

Journey into continuous innovation

Transcending traditional markets

Traditional business wisdom characterizes a strategy as a clear roadmap. It defines the path, guides decision-making, identifies principles, or rules, of the road.

But what happens when a business model is built on one, simple concept: Do the right things for the right reasons? Can that principle shed enough light decade after decade? Can a company that understands continuous improvement better than most apply those same principles to its R&D efforts? What does a product innovation process look like in a continuous improvement framework? And how can the chaos of change affect a product development team?

Daman Products has concentrated on building excellence within the company over three decades. The Midwest-based fluid power manufacturer has integrated a purpose-driven set of values, team leadership and business practices into its processes since it embraced the concept of continuous improvement in 1997. Continuous improvement has permeated the company's DNA. Eliminating waste, streamlining processes, increasing efficiencies have become second nature to everyone inside. But the incremental benefits have limitations.

Daman has looked for role models or mentors among other small businesses and manufacturers to better understand where the continuous improvement journey could lead long-term. But lessons from other innovative organizations have not easily translated to Daman – a company that has held a singular position as a small, advanced manufacturer that keeps adapting and improving its quality, value, service and competitiveness.

To be successful 20 years from now – or even five years from now – the company has recognized a need to improve the way it approaches innovation. Instinctively, the company has borrowed concepts from its own culture of continuous improvement and applied them to a product development process.



Creating an entrepreneurial culture

The R&D mantra pervades the corporate world. Yet structured, effective, ongoing innovation oftentimes takes a back seat as business leaders constrain their focus to becoming the low-cost producer with charted efficiency gains. Innovation may be considered a top priority among business leaders, but few appear satisfied with their efforts or results. Where is the generation of new solutions that solve customer problems and address real needs in new ways? If innovation is the key component to future growth, why haven't more advancements been made?

Those who never make mistakes work for those of us who do.

— Henry Ford

In part, the answers lie in traditional hierarchal corporate structures that dominate

today's business world. These structures impede growth. They paralyze companies and foster risk-averse environments. An autocratic approach to innovation breeds barriers and resistance. It's anathema to a culture of continuous improvement.

A people-centered culture, in contrast, allows workers at every level to solve problems. More important, it allows people to grow personally, so in turn, they can teach, coach and mentor others. Become leaders, in every sense of the word.

Embracing a concept of employee leadership engages people to take responsibility for their daily activities and make good decisions about how to conduct themselves and their jobs. Those same principles can fuel innovation and growth within a company. Empowered employees naturally

evolve into innovators – they bring new ideas to the table, map out development plans for new products or services and launch concepts into the marketplace.

Build today to succeed tomorrow

Nothing in a culture built on the concept of continuous improvement allows a company to leave its future up to serendipity, chance, complacency or indifference. Instead, the innate pursuit of improvement warrants a desire to change, innovate, move into new markets, and adapt to a constantly changing economic environment.

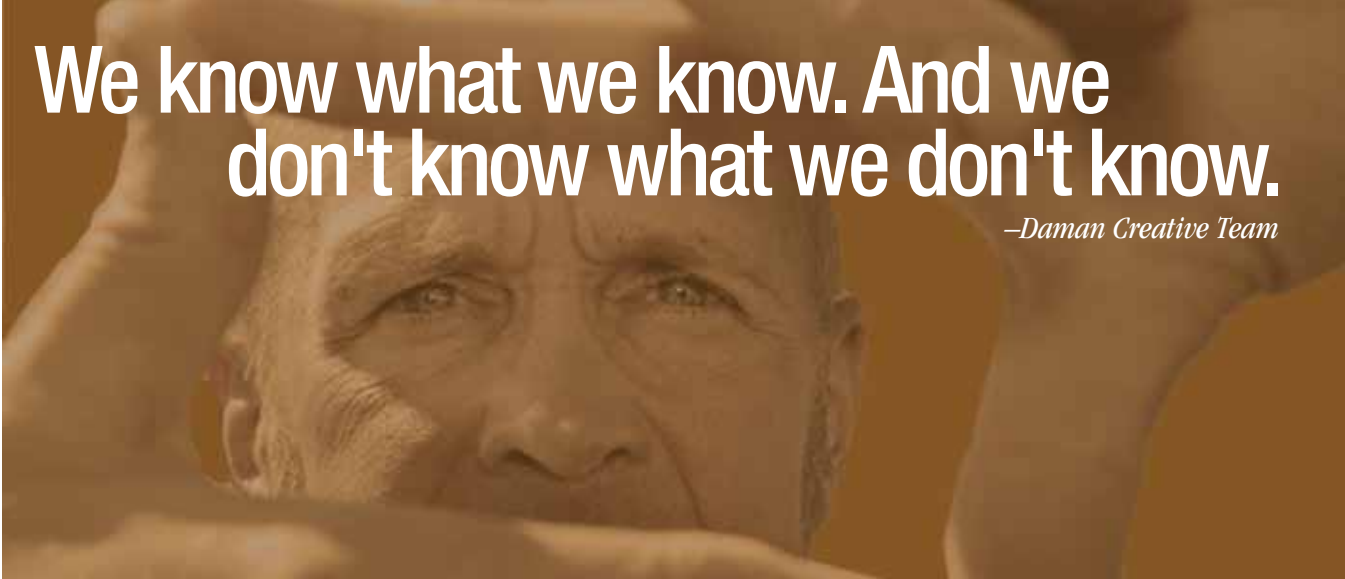
Daman's owners had been looking for better ways to develop new products and services for nearly a decade. Economic recessions in 2001 and 2008 had heightened awareness at the executive level that a streamlined innovation process would help the company sustain long-term success. Yet traditional approaches had foundered. They needed to tear apart the conventional product development process, apply tools from the continuous improvement toolbox, embrace a contagious commitment to an innovation culture, and help others in the company embrace new responsibilities that could lead to sustained success for decades to come.

Simply, they had realized the need to turn the traditional product development/R&D model upside down.

Create the future

In 2010, a small group of mid-level leaders at Daman formed a team to chart a new course for product development. The team included members from every aspect of the business – maintenance, purchasing, production, human resources, engineering, outside sales as well as inside sales, even information technology.

The breadth of representation on the team makes solid strategic sense. Yet it defies traditional portrayals of R&D groups. Corporate definitions place responsibility for R&D squarely in the hands of marketing and sales managers. But that approach promotes untold waste of



We know what we know. And we don't know what we don't know.

–Daman Creative Team

time, resources and energy. An inclusive team, created with a continuous improvement mindset, brings together decision makers who can efficiently identify and analyze resources needed to implement and launch an idea – the machines, materials, labor, training, price points needed to support any new product or service.

Initially, a strategic development consultant helped Daman's product development group, called the Creative Team, define its mission and cultivate a forward-thinking culture. Team members have learned how to collaborate, inspire, build and work together effectively. They have mapped out a path to explore ways to respond to market opportunities by broadening their frame of reference beyond manifolds. That includes developing concepts outside traditional fluid power, and designing new hydraulic products or services.

The Creative Team also has engaged in intense interpersonal development. As team members have accepted new accountabilities and responsibilities, they have focused intently on personal growth, honing their communication skills and cultivating the power of patience and persistence. And they have learned to appreciate what they know, as well as what they don't know.

Beyond the comfort zone

A culture based on continuous improvement naturally focuses on activities that improve processes, customer service, systems and

operations. And it empowers workers at every level to accept personal responsibility and accountability. The worker "owns" the work and needs little to no supervision. Unlike traditional hierarchical structures, this approach gives mid-level leaders more time and resources to focus on forward-thinking projects. And they become more valuable to the long-term success of the company.

But the culture that fosters innovation encourages behaviors that take people out of their comfort zones. It can be a painful process – rarely does such change come naturally.

Drive toward growth

Daman's Creative Team members have been asked to perform entirely different roles from the norm. In the company's continuous improvement culture, these leaders have found new, more powerful, future-oriented opportunities for personal growth and development.

As a whole, the team has recognized significant advancement in their communication skills. Open dialogue, a common language, and respect for unconventional thought empower any innovation process. But few people come into a workplace – particularly in manufacturing – with well-honed communication skills. By nature, people tend to resist contributing openly to a group. They criticize or quickly dismiss ideas. With practice, however, people can learn to express concise, clear thoughts, listen to what's spoken and unspoken, and provide constructive feedback.

Understanding the entrepreneur

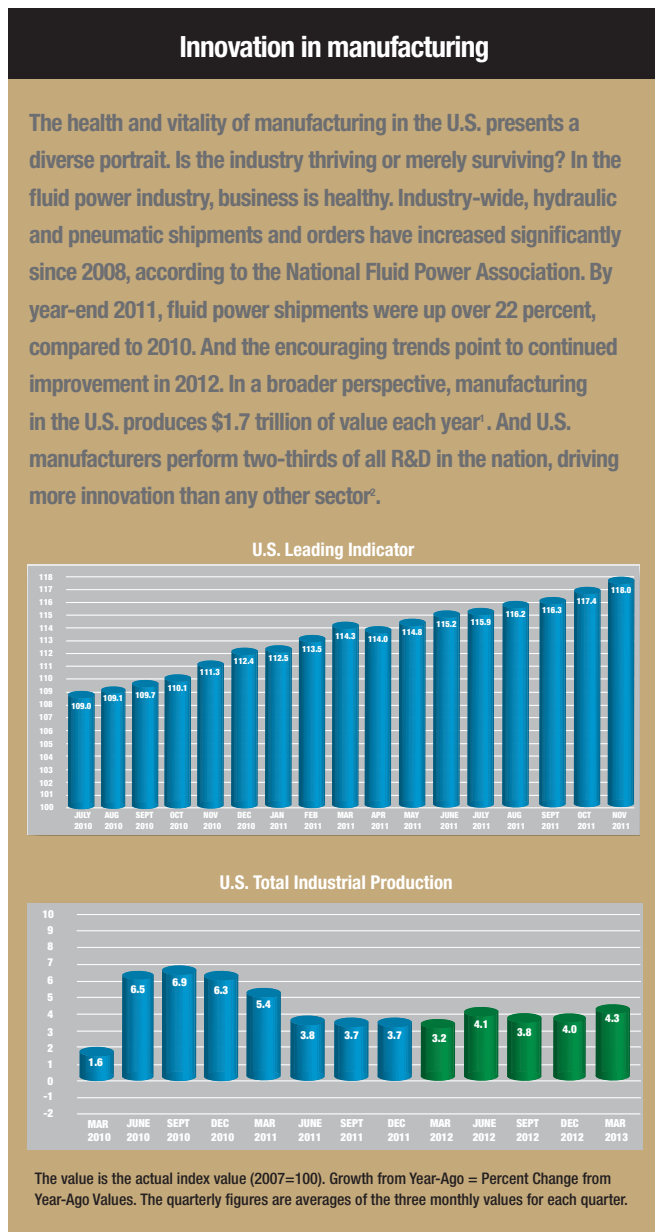
No one can easily define an entrepreneur. In a broad sense, an entrepreneur is someone who can make something happen. Or someone who can make something out of nothing. Entrepreneurs are energetic, focused, determined, ready to affect change. They are dreamers, thinkers or contrarians who have a vision that the rest of the world doesn't quite see. By nature, they don't care what others see – they recognize their vision and go with it.

Entrepreneurs instinctively recognize and seize opportunities. Then they convert those opportunities into workable and marketable ideas. Time, effort, investment and skills help add value to the ideas. The pursuit carries some risks to implement the ideas in a competitive marketplace. Rewards from these efforts fuel the continuation of the process.

An entrepreneurial culture is about enabling people within an organization to act in an innovative and enterprising way. And the principles of entrepreneurial leadership remain the same, whether in reference to an individual, small business or large corporation.

Classic characteristics of an entrepreneurial culture

- Flat leadership structure
- Multiple informal networks
- Periodic use of resources
- Long-term perspective
- Strategy guided by perceptions of opportunities





**80% of new product ideas do not
make it through the pipeline.
We are searching for the 20%.**

– Daman Creative Team

New ideas about processes, services, and products are generated constantly in continuously improving companies. That's innovation.



Innovation happens every day in a continuously improving company. New ideas about processes, services and products emerge constantly on shop floors, in team-led groups, from seasoned and novice workers. Incremental, small improvements may enhance efficiencies in existing production and deliver ever-greater value to customers. Such changes may include design modifications or structural changes. More expansive or opportunistic concepts may change the competitive arena, render a product obsolete or reach a market beyond the company's current customer base.

In continuous improvement thinking, a primary cause of waste is information deficits. Employees simply lack the knowledge they need to do their jobs efficiently and effectively. This principle

Innovation requires taking a long view of the process and suspending any expectations for immediate solutions or results.

— Larry Davis, President of Daman Products

holds true particularly in the R&D realm, according to Thomas D. Kuczmarski, business consultant and author on innovation. R&D teams waste time and effort as they search, inquire, wait, retrieve, rework or abandon development of new products or services.

They find assurance in what they know and become paralyzed by what they don't know. To effectively grow, they need to know more – about their company, industry, the broader marketplace, trends, customer needs and wants. And they need to know how to process that information in order to make dynamic decisions.

An entrepreneurial culture within a continuously improving company creates an environment where long-term growth and prosperity become as important to team leaders as they are to company owners. And that calls for equipping leaders with the business skills, insights, tools, resources and networks necessary to grow a successful business. It necessitates an environment conducive to ideas, insights, inspiration and

passion. Cultivating such a culture allows the talents of employees to grow and prosper.

Into the unknown

Everyone says that entrepreneurs take risks. But a closer look at their characteristics sheds light on their risk-averse nature. Successful entrepreneurs take calculated risks, in terms of time, investment or career. They collect necessary resources, develop business plans, and cultivate their abilities to recognize opportunities where others may see chaos, contradiction and confusion.

The potential entrepreneur discovers and uses the resources available to counter risk aversion and identify potential. Howard Shultz purchased a single-location Seattle coffeehouse – called Starbucks Coffee. Today the company has more than 15,000 stores in 50 countries. Ted Turner inherited a billboard business, which gave him the foundation for purchasing his first TV station in Atlanta and eventually building Turner Broadcasting. These entrepreneurs took calculated risks – and succeeded.

The Creative Team at Daman has smoothed out its process of seeding the pipeline with ideas that can make a difference. By relieving chaos and eliminating waste from the process, the team has replaced risky, unproductive behavior with a methodical, disciplined approach. In essence, the team has mapped out a path to success before it begins the journey.

Outsiders remain skeptical of the team's value. After all, what had it produced after years of meetings? But with closer examination, skeptics have seen the innovation process at work. Ideas flow constantly. And everyone has ways to capture those creative thoughts in a structured, organized system.

The process has forced Daman to reorient its perception of time and what counts as "productive" work in a business culture. Priorities, deadlines, goals play an integral role in successful product development, just as they do in an environment of continuous improvement. This is a significant investment in the future. It requires taking a long view of the process and suspending any expectations for immediate solutions or results.

To allow order to emerge out of chaos, Daman's Creative Team has established a pipeline for organizing new ideas, seeking knowledge, tracking progress and eventually launching new products or services. Concepts enter the system and flow through a series of evaluation stages.

Product innovation stage gates

- Market assessment
- Idea generation
- Concept development
- Financial analysis
- Prototype development
- Production set-up
- Marketing testing
- Product launch
- Post-launch feedback

Everyone inside Daman has access to the system and information about ideas under development. And anyone can help advance a project, complete tasks, contribute information or present an idea.

Build complete awareness

- Why the company is developing different products or services.
- Where these efforts lead not only the company but also individuals involved.
- Why innovation is important.

By early 2012, the Creative Team had more than 50 ideas in its pipeline. Only a handful had progressed beyond the initial stages of idea development and into business analysis. As the ideas emerge, team members have recognized that with greater volume of concepts comes a richer cache of viable options. They also have refined their processes that move ideas through various stages of approval. And they have carefully considered how product development fits into Daman's strategic flow. Their goal: limit or manage the inevitable chaos caused by introducing a new process into current operations.



Rules of the road

Just as with concepts of a continuous improvement culture, cultivating an entrepreneurial culture demands much from an organization and its people. Everyone must adopt a new way of thinking about processes that workers and managers may have followed – or ignored – for years. By nurturing a learning environment, forward-thinking workers gain knowledge they may not have had access to in traditional, siloed work settings.

The process is more than forms, charts, checklists, meetings and brainstorming. Product development needs to become a culture that encourages new and beneficial behaviors – beneficial to the company, as well as the individual. It demands discipline, clear decision-making, accountability, responsibility, teamwork, and a commitment to continuous improvement.

Journey toward excellence

The pathway to excellence offers no shortcuts. It demands patience, a long view of success. Daman's Creative Team may – or may not – launch meaningful new products or services by 2013. But the team already has achieved success. It has created a methodical, disciplined approach that serves as a solid framework for discovery, innovation and forward movement. And it has elevated Daman's own understanding of continuous improvement. As always in a continuously improving environment, there is more to do.

Instinctive behaviors

Just as in J.R.R. Tolkien's *The Lord of the Rings*, a team of disparate souls may prove more successful than one that consists of like-minded personalities.

With help from a strategic consultant, Daman's Creative Team explored the instinctive ways each individual takes action to better understand how to work as an effective team. The group studied principles of conative styles, as defined by Kathy Kolbe, a specialist in learning strategies.

Inner workings of a team

- **Quick-starters** thrive in creative chaos and use trial and error to advance ideas.
- **Fact finders** immerse in information and research.
- **Follow throughs** engage systems and methods to meticulously organize a process.
- **Implementors** focus on the actual objects and environments of a discovery, building models and finding appropriate tools.

Most people use all four styles in their day-to-day activities, but one or two behaviors tend to guide most actions. That individual tendency becomes a critical factor in a team environment. A team dominated by one mode may prove too weak to achieve success. The energy of a quick-start can help fact-finders overcome analysis paralysis. Fact-finders may discover a better system or process than one set up by a person who prefers follow through. Or the strong organization style of a follow through can help an implementor see the big idea, instead of just the physical structure. And the implementor may redirect a quick starter's energy to the true nuts and bolts needed to succeed.

Fact-finders populated Daman's Creative Team. And initially that provoked conflict and chaos that suppressed any creative thinking or advancements. The team had little energy, limited organization and only a partially filled toolbox of resources. Attitude and motivation waned.

Eventually, the team learned to overcome its weaknesses. Team members ventured out of their instinctive action modes to grapple with how to define a process of cultivating ideas, analyzing them and advancing prospective ones to the next stage. Order replaced chaos. And measurements of progress inspired more action.

Individual action modes

Other companies approach product development differently. At LinkedIn, the business-oriented social network site, employees participate in monthly collaborations on a specific issue. They self-organize into teams, determine their own pathways, and prepare reports at the end of the day. Google and Intuit encourage individual initiative by allowing employees to devote a specified amount of their work time to pursue personal projects. Other businesses use employee empowerment techniques to change behavior and encourage innovation.³

Elements of success

Focus on the customer. The customer should be an integral part of the product development process. Interviews, exchanges of ideas, face-to-face visits can reveal not only problems, but also solutions.

Communicate effectively. Effective communication skills play a critical role in moving concepts forward. Brainstorming – in the absence of criticism – helps reframe fundamental assumptions and boundaries. And active listening can identify opportunities even before customers fully recognize what they want or need.

Build equal skills. Cultivating leadership demands a significant investment in improving interpersonal skills. By building on concepts of eliminating waste, streamlining processes and increasing efficiencies, a fledgling R&D group can achieve success.

Collaboration, creativity, sharing, and sharing and smart risk-taking become the norms rather than the exceptions.

Keep improving. A culture of personal accountability provides the foundation for highly successful, well-trained teams to fully understand their roles and have the tools, signals and systems in place to execute their jobs.

Support innovation as a business strategy. Innovation, by definition, is discovering and creating something that is unknown and unknowable at the outset of a project.

Give structure to the unknown. The basic tenants of continuous improvement can shape the innovation process. They help the potential entrepreneur discover and use the resources available to counter risk aversion and identify potentials.

¹ National Association of Manufacturers, nam.org, and U.S. Bureau of Economic Analysis, Industry Economic Accounts (2009).

² National Science Foundation (2008).

³ Richard P. Adler, "Solving the Dilbert Paradox," The Aspen Institute Communications and Society Program, 2011

Sustainable journey

Doing the right thing for the right reasons

Dedication and commitment to providing long-term, reliable service and solutions that exceed customers' expectations have long been hallmarks of Daman Products Company. These principles have earned the company a solid reputation as one of the best suppliers across the entire vendor base, not just among manifold suppliers or the hydraulic industry.

Leading the way

A profound, engaged business culture defies characterization by conventional business school terminology. But Daman Products proves every day that its clear focus on helping customers succeed by doing the right things for the right reasons enables a far more enriched environment than any textbook business model.

In Daman's culture, leaders recognize the importance of bold common sense as a critical link in sustaining a continuous improvement movement. That's why they embrace an unconventional practice of intense employee development. They know that by encouraging an environment of accountability, responsibility and quality customer service, employee productivity and job satisfaction continuously improve.

Employee development – the Daman way – includes fostering an environment that inspires development of “soft skills,” such as problem solving, critical thinking, and communication and organizational skills. Employees achieve more of their true potential by becoming more knowledgeable, managing more authority, gaining trust to do the right things, accomplishing more and enjoying their work life more than those who are employed in authoritarian workplaces.

Learning to continuously improve

At Daman's Advanced Manufacturing and Marketing Concepts programs, participants can gain insights into the company's customer-focused operations. Executive leaders and operators openly discuss Daman's evolution from traditional business practices of command and control to a servant leadership model based on a culture of continuous improvement and trust.

These in-depth, interactive sessions reveal how a deeper understanding of an effective culture of continuous improvement can enlighten anyone who aspires to develop a sustainable, competitive advantage. Program content applies to every business sector, from manufacturing and education to government and non-profit services. During open discussion, participants explore how employee productivity and job satisfaction improve in an environment where people are challenged, accountable, responsible and capable to work without supervision.

Real-world business models used in these presentations illustrate how exceptional customer service defines every successful culture of continuous improvement. Interactive sessions reveal the power of a culture based on doing the right things for the right reasons. And the sessions define the principle of helping customers succeed.

Participants learn how to completely overhaul a traditional employee/management culture. By taking the focus off of task-oriented activities, a continuous improvement structure can become self-regulated. Processes then become more valuable and deliver streamlined solutions that work.

For information about Advanced Manufacturing and Marketing Concepts programs, contact Daman, 800-959-7841.

Serving the fluid power industry

Daman Products designs and manufactures hydraulic valve manifolds and related products. Its manifold product group includes over 1 million standard products, ranging from ISO 02 valve patterns through ISO 10. Custom-engineered capabilities include the capacity to machine 100mm DIN and all other cartridge valve supplier cavities. Weight capabilities exceed 4,000 pounds, providing one of the most complete sources for hydraulic manifolds in the country.



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