



Innovation Strategy for Growth

By [Elaine Pofeldt](#)

Oct-2013

Creating a culture where employees generate new ideas can be the secret to expansion for some small businesses.

Unlike some of the firms that turn to growth consultant Mark Faust for help, Hagie Manufacturing was doing fine when Alan Hagie, third-generation CEO of the 66-year-old company, sought his advice about three and a half years ago. The family-run business, based in the small town of Clarion, Iowa, makes agricultural sprayers used for purposes like fertilizing crops. Sales were humming, but Hagie wanted to grow.

Faust, who is principal of Echelon Management in Cincinnati and author of the book *Growth or Bust!*, worked with Hagie to develop a plan for scaling up that would allow employees plenty of room for innovation. "Profits are important and help sustain the company, but I want to grow something—and grow it through the people," Hagie says.

So far, Hagie Manufacturing's efforts are paying off. In the past three years, the company has grown from a couple of hundred employees to nearly 500—and more than doubled revenues, which are in the nine figures, says Hagie.

Hagie and Faust spoke recently with Executive Travel about their collaboration and how Hagie Manufacturing achieved growth through a focus on strategy and innovation. Here is an edited transcript.

Executive Travel: Alan, what kind of help did you want from Mark? Your company was already doing well when you contacted him.

Alan Hagie: We were looking for someone to help us with some strategic planning but wanted to stay away from the boilerplate approach. Our COO read an article of Mark's in a trade magazine and liked what he read.

ET: What approach did you use when you came in, Mark?



Mark Faust: We used strategic thinking tools including “visioneering” where we continued to update the vision for the company to be bolder and clearer—and used new venues to communicate that vision, like Hagie’s weekly all-hands-on-deck meetings. We took innovation to a new level by setting innovation objectives, requiring executives to meet face-to-face with customers and conduct interviews to find out how we could grow a customer’s business and deliver more value. We handed those ideas to a newly created research and development team. Finally, we focused on making the culture the best in the industry.

ET: Did you see any obvious strengths you could build on when you got started?

Faust: When I toured the plant, I met great people. I found that as a leader, Alan is very humble. He’s not afraid to get on any part of the production line. He welds next to welders and paints next to painters. He desires a strong culture and happiness in the workplace and cares about his employees. That has become a competitive advantage. The company is the Zappos of manufacturing, as far as culture is concerned. The company is also one of the most innovative in the industry.

ET: How did you help Alan clarify his goals and build a strategy around that?

Faust: We did a deep dive into the opportunities the company is facing and the potential problems. Alan has a bold vision. We’ve had two and a half hour phone calls where he has detailed it in bullets. He might talk about culture and how culture is tied to innovation. Part of his vision is on having an impact on feeding the world. Sometimes I’m just real good at helping a CEO organize and prioritize his ideas.

ET: How do you make sure Alan’s new strategies get executed?

Faust: One of the things we kicked off was a reinforcement process where Alan is accountable to his employees and even the board of directors. He stands up in front of folks and talks about how he wants to raise his own performance.

ET: How do you keep your team accountable to customers, Alan?

Hagie: I expect senior leaders to spend one week a year with customers, just going to visit. For managers, we like to see them out there at least a day every year. We’re a factory-direct company. Almost everything we sell is directly to the end user.

ET: How did you put the new R&D team in place?

Faust: One day we were talking on the phone and Alan described how he wished R&D would work. Two weeks later, the company had set up a spot for the team and had everything in place—the team, a process, the tools and a vision for the R&D team. He kicked it off extremely quickly.

Hagie: We’ve got to innovate rapid-fire on the ideas we have. When I talked with Mark about wanting to put a team in place, he asked, “What kind of people would you want to put in there?” I said, “Someone like this guy, this guy and this guy”—they were all from different parts of the company.

Faust: The company is not afraid to change people’s roles and responsibilities.

ET: How have you encouraged innovation outside of your R&D team?

Hagie: I preach to our team that innovation is in everyone. Everyone’s got good ideas, and everyone has something to contribute.

Faust: Innovation isn’t just big new product development. I’ve seen Alan celebrate a \$200 savings per year that someone in accounting came up with—just about as equally as he recognizes someone who came up with potentially a six-figure savings. All of these innovations lead to a new dimension of performance that does hit the bottom line. The company’s profit margins increased dramatically as a result.

Hagie: We try to instill in the team that it doesn’t matter the size of the innovation. It’s the total sum that matters.

Eliane Pofeldt is a freelance writer who specializes in writing about entrepreneurship. Her credits include Fortune, Money, Inc., Forbes and numerous other outlets.

