



# Innovation in Cox Industries, Inc.

## OVERVIEW

### AUTHORS

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### DESCRIPTION

Case example of a firm developing a new approach to innovation

### METHODS

Case study

### DATA SOURCE

Interviews, first-person experience

### KEY FINDINGS

Patient leadership is critical

Culture change is difficult, but necessary

A structured approach to innovation is needed

Experience results in enhanced skills and capabilities

## Introduction

Cox Industries, Inc. is a medium-sized, family owned and operated treated wood products company headquartered in South Carolina. The company is managed by third generation family members with Michael Johnson (Mikee) serving as CEO. The company employs 400+ people and consists of multiple sales offices, 15 manufacturing plants, and 22 distribution facilities. Cox has a long history of cooperating with chemical companies in the R&D process for new chemical applications.

Through this work we provide deep insights into the experience of Cox Industries, Inc., as it undertook a strategic innovation initiative. Cox recognized an imperative to innovate, developed a process to create innovations, and now has concrete experiences with implementing those innovations. Documenting this experience provides important lessons learned for companies wishing to increase their innovation efforts.

## Methods

Our approach in this work is unique in forest sector research as it focuses on one extreme case in the spirit of the revelatory single-case study. Initial data for the work comes from in-depth interviews of three firm executives: the Chief Executive Officer, Chief Operations Officer, and Chief Marketing and Innovation Officer. The data comes from the experience of the co-author serving as the company's Chief Marketing and Innovation Officer.

## Results

**Historical Approach to Innovation:** For over 50 years the culture of innovation at Cox was predominately unstructured, intreprenurially-led initiatives based on opportunities either developed by or presented to top level executives and were historically done with a Ready-Fire-Aim mentality wherein perceived opportunities were adopted into the business on a transactional rather than strategic basis. There was no assigned individual to champion innovation day-to-day through a strategic lens, so if something did not succeed the company simp-

ly moved on to the next idea. Because of these factors, a more structured approach was needed.

**The Impetus for Change:** In the mid 1990's the Cox family formed an outside Board of Directors (BOD) to bring a different perspective to the business and formalize strategic decision making. The Board is composed of five independent outside directors and one family member. Members are vetted based on their ability to bring specific skills or experiences relevant to future success. A driver for bringing stronger innovation skills to the BOD was the large number of, and dollar amount of, innovations being pursued by the company at that time. The chemical treating sector's notoriously low margin structure made it important from a Board perspective that innovation investments be done more strategically and with the ability to measure their return on investment (ROI).

Mikee saw that establishing innovation as a distinct discipline within the company was a critical business and cultural shift that must take place for the company to realize its future market potential and to maximize shareholder returns. Still, Cox could not afford to have an innovation program that operates simply as a "think tank." It also had to house operational capability and authority to implement new innovations. Ultimately, in 2012 a decision was made to hire a Board member (Barry) in the role of Chief Innovation and Marketing Officer.

**Current Approach to Innovation:** As the anointed "Innovation Champion" Barry dedicates significant time and effort to the design of the innovation system within Cox. The goal is a portfolio of well-constructed, strategic innovations that play a large role in company financial success. Changing the current approach to innovation was built around five primary steps.

1) Where to focus first: Early in the effort, executive leadership made the strategic decision that initial efforts would focus on Cox's industrial business (poles, pilings, and crossarms). Primarily this was because this sector typically has higher margins and deals directly with end users (utilities).

2) Facilitated Ideation: Using an outside consultant to facilitate an ideation process, a group of “forward thinkers” in the company was assembled and charged to clarify what was emerging in the market that might present an innovation opportunity. This was based on 35 “prompts” such as “smart poles”. Using these prompts they hypothesized about what would happen in the next 5-7 years, resulting in 50-60 prognostications. These assumptions were reduced to a smaller set of scenarios, opportunities that the group believed had the highest probability of occurring within the 5-7 year time frame. Further winnowing resulted in five innovation targets.

3) Developing a Business Case: The team returned to the office with an assignment of creating the business case for each target.

4) Selection of Business Case: A pre-defined “ground” rule for Cox’s innovation process was that the sponsors (CEO and COO) would only select one innovation for immediate development. The decision was made to pursue the area of pole/wood waste disposal. The innovation team subsequently immersed themselves in months of study about this market to gain a better understanding of user needs, market dynamics, state and federal regulations, financial return, etc. Ultimately this led to the creation of a new business subsidiary, Cox Recovery, which focuses on removing and disposing of a utility’s wood waste stream through the use of waste-to-energy incineration.

5) Implementation: Cox Recovery has now been in a commercial state since mid-2015, so while it’s still somewhat early to judge its success, the division has already exceeded all top and bottom line financial goals. Interest from Cox’s existing utility customer base, particularly larger, investor-owned utilities has been strong, leading Cox to believe that one of the initial assumptions generated during their forward-thinker retreat is likely to become a reality for wood treatment companies like Cox; each must have an end-of-life disposal option to complement their new pole manufacturing capability.

#### Discussion and Lessons Learned

There are a variety of lessons learned from the Cox experience. Below we outline those that can be considered the most significant examples of keys to success in the Cox experience, using the following categories: Committed and

patient leadership, Culture change, Structured approach, Experience nets enhanced skills and capabilities,

**Committed and Patient Leadership:** Having committed and patient leadership is one critical factor in the success of the Cox innovation initiative. Having served on the BOD for some time Barry already had high credibility with company leadership when he was hired to lead innovation efforts.

**Culture Change:** Cultural inertia is the result of norms, values, and lessons that make up the accepted “way of doing things” within a firm. The more ingrained these norms and values become, the greater the inertia. Cultural inertia was clearly present in Cox, but the proactive decision to develop a new approach to innovation was the first step in breaking the inertia. Hiring a Chief Innovation and Marketing Officer was a critical step towards successful innovation.

**Structured Approach:** No innovation effort will produce results if it is ad hoc or reactionary. The history of innovation at Cox was exactly this, largely following the whims of customers or ideas from salespeople. Now the company focuses on matching innovation strategy with company strategy, and strategic thinking around future scenarios as it identifies potential innovations and its efforts to be market oriented and conduct market research are focused on informing these strategic efforts.

**Experience Nets Enhanced Skills and Capabilities:** As with most things in life and business, experience leads to improved knowledge and capabilities, there is high value in learning from doing. The long-term experience of pilot testing chemical formulations from its suppliers may have positioned Cox well for an easy transition to its own innovation initiative. The experience of collaborating on innovation with suppliers may have developed capabilities that were unrecognized by company management. Perhaps more importantly this process helped reveal to Cox that the only way the company could innovate with true market differentiating products and services was to undertake innovation on their own and thereby not be totally beholden to a supplier’s own business agenda. For more detail on this story see:

<http://biobus.swst.org/index.php/bpbj/issue/view/2>

# Research Brief

Mission: Develop professionals in forest products marketing and business and facilitate forest industry competitiveness through education and research.

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