

A WORLD of STRATEGIES to add VALUE to INDUSTRIAL PRODUCT

In the economy of ideas, everyone should contribute to overcome these boundaries. Similarly, B + I Strategy's commitment to knowledge, constant innovation and continuous learning as a basis for strategic decision making in business, relies heavily on the permanent connection to a network of experienced International partners located in the Nordic countries, Israel, Latin America, Australia, etc.

By means of the following virtual conversation, and providing international approaches and examples from different markets, we take on the challenge of answering a critical question for companies in sectors that might be called traditional in their search for sustainable competitiveness, namely: how to add value to their industrial product

SA: First of all, thank you all for participating in this virtual conversation. I'll ask this question to start off the dialogue: from your experience in the respective international markets that you know, *what formulas could an industrial company (a traditional sector) use to add value to its current product, with the ultimate aim to strengthen their competitive advantage/market positioning?*

GR: Firstly, it is essential for a company to identify which are **the factors that add value to their customers**. There are specific methodologies for this purpose: identification of all relevant value "drivers", relative priority and economic value that they have. Once known, the next step would be to **design a range of products/services that would impact on one or more of these factors**.



Gerardo San Román

GSR: In Mexico, for example, incorporating technology (information or processes) to the traditional offering constitutes the main mechanism to add value for many industrial SMEs, thereby boosting innovation in their products and services. Usually, through the government boost through supplier development programs, collaborative projects with technology centers, etc.

GR: Government, certainly, has a relevant role. However, companies should not forget **building, around that improved or innovative offer, an integral business model** that consistently define who headed the new products / services, which are the critical processes to generate them and which are cost and revenue flows. Regarding this last item, precisely in industrial areas are emerging a new logic of income (i.e., new ways through which a company can generate income) such as those looking for "pay-more-than-once".

GSR: Did you mean obtaining recurring income over time from the sale of industrial products?

GR: Or rather **industrial services**, that is. For example, "pay-per-use" services of machine tools, automated service functions built in to e.g. machinery, "augmented reality" maintenance functions for complex engines, solutions offerings for elevator and refrigeration systems, storing of data digitally for printers printing legal documents, etc.



Göran Roos

SA: In short, the idea is to discuss different strategies to "**incorporate ideas to the industrial product,**" to find differentiation through unique value propositions and innovation business models, promoting the use of the disruptions that occur in the clients of different industries through personal responses to the attributes valued by particular client groups.

GSR: Indeed. And this is a valid approach for businesses of all sizes and levels of management. For example, the Mexican SMEs engaged in the manufacturing spare parts for the automotive sector seeks to increase the value of their offerings by the certification of prestigious organizations in terms of quality, efficiency, environmental friendliness and fair pricing.

EP: Talking about fairness, I'd like to turn to the topic of new kind of strategies for adding value: those who understand value as **exchange of knowledge or corporate social responsibility.** In Israel, the traditional sectors have a medium-to-low technological level and its employees have skills and values totally different from those of large companies. On the one hand, people lack sufficient knowledge in innovation, R&D and advanced management. On the other, however, they do have appropriate working conditions and they value the company's contribution to the community and environmentally responsible products and production.



Edna Pasher

SA: Interesting approach, the generation of added value by strengthening the system of personal and collective values, we might say. Could you provide any examples?

EP: There is a wonderful example in our country. **A pilot program aimed at incorporating discharged hi-tech CEOs in traditional industry.** The program is led by the Israeli Ministry of Industry, Trade and Labor which is subsidizing 66% of the new CEO salary, thus allowing the traditional industry to benefit from the high quality management knowledge and tools provided by the new CEO. This program creates a distinct situation of WIN-WIN-WIN, the traditional industry receives a strategical advantage over the competitors in the form of innovation and state of the art R&D knowledge, the unemployed yet skilled CEO gets back a rewarding and meaningful job and the Israeli market receives a growing industry, mitigation of the unemployment figures, reduction of the ever growing social and economical gaps and as a result a stronger economy.



Sabin Azua

SA: People and their knowledge at the heart of business competitiveness, as a pillar of future of differential business models, right? It's very interesting. For many years in the Basque Country, the case of Irizar has represented the ultimate expression of a "**management model based on people**", built on the pillars of shared values, a culture of commitment and trust, communication, self-responsibility, teamwork, the generation of consensus and shared solutions, etc. all on a flat organization with self-organizing teams around a shared strategic direction.

SA: Continuing along the lines of people, *what mechanisms might this industrial company we have been talking to utilize in order to understand how their clients/users will use current or future product?*

EP: An industrial company intending to make innovation their competitive difference must base their development of new products on the "UCD" (User Centered Design) approach. The goal of UCD is quite simple:

"to design user-friendly products or systems". In practice, however, reaching this goal is complex and time consuming. Traditionally, the development of new products tried to solve specific problems through tailor-made technological solutions. However, users often find that the product does not meet their requirements or that its design is inadequate, consequently, they often resist or shy away from using it. The UCD approach advocates that every new product should influence in the skills, habits and tacit knowledge required to the user.

GR: Precisely. We're talking about people and human behaviour, which would require an ethnographic and/or anthropological approach.

EP: In Israel, a company like Stanley Works is a good example. SW produces, designs, manufactures and markets innovative, high-quality plastic products. **The company's production chain begins with the end users**, when the company's designers and product experts go out to interview the end users to learn their needs, challenges, habits etc. This vital process has allowed them to become a leading brand in their field and always be on the cutting edge of product innovation.

GR: Another example of a tool/approach based on the analysis of human behaviour when user of an industrial product, is the "Living Lab". This is a research methodology for sensing, prototyping, validating and refining complex solutions in real, multiple and evolving contexts.

Applied to the industrial world, a Living Lab offers innovation services based on placing the user in a real life environment facing the product/service. The ability to interact with users is what distinguishes the approach of "Living Lab" from other approaches or methodologies.

SA: A truly interesting and enriching conversation. Thank you to all of you for your contribution on different methodologies and examples of success from your markets.

Undoubtedly, we must help foster global dialogue on how to add value and intelligence to products/services of traditional industries in our countries, to provide them with elements of differentiation and sustainable competitive advantage in an increasingly complex, but no less exciting, environment. Thank you again.