

THE MISSING ELEMENTS OF VALUE INNOVATION IN METAL INDUSTRIAL SECTOR

DINA ASWAD¹

Abstract: The worker's attribution to innovation has not been analysed by the industrial leaders. Value innovation means increasing market share and technological development for them. The medium level managers couldn't extend the customer minded theory to the worker minded one. They concentrate on high level product and quality services in order to meet customer demands. According to my seconder and primary research the workers also have market and resource potential power including innovation activity as well. They should be integrated to the complex value innovation process and at the same time customer satisfaction can be supported by them. The conclusion is, that the long term competitiveness can be reached only by equal customer and worker loyalty based on satisfaction.

Keywords: value innovation in the metal industrial sector, customer and worker value, value for customer and worker, extended value innovation

1. The practice of innovation

The customer value- creating ability of workers hasn't been discovered yet. The industrial leaders couldn't analyse innovation in wider sense therefore the same signification of workers and customer values hasn't been integrated to company's culture.

The ignorance of worker's innovation value has been proved in the answers of the interviews given by an owner and the leaders.

The interview with the CEO of FUX strongly supports the interpretation of the business and technology innovation ignoring the significance of soft elements. The basic element of corporate strategy is the raising the revenues; a significant part of the technical innovation also supports this process.

At Prysmian none of the executives expand the definition of value innovation to the workers. The specified trainings at multinational companies are carried out at a compulsory level but this does not imply the company's orientation towards employees. The executives clearly visualize innovation in product and process development which does not require the importance of the worker contribution, not even at a conceptual level. It can be clearly seen that at a multinational company a perfectly built system „operates” the people, hereby the personal needs, creativity of the workers does not constitute any value. According to the leaders the question of supporting and sponsoring literally applies exclusively to charity, the support of the workers is only present from a financial respect.

¹ sales director, FUX ZRT.

aswaddina@gmail.com

H-3527 Miskolc, Vásártéri út.8., Hungary

Table I. Manager's innovation attitudes
Source: based on own research

Topics	FUX			PRYSMIEN		
	Production manager	Financial manager	Sales manager	Production manager	Financial manager	Sales manager
Definition of innovation?	Production developments	New product's development, for example new software	Innovation based on customer demand and worker's training	Research and development	Financial operation supported by integrated information system	Support and serve the customers in order to insure loyalty
The meaning of innovation's extension?	No other territory	Change the company's structure	More flexible team cooperation	Technical worker's continuous education	Creating accelerated self decision	Efficient marketing strategy for customers and suppliers
Is it important to work for innovated company?	Yes	Yes, means stability, and long-term developing possibility	Intensification of customer's and worker's cooperation	Yes, we are always facing new things	Yes, but financial regulations are process controlled and limit the possibility of independent decision	Yes, the high level product range helps sales
The definition of supporting, sponsoring activity	Company should support also the workers as well as the sports activity	Charity	Sponsoring sports, culture and workers	Education of workers	Cafeteria benefit	Languages and training programs for workers
What is the reason for selecting the company by customers?	Customer minded	Customer minded	Customer minded, flexibility	Higher level quality	Customer minded	Customer minded
What leadership should be developed in to create higher level working condition?	Low level information, reorganization, should indicate job responsibility	More trustful atmosphere needed	Should be more worker minded	Getting more information by leadership	I agree with the direction of development	Taking into consideration sales people's personal experiences

In case of innovation extension the leaders are clearly thinking about the consistency of international and domestic development.

During further deep interviews with the CEO, other connections were discovered. According to him the rate of fluctuation was high in the last few years. It is natural in multinational corporate culture to do frequent customer satisfaction surveys, but there have never been any surveys on worker satisfaction so far. Once yearly there are „worker talks”

but those are held only for the purpose of raising measurable business results and customer satisfaction.

*Table II. Leader's innovation attitudes
Source: based on own research*

Topics	FUX		PRYSMIAN
	Owner, CEO	Managing director	CEO
Definition of innovation?	Continuous new steps	Developing process including complex brain and operating activity	Aiming market leader role with production of world level specific product
The meaning of innovation's extension?	Extension for all the relevant professional fields	Complexity with the total company's process	In addition to the international development the integration of the local Hungarian innovation to the whole company process.
Is it important to work for innovated company?	Yes	Yes, it is very important	Yes, this provides satisfaction and self confidence
The definition of supporting, sponsoring activity	Supporting out of work activity	Support young engineers	International sports activities
What is the reason for selecting the company by customers?	Innovative ,fast and reliable	Price, quality and delivery reliability	Reliable company
What is in the leadership that should be developed to create higher level working condition?	They should be more open-minded and cooperative	More trustful atmosphere needed	Hungarian company should get higher independence

Comparing the attitudes of the two company leaders, the followings can be stated:

- At the management of both companies innovating activity is identified primarily with research development. However the commerce leaders and the executives extend it to the customer value, moreover they are researching customer value as well. On the one hand, FUX has limited opportunities, resources in the field of research development. On the other hand FUX is faster, has more flexible activity and as a medium-sized company it can apply for European Union resources for innovation development.
- At the management of both companies customer orientation strongly prevails. „Formally” it can be seen that at Prysmienn there are compulsory customer satisfaction surveys while at FUX they realized the constructive importance and applying the functional importance.

- The vocational leaders at both companies have similar opinions about value innovation. At FUX, the Hungarian medium-sized company, company processes are not clearly controlled yet. Their CRM is not supported with the integrated corporate management system so the responsibility of the leadership is even higher because here, in contrast with the multinational companies, the leaders themselves operate the system. The role of subjective factors becomes really important therefore the leaders have great responsibility in creating a pleasant work atmosphere and to establish employee satisfaction.
- The strategy of both companies focuses on measurable business results, make an aggressive market acquiring activity and they do not take the internal client into consideration, employee loyalty towards the company as an important factor. The Prysmian does not consider employee loyalty as an important factor since according to multinational corporate culture; the long-term employee loyalty is not always desirable. In line with the international standards they organize worker trainings frequently. At FUX the workers have more personalized bonds towards clients, because of the company's small size, and in many cases employee loyalty are based on innovative nature of the company, the affection of the clients and employees to each other. From the side of FUX leaders, until now, the sub component research and employee satisfaction has not been revealed even on the level of a worker satisfaction survey. It is typical for the Hungarian medium-sized corporate culture that training for the employees and their personal interest revealing methods are not even formally controlled.
- The fluctuation of the employees is at a high rate at both companies in contrast with the stable client base. This also confirms the fact that employees are not treated properly in the value forming process of the company.

2. The importance of the customer and worker value

For the company the value content of the client and the employee is the total value of the profit that can be realized on them.

The traditional approaches treat the value of the customer in a financial sense, profit that can be realized on the customer. The origin of the customer value centralized approach is in relation with the brand value just like with the field of direct and connection marketing and with the service quality as well. The company has to provide value towards the client but for this an appropriate corporate culture is needed and to strengthen the company capabilities towards that way.

According to Dorsch and Carlson [1] the customer value is the value of the resource that the customer invests in exchange for the service that the company offers. According to this theory the client needs to be considered as an investor, the value of the investment is the customer value, which means mutual dependence between the client and the company. The investment of the customer can be economical or social exchange. At the latter emotional and attitude activity can be seen, the customer becomes the supporter of the company and the loyalty is formed. Types of the resources that a customer can invest into the company are love, status, information, service (also recommendation comes here), goods and money.

In balance with the customer value when the worker value is defined one has to overstep the monetary approach, involve the worker as an active partner into the value making process of the company. The customer and the worker handled as a mirror image can be examined with the same aspects as how they can be added to the business successes of the company.

*Table III. Dimensions of customer value
Source: Piskóti I. [2], 31.p.*

Market potential elements	Resource potential elements
<ul style="list-style-type: none"> Income – potential, (the monetary contribution to success, rentability, in which from the current dominant service orientation income, a change has to be done towards cover orientation, the base will be the internal information system of the company which should be client based (activity based costing) rather than product based). 	<ul style="list-style-type: none"> Reference-potential, (it affects other decisions, multiple effects).
<ul style="list-style-type: none"> Loyalty – potential, (customer satisfaction is often only self aimed assay is a neglected improvement which elements are customer satisfaction, affection, confidence, dependence that for the customer depends on the number of available alternatives, specific investments, the power balances supporting the contract, personal relations, continuity, stability, an of the relation, devotion). 	<ul style="list-style-type: none"> Information-potential, (what influence does he make on the selling company with his opinion, data, information, for example the needs, development directions, with the help of determining the quality needs etc.).
<ul style="list-style-type: none"> Development, increasing potential (holding the expectations that relates to the future, where the life-cycle and the connection life-cycle can be linked). 	<ul style="list-style-type: none"> Innovating potential, (on the fields regarding development cooperation, the appearance information effect).
<ul style="list-style-type: none"> Cross-buying potential (analogue to the cross – selling effect, value increasing of the customer via widening the palette). 	<ul style="list-style-type: none"> Cooperation, (potential, which cooperation’s beyond research and developing expands on distribution, abilities, skills and their intensity).
	<ul style="list-style-type: none"> Synergy – potential, the inner and outer connection potential.

The companies that I have examined are making high innovation activity in the field of research development. They handle the question of quality insurance with high priority and they also expend the innovation activity on the research of the customer value.

Further evaluating the definition of Jain I have created the definition of customer value. The customer value is multidimensional and greatly depends on the context. When choosing a new supplier the organization customer compares the available alternatives alongside the measurable business pros and the coordinating the various company cultures. The rational organization customer makes the decision via his own trust filter. The central

category of the customer value is the trust that is built on the connection web which is between the interactive and dynamically developing companies.

The vision of the strategy of the companies is in harmony with this: „In continuously developing environment, in environment awareness way, securing the safe work, new innovative, successful and providing well-known quality products in the interest of customer satisfaction.”

*Table IV. Worker value dimensions
Source: own editing based on Piskóti I. [2]*

Market potential elements	Resource-potential elements
<ul style="list-style-type: none"> Income-potential performance contribution to the success, to the profitability, in long term to the connection with the customers. 	<ul style="list-style-type: none"> Reference-potential (following the samples of the leaders by the workers which leads to market comfort or non-comfort results.
<ul style="list-style-type: none"> Loyalty-potential, besides the commitment of the worker, the emotional affection also appears. 	<ul style="list-style-type: none"> information potential, (what influence does the seller has on the company with his opinion, data, information)
<ul style="list-style-type: none"> Development, increasing potential, forming a working circle within the company that is capable and wants to keep up with time. 	<ul style="list-style-type: none"> Innovation potential, (cooperation at the developments, the information influence appears).
<ul style="list-style-type: none"> Cross-buying potential value increase with the widening and deeping of the worker's activity. 	<ul style="list-style-type: none"> Cooperation (integration) potential, in the inner processes of the organization by preventing the necessarily created defects, dysfunctions the willingness of personal and/or prestige angle without regarding the skill of cooperation and willingness of common knowledge development and sharing.
	<ul style="list-style-type: none"> Synergy potential, the separated sections within the organization should cooperate to achieve the most effective performance and to intense the workers personal relationships for the sake of the company.

The previously outlined high level innovation activity has not been extended to the company's own human politics yet. The research of worker satisfaction, the development of the motivation system and the development of the balancing worker orientation with the customer orientation are not in the innovation definition territory yet.

The definition of value for work in harmony with the customer value is the following: the value for work is multidimensional and greatly depends on the context. When choosing a new workplace the worker compares the available alternatives in relation to economical, functional, and psychological advantages alongside with balancing the personal and corporate culture. The rational worker makes the decision via his own subjective trust filter. The central category of value for work is the trust that is built on the connection web of the interactive and dynamically evolving worker and company relation.

„The enterprises have to focus on many factors simultaneously to achieve market success. They need to build their market and innovation work around 10 strategic points. This means that continuous innovation building, the watching of globalization processes regarding international marketing approach, besides the success of local identity features in creating the race force, the intensity of individual solutions, immaterial elements and image aspects. The versatile outer (economical, ecological, society and social) and inner integration aspect intensity in which the strategic role of content information with the interaction approach at the same time with time strategic aspects, timing of the market steps, it needs to carry out prominent significance.”

Without the value innovation it is susceptible to concentrate on value creation in order to fix the situation by a little, in other words it focuses on something that makes the value better but it is not enough that company should prominent among the mass on the market.

The innovation without value mainly focuses on technical factors, it seeks the leading role on the market and it can be futuristic, in other words it gives more than the customers are willing to accept and pay for. If the company is not able to connect the innovation with value then it may happen that the investment power of innovators and market pioneers will be satisfactory for other companies.

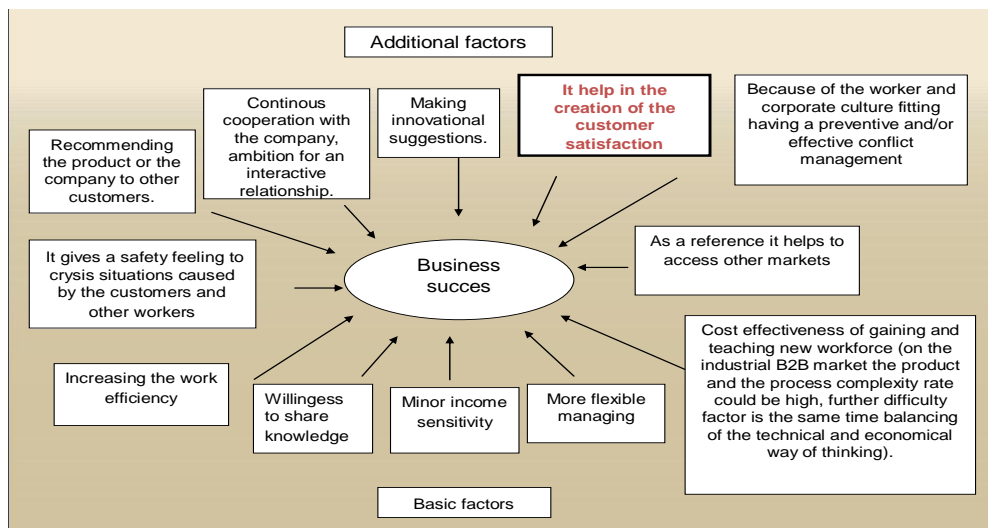


Figure 1. Workers integration to the value innovation process

Source: based on own research

Summary

The technical customer service especially product development is in the focus of industrial leaders without recognizing the importance of worker's complex attribution to the innovation. The high level operation is equal with product quality and motivation of workers has not been included in this theory. The appearance forms of innovation have been changed; beyond the product innovation they contain the process of organization and marketing innovation. Until now, from the outlined connection it can be seen that the

marketability of the companies depends more and more on the partner ability than the race ability. The partner ability means interactive connection between the referred parties beyond the company's worker and customer orientation. It contains the long term commitment of the company to reach customer and worker loyalty.

Bibliography

- [1] Dorsch, M. J.; Carlson, L.: *A Transaction Approach to Understanding and Managing Customer Equity*, Journal of Business Research 35. pp. 253–264, 1996.
- [2] Piskóti, I.: *Elégedettség – és értékorientált ügyfélmenedzsment – modell keretei*, Marketingkaleidoszkóp, Miskolci Egyetem – Gazdaságtudományi Kar Marketing Intézet, Miskolc 2008.
- [3] Jain, D.: *Managing new product development for strategic competitive advantage*, In: Iacobucci, D. (ed.): *Kellogg on marketing*, New York, John Wiley & Sons, Inc. 2001.