Role of innovation in growth of Taeilo furniture

Abstract

Innovation is the practical implementation of ideas that result in the introduction of new goods or services or improvement in offering goods or services. ISO TC 279 in the standard ISO 56000:2020 defines innovation as "a new or changed entity realizing or redistributing value" The world is just recovering from a pandemic. The government in every country has a lot to do to help small businesses thrive. However, in a developing country like Nigeria, there is very little that the government can do.

Taeilo is a small business located in Nigeria. It has with innovation overcome the challenges where other small businesses fail. Taeilo has been able to create a blue ocean.

Taeilo adopted the dynamic capabilities and social capital theory approaches to make a strategic impact in their operations leading to much increased revenue, employee growth, customer satisfaction and customer retention.

Introduction

Leadership and innovation are much more than a set of processes, tools and techniques. The country’s government where a business is situated also has its role in creating a favorable economic climate. Without innovation leadership, organizations are likely to struggle. This new call for innovation represents the shift from the 20th century, traditional view of organizational practices, which discouraged employee innovative behaviors, to the 21st-century view of valuing innovative thinking as a “potentially powerful influence on organizational performance (Adjei 2020).

According to Bill Gates, Microsoft’s only factory asset is the human imagination (Tidd & Bessant 2020). For every company to make the process better, it must have a team, core competent and innovative in an enabling creative climate. The real secret lies in how each team member feels in finding problems and solving them. Sometimes they may fail but the lessons learnt serve as source of information for others to build on (Haas and Mortensen 2016).

Innovation has become management’s new imperative. Everybody wants to be the next Apple, Google or Netflix, nobody wants to be Kodak, Blockbuster or US Steel. Go to any conference these days and some whip-smart technogeek will declare that you must, “innovate or die,” and then dazzle you a wide array of case studies to illustrate the point. Unfortunately, innovation is often conflated with strategy. Strategy, after all is a coherent and substantiated logic for making choices, while innovation is a messy business which creates novel solutions to important problems. Put simply, strategy is about achieving objectives, while innovation is about discovery, we never know exactly where we’re going until we get there (Satell 2013)

Building an innovative culture requires much more than technology. It involves creating a workspace that spurs ongoing engagement and action. Putting these pieces in place and nurturing them helps innovation thrive continually.

Innovation in a blue ocean way can help teams think differently by allowing them to create new market spaces and make competitors irrelevant. Developed by INSEAD professors W. Chan Kim and Renée Mauborgne, Blue Ocean Strategy has helped companies succeed by giving them the tools they need to create their own blue oceans of uncontested market space.

Taeilo is a Nigerian business that produces household and office furniture. It is a small business, and also a family business that has spanned three generations. Started in 1937, it was primarily involved in procuring the raw materials, processing them and then delivering to the customer. The goal then was to make furniture that were attractive, low-priced and extremely durable. At inception, son assisted his father in the business. However now, it has grown and has about 201 employees and team members.

Since 1937 till date, the Nigerian economy has experienced a tumultuous situation with each passing regime trying albeit failing in creating a favorable economic atmosphere for small businesses. In 2022, even after a pandemic, and with the inflation rising it has not been any better. Though wood is gotten primarily from the forest, the operational energy and corresponding cost has increased (Ramage et al., 2017). Government policy can influence interest rates, a rise in which increases the cost of borrowing in the business community. Higher rates also lead to decreased consumer spending. Lower interest rates attract investment as businesses increase production.

Lilian Vincent upon taking ownership of Taeilo from the previous owner was able to diversify the business. In this generation, they have been able to move into a modern business model. Taeilo adopted the dynamic capabilities and social capital theory approaches to make a strategic impact in their operations leading to much increased revenue, employee growth, customer satisfaction and customer retention.

Literature review

SMEs as defined by the European Commission (2003) is a business organisation having less than 250 persons employed; having annual turnover of up to EUR 50 million or a balance sheet total of not more than EUR 43 million. Innovation has changed the operations of companies and how they conduct their businesses and the ways of satisfying the needs of customers in the contemporary society. This is because Small and Medium Enterprises (SMEs) constitute 99.7% of the enterprises worldwide (Agarwal & Ashwani, 2018).

Innovation is more than just a process. It is a creative way of using information to trigger growth and create a difference. To identify problems and provide solution is the core of innovation. Organizations need to build an innovative infrastructure in a creative enabling climate that involves strategy, process, organization, tools and system to be competitive in this modern marketplace. The successful implementation demands the interaction and integration of different levels of management, individual, collective and climate.

By organization, it is meant an entity that has its characteristic function and structure to achieve specific aims. A business organization has its central objective of trades in goods and/ or services. Managing a team therefore is to ensure the central objectives behind activities are completed efficiently and effectively by the people responsible for doing them. Providing the enabling climate is the work of the top management team. There must be cohesion. People must be able to find and solve problems, even fail but the lessons learnt from each activity is sufficient information for others to build on.

Innovation aims to create original value, such as new solutions to adapt in changing industries or solve impeding social, health, or economic challenges. A strategy is a plan that details precisely how you will bring your vision into reality.

Essentially, a strategy acts as a heuristic that we can rely on when facing tough decisions. Ergo, an innovation strategy provides people with a framework for critical decision-making relative to a company innovation, such as: In what areas will we invest? How much will we invest? Who will make investment decisions? What capabilities will we need to develop to support our investments? What capabilities can we not build, which we must then acquire or form a partnership to provide? (Masschallenge.org 2021).

Innovation has nothing to do with how many R & D dollars a company makes…, it is not about money. It is about the people you have, how they are led and how much you get it. Innovation is much more than individual creativity or talent, but more about teamwork and the creative combination of different disciplines and perspectives.

Innovation requires energy to overcome inertia and the determination to change the order of things. Studies by Thamain (1990, 1996) and McDonough (1993) found that innovative performance is strongly influenced by leadership and professional attitude. Jung, Chow, and Wu (2003) studied the effects of transformational leadership, empowerment, and support for innovation on multiple measures of organizational innovation. They applied structural equation modeling to the results from 32 electronics and telecommunications companies from Taiwan. They found that transformational leadership was significantly and positively related to organizational innovation and support for innovation. Both climate variables of empowerment and support for innovation were found to moderate the effects of transformational leadership on organizational innovation. They concluded:

Prior research has suggested that top managers’ leadership styles can significantly impact an organization’s creativity and innovative ability. A major avenue whereby this positive impact arises is held to be the establishment of an organizational climate that empowers employees and provides support for innovation.

This comes to reveal that leadership behavior has so much an influence on climate, and climate influences innovation.

Small and medium enterprises constitute a backbone of any economy and remain the engine of economic growth and development. In many countries, for example Southern Europe e.g. Italy or Spain, the share of SMEs in the national economies is very high (Holzl 2009). According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) National Survey, 41 million micro-businesses and 73,000 small and medium businesses in Nigeria employ 86.3% of the total workforce and particularly important employers of young Nigerians. The businesses also provide opportunities for women: 16.8% of small businesses and 12.2% of medium enterprises are owned by women, and small businesses are a leading source of employment for women workers.

Leadership in small businesses is also about having a fluid and adaptable way of dealing with work processes and strategies in designing the development of companies and agents (Abrham et al. 2015). In a small firm, the distance between the leaders and other team members is small but the sense of working together is heightened by active leadership and empathy to explore, discuss and resolve issues together. Leaders in small businesses must deliberately ensure that their activities are geared towards helping them and the association evolve in terms of expertise, learning and experience (Dimitratos et al. 2016). This is what make a high performing team.

Theories adopted in this work include (i) Social capital theory (ii) Dynamic capabilities theory.

1. Social capital theory: Social capital theory suggests that interpersonal relations create value for individuals as they provide resources which can be used for the achieving desired outcomes. Social capital theory is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition (Bourdieu 1985). In summarizing their analysis of the definitions of social capital, Hawe and Shiell (2000) conclude that “social capital is not ‘one thing.’ It has relational, material, and political aspects and it may have positive or negative effects. It can refer to both dense and loose networks and it takes on the different form depending upon whether one is concerned with the individual and his or her immediate group membership or the interaction between social institutions”.h
2. Dynamic capabilities theory: Dynamic capability is a theory of competitive advantage in rapidly changing environments. The function of dynamic capabilities is to take the lead in the development and steer the evolutionary path into new territories beyond the scope of incremental evolution.

The responsibility of team leaders also includes making strategic decisions in ensuring financial stability and sustainability in the business environment (Cepel et al., 2018). Business decisions are made under uncertainty and risk. The benefits and risks of innovation are constantly at odds against one another. To be successful, business leaders must find a way to balance these to achieve their goals. This is a not so easy task but when done correctly, the rewards are well worth it. People who are actually involved in innovation are there for the passion and not the money in it. With the right attitude, structure and behavior, a strong creative climate is built which if not properly managed could bring the business in harm’s way rather than good. In a high performing team, the real secret lies in the way people feel enabled to find and solve problems, often experimenting with different solutions, sometimes failing but at least learning and having sufficient information for others to build on.

Here learning is seen as requiring the following: (i) Structured and challenging reflection on the process – what happened, what worked well, what went wrong and so on (ii) Conceptualization – capturing and codifying the lessons learned into frameworks and eventually procedures to build on lessons learned (iii) Experimentation – the willingness to manage things differently next time, to see if the lessons learned are valid (iv) Honest capture of experience (even if this has been a costly failure) so we have raw material on which to reflect.

Strategies adopted by small businesses

Strategy are steps towards the actualization of a company goals. It may be incremental or rational or a combination of both. A company actualizing its goal is the primary function of innovation.

Sun Tzu’s advice to medical wisdom is quite similar to innovation in that to foil enemies’ plot is like keeping healthy so as to be resistant of disease. This in business implies ensuring quality; to ruin alliances is like avoiding contagion. In business this is to evolve our services; to attack armed forces is like taking medicine, and that is expanding innovation capacity; and to besiege their cities is like performing surgery, that is to look at the digital through every angle. (Aladerokun 2022).

1. Rationalist strategy

The rationalist strategy is the traditional planned approach. It assumes that innovation proceeds along a strategic planning process involving information gathering, analysis, evaluation, and action.

1. Incrementalist strategy

The incrementalist strategy is actually adding and sustaining value of an existing product or service. It is phased, gradual and sustainable. It is a kind of innovation developed in relationship to another degree of innovative strategy.

The rationalist and incrementalist strategy together form a unique pair. The rationalistic approach to decision making requires that the team leaders have access to all information and quality information to be able to make good analysis and evaluation (Uzonwanne 2016). These are greater resources than decision makers commands. The incremental strategy, which takes into account the limited capacity of actors, fosters decisions which neglect basic societal innovations. Time may be wasted dealing with the immediate problems and no overall strategy developed.

Combining both strategies helps see business innovation in another way. A mixed-scanning strategy would include elements of both approaches by employing two cameras: a broad-angle camera that would cover all parts of the sky but not in great detail, and a second one which would zero in on those areas revealed by the first camera to require a more in-depth examination. Mixed-scanning reduces the unrealistic aspects of rationalism by limiting the details required in fundamental decisions and helps to overcome the conservative slant of incrementalism by exploring longer-run alternatives.

Blue ocean strategy

In many cases blue ocean is created where a company creates value by simultaneously reducing costs and offering something new and/ or different. Blue ocean strategy involves (i) creating an uncontested market space rather than competing in an existing market space (ii) making a competition irrelevant rather than beating competitors (iii) create and capture new demand rather than fight for existing markets or customers (iv) Breaking the traditional value / cost trade off: Align the whole system of a company activities in pursuit of differentiation and low cost (Kim and Mauborgne 2019).

Innovative procedures adopted by Taeilo:

Operational routines

There was a dynamic change in how the company operates. Seminars and organizational workshops were introduced to create sense of ownership effective team working among colleagues, how to track problems till resolution, chain of command and a proactive culture developed in the company. A performance measurement system was introduced to help quantify effectiveness and efficiency of operations and ensure everyone was being graded, help calibrate goals by providing insight into where someone is doing well and could be stretched and areas that are not a strength yet. The data generated from the performance measurement was used to also make decisions about what products to continue, start and stop.

New Policies introduced

The new leadership team was able to properly introduce some new implementations in its company policy. The customer quality policy was updated. A design team was brought in to help with computer aided drawings. The idea was to capture virtually the furniture piece to be procured from Taeilo and to ensure they are properly fitted with where the piece of furniture gotten will be placed and ensure customer is satisfied before operation activity can be commenced. This was to cut operational waste and reduce the frequency of returned products.

Also, for returning customers, the company was willing to give discount and credit for second and third purchases respectively. The main challenging concern here should be the rate of repayment that needs to be established over time with these debtors. To solve this, Taeilo partnered with the Central Bank of Nigeria (CBN) so that account details of buyers can be properly tracked transparently and an agreed sum deducted as the customer chooses so the debts can be serviced in comfort. Furthermore, Taeilo introduced their own e-token which was used for the discounted purchases.

An HMO was set up for every employee in the company as a health insurance plan. This was to serve as a morale boost and to also increase employee satisfaction and show that the company places greater value in health and safety of their workers.

Product Diversification

The furniture business is highly competitive and saturated. Diversification helps brand expansion and increased brand presence in the market.

Taeilo’s head office is at Ikeja Lagos with branches at Ondo and Kebbi states. Taeilo’s showroom on the Island in Lagos was converted to a space to use as a serviced apartment, cinema and relaxation center. Some companies could also make important meeting here. The idea was to make consumers use Taeilo’s brand for work, comfortability and cushion while enjoying themselves. The furniture is limited and billed hourly. Here Taeilo displayed her choiciest products. Customers were encouraged to buy to have same feel at home, office or where they will.

The new management also created a website and blog. To strengthen the online presence, Taeilo was registered on all major social media network. The goal was to meet the customers on every digital platform, share all Taeilo’s product including latest designs, get proactive information to use as feedback, to create followership and have a loyal fan base.

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APPENDIX



