After its reorganisation in the last few years, the company has divided its power supply and power generation capabilities into two separate companies: Lietuvos energija (supply) and Lietuvos energijos gamyba (production). At present, the second company – Lietuvos energijos gamyba - has merged three state-owned energy production power plants: Lithuanian Power Plant based in Elektrenai, Kruonis Pumped Storage Hydroelectric Power Plant and Kaunas Hydroelectric Power Plant. The primary aim of this merging was a better preparation for cardinal changes in the competitive environment: at the end of 2014 Lithuania has opened a new Liquefied Natural Gas terminal (LNG) with new electricity transmission links with Sweden and Denmark are due to be opened soon.

Taking in mind this broader context, the development of internal employee-led innovation and improvement practices (The Innovation Committee) is considered as an important tool for making the company more efficient, innovation-driven and sustainable over time. To convince the potential sceptics, almost every single large improvement or innovation case here is supported by cost-benefit analysis showing considerable financial gains. At the same time, suggestions of smaller improvements are not disregarded here at all – on the contrary, they are in particularly

encouraged as they stimulate internal innovation-driven company's culture, where each employee feel an ownership of the overall company's performance and success.

## **Workplace innovation practices: the Innovation Committee**

The case of internal employee-led innovation and improvement practices (The Innovation Committee) was selected as WPI good example in this company for its robustness and excellent elaboration. The practice along with its processes was introduced in 2012 and there are 5 internal innovation cycles implemented since then.

In brief, this is a system and a process where each employee, despite its position in the company's structure, has equal rights and possibilities (and in fact are very encouraged) to make suggestions in terms of company's operational innovation or improvements. Each so called 'internal innovation cycle' starts with an 'All company call' for suggestions, which is organised twice a year, where submissions are expected in two main categories: technological and mastery/excellence innovations (the latter are more related to the overall company's working culture, management, etc.). The company's Operations Development Unit sorts out all submissions and prepares them for the presentation in front of The Innovations Committee of the company, consisting of company's top managers for reviewing and feasibility consideration of each proposal. The so called 'smaller' approved suggestions are then re-directed to an appropriate company unit for straight implementation and 'bigger' suggestions which require additional investments to be implemented are turned into separate projects with dedicated budget allocations and delivery deadlines. Feedback to all suggestion contributors is provided in each case either they were approved for implementation, postponed or rejected.

### **How did they do it?**

A similar process existed 'on paper' before 2012, when the current practice was developed, but it did not function very well. The most important thing to take into account is that the practice must come with appropriate processes and a structure. By assessing retrospectively, before 2012 there was no clear support for the practice from the top management, no clear communication to the company's employees about its importance for the company, no appropriate motivating factors to submit suggestions and ideas etc. In brief, there was no enabling culture and environment for this practice to be well established and flourish.

The turnaround was mainly related to changes in the political cycle at the end of 2011 and the new management of the company in 2012. With these changes, new strategy and action plans were approved with emphasis on the effectiveness of the company's operation. The initial idea of The Innovation Committee and practice processes along that came from the company employees and strongly supported by the CEO: he remembered his own experience 40 years ago, when he started working in the company as an engineer. According to him, it is very important that every single person in the company be they machinists, operators, managers, engineers or a director had a possibility to participate in the innovation process to link strategic objectives with an efficient operational delivery. The trade union representatives of the company are contributing ever since to the improvement of the practice over time: How to stimulate 'small' contributions? What are the most effective motivating factors to participate in the initiative? What are the most desirable rewards, if you do not consider monetary remuneration? – Due to its proximity to company's employees, the trade union could provide the right answer to all of these questions.

### **So who benefits?**

As employees are seen as a valuable resource for stimulating good company's performance, they feel empowered and more engaged in this process. This also perfectly satisfies the trade union. Cost effectiveness, more engaged staff, ongoing organisational learning, continuous improvement and overall company's sustainability in the longer term are the main benefits for the company.

**Prognosis**

The practice is considered as a very important tool in achieving long-term company's goals, therefore it is likely to be supported, developed and maintained over a long time period.