

TOPIC OF THE MONTH: INNOVATION

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Innovation: Regenerating the family business for continued success, even in times of crisis

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Systematic Innovation has proven to be one of the most effective driving forces for the continued success of companies. The “acid test” is whether innovation gives clearly superior results even in times of crisis. The experience of Prefabricats Planas (<http://www.prefabricatsplanas.com/>), a second generation family business, supplier of the construction industry in Spain in 2010, should help to overcome major prejudices that exist about this issue. Innovation is uncertain, yet the best way to reduce uncertainty is to organize and systematize. Companies with a robust innovation seem to ignore the crisis, while many others lament.

1. Innovation is a process of transforming new ideas into results

Innovation is transforming new ideas into results. This goes far beyond the generation of good ideas. It is a management process, unfortunately, largely ignored in many enterprises. There are several managerial implications that should not go unnoticed.

- First, the mere generation of ideas, if they are not implemented, has no impact and therefore is not an innovation. Generating many ideas, if not properly focused, can be a nightmare for management. The ideas require clear guidelines for value creation. Not anything is fine.
- Second, in an attempt to create value, to bring a new idea to the market often needs internal changes to support this idea. In the most extreme case, changes are necessary in many areas of management: development of new skills, changes in commercial approaches to support innovation, generation of new knowledge, building new relationships within and outside the company, etc. Innovation has a lot to do with transformation management, and this cannot be delegated to any "superman" technical or middle management position.
- Third, without ambition there is no hope for true innovation. Restless people seek novelty. Brave and responsible employers seek to renew, even regenerate, the foundation of value creation. They move even with some degree of ambiguity, because they know that success far outweighs the costs of undertaking the change, and the risk of not changing is immeasurable.

2. Innovation is a management process, and this is highly ignored in many companies.

Since there are different ways to regenerate and revitalize the company, top executives need to focus on key result areas (strategy). The innovation process in Prefabricats Planas began with a thorough review of the strategy. Working together the CEO, Francesc Planas, and his management team, developed a future projection of the company that gave answers to some

inconsistencies in the construction industry and questioned dogmas in this field (that prevailed at the end of 2007). Later, they involved a large group of employees in the generation of ideas, focused on the guidelines of the renewed strategy, people drawn from all departments, not just the technical department. They created a simple procedure that provided full objectivity in the selection of best ideas. With minimum training on skills and competencies, people from diverse departments become members of project teams and innovation initiatives.

3. A robust transformation requires a strong involvement

Francesc Planas led the Innovation council, which met every 10-15 days. He urged his colleagues to build a corporate vision that made sense for everyone. Workshops aimed at employees favored communication and awareness. He responded to initial ideas contributed by employees through the software platform that was put in place even after the onset of crisis.

The innovation points to the top. It is a problem of transformational leadership, this does not admit delegation. Planas said: "This change towards an innovative culture cannot be left to a laboratory technician or a technical head". Delegating to a middle manager would have been dereliction of responsibility.

In mid 2009, Francesc Planas noted: "People see that the company has a clear plan (strategy). There is hope despite the crisis. 70% of our people have contributed ideas." However, for innovation to be credible, it must report solid and recurring results. It cannot be based on random and isolated inputs. Innovation must become robust and be embedded in the organization.

"Strong involvement of the management team in the process is essential for innovation to be robust and give excellent results. It is not the matter of a genius business man. "

4. Innovation with a well-established method delivers excellent results

In a recent talk at IESE, Francesc Planas stated that "customer satisfaction has increased dramatically" and pointed out some achievements of the company:

- "In 2010, over 50% of our revenues come from projects developed beyond 500 km, while less than three years ago we were unable to serve more than 200 km away. In the sector still is said that 'concrete travels evil.' We have developed a production system that allows us to manufacture some items at destination, in the home of our clients. Now we can reach northern France at a very low cost. "
- "We have completed a large shopping center in Orange for the group Bouygues, which is the only one in France that is self-sufficient with solar energy. In this project, solar plates are directly incorporated into the pieces of concrete. "
- "In our field in Spain, when we speak of concrete we do not think on accuracy. Yet, we have developed a fully integrated by-parts bath, served in modules and panels that fit, and that the customer ensembles himself. This allowed us to win a project for a Swiss residence of people with mental health problems. "

- "In addition, we have completed a strong portfolio of innovative projects (weight reduction of structural elements by 30%, forged items that do not require subsequent finishing, prefabricated ventilated facades, steel-finish-effect panels with no weight gain, and others)."

Francesc Planas concluded: "Innovation is like a therapy. It has an important side effect: it encourages and makes the company attractive to our own people. " "Turnover in our industry has been reduced by 80%. Our company is doing much better. " In Planas, innovation does not depend on the genius of the top business person. It is progressing to be rooted in the organization.

"Innovation reports solid and recurring results also in times of crisis. To do this, it must become an ingrained competence and be embedded in the organization."

The task of managing the sacrifices that innovation implies in many cases is collapsing the willingness to push innovation in family firms and companies in general. There are many challenges, but the reward is linked to the prospects for prosperity of the company and family property. Those who argue that innovation is not possible should stay out of the way of those trying to make it happen.

In short, family firms should think about the following topics:

- ✓ Focusing on innovation as a process, and involving a broad collectivity, brings value to our employees, customers and family, as it is possibly the best way to ensure the continued success of the company.
- ✓ The transformation process linked to innovation does not admit delegation. An explicit commitment and a clear involvement of top executives are essential.
- ✓ The uncertainty that innovation involves is overcome with courage and organization. The best way to reduce uncertainty is to organize and systematize.

Family businesses that have implemented a systematic approach to robust innovation, as we have noted here, are enjoying superior and sustained results. The continued success of the company depends on a deliberate will to embrace innovation. Whoever seeks will find excuses galore, but perhaps the major problems would be found at home.