Revitalising industry thanks to innovation

by

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Overview

In 1993, in order to save jobs which were threatened by an owner's decision to relocate his paint company's site, Antonio Molina bought the company. He decided on an ambitious development strategy. This included external growth so that the company could become national and then international; choosing the railway industry market to avoid costly marketing expenses; investing in R&D so that it accounted for 10% of the turnover; creating a subsidiary dedicated to research; diversifying into the automobile and aeronautical sectors; and on each occasion using the most up-to-date technology. Because of the priority given to innovation over the past fifteen years Mäder has become the European leader in its field. It has increased its number of employees from eighty to eight hundred and multiplied its turnover twenty-fold. Antonio Molina is currently applying the same strategy to the Matikem competitiveness cluster and its Verem programme which is focused on systems of complex materials. He aims to make the newly formed Nord-Pas-de-Calais-Picardie region the centre of European bio-economy.

Report by Élisabeth Bourguinat • Translation by Rachel Marlin

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In 1993, Corsain, the company where my mother-in-law was financial director, was about to be bought by the Lafarge Group. The factory, located in Marœuil near Arras, made paint both for internal decoration, and for train carriages and industry in general. It employed eighty people, and Lafarge's intention was to relocate the factory sixty kilometres away. Corsain was the only factory in Marœuil, and the prospect of there no longer being a factory in the village was devastating for its inhabitants. At that time, I was a financial analyst, and having studied the company's accounts I decided to buy it from under Lafarge's nose in an LBO (Leveraged Buy-Out) with the company's executives. Today the factory still exists and employs about one hundred people who continue to make decorative paint.

The strategy

Once we had bought the company, we discussed the best way to make it grow.

Essentially, the company sold its paint to clients within a radius of fifty kilometres around Arras. We decided to make it into a national and subsequently an international company. The market for paint is necessarily multi-domestic (each country produces for its home market) because it is not just a case of selling a product, but also selling a service, and this means that we have to be close to our clients.

We also felt that we had to choose between the decorative paint market and the industrial market. To sell decorative paint one has to be rich because marketing costs are high. In our case, the LBO had used up all our money. Therefore, we chose the industrial paint market and decided to become the leader in the railway sector. We achieved our goal because today, in French trains, there is not an ounce of paint that is not made by Mäder and, on a European level, our closest rival accounts for less than 50% of our turnover. With time, we have grown in other industrial sectors, each time aiming to be number one.

To achieve this result, we took another strategic decision from the very beginning. We decided to improve the technical quality of our products by devoting 10% of our turnover to research (compared to our rivals who did not spend more than 5 or 6%). Today, about one hundred and twenty-five people at Mäder work in our research department. After a few years, we decided to segment and structure this activity because there are different ways of reasoning according to whether research is fundamental or applied. We created a long-term subsidiary, purely for research purposes, called Mäder Recherche which immediately started working closely with the University of Haute-Alsace. Our central R&D laboratory is in charge of making innovations into industrial products. Finally, the 'markets' laboratory is in charge of determining whether the products will sell.

Balancing external growth with endogenous growth

In view of my age when I bought the company, I chose external growth rather than organic growth because it is faster. I suggested adopting a cohesive networking system between the companies so that each company that we had bought had to 'plug in' to the group and communicate with it in order to share and increase knowledge, rather than remain a separate entity in the group. We preferred companies which possessed technologies we did not know in order to build up gradually an encyclopaedia of skills.

We nevertheless imposed on ourselves a constraint with this approach by not growing externally by more than 50% in order not to expose ourselves too much to social problems which often accompany mergers and acquisitions. When an entrepreneur is faced with a social problem, he tends to devote all his time to it rather than looking after the rest of the business which is essential. Due to this principle of constraint, the number

of people whom we have had to lay off in the course of our twenty-one acquisitions can be counted on the fingers of one hand. Because 50% of growth was endogenous, there was always enough space for everyone.

From Marœuil to China and India

Our first acquisition was Bolloré Jival in 1996. This company made industrial paint for the aviation sector and general industry. It also gave us a degree of prestige as it is the oldest paint company in the world. It was founded during the French Revolution by a painter who had perfected a varnish to protect his paintings. A century later, at the Paris World Fair in 1867, it received a gold medal for its 'cold enamels for bicycle tubes'. As it happens, this prize heralded the Group's current strategy which is oriented towards the transport sector and the principles of energy savings and durability.

In 1999, the French market started becoming too small for us. We had the opportunity to buy Mäder, a Swiss group which was a sort of 'Rolls Royce' of industrial paint. This group was faced with a huge problem. Following an accident in a chemical factory which had led to the widespread pollution of the Rhône River, Switzerland's safety standards became much more stringent. Mäder was in the process of completing a project, and the newly imposed constraints came at an additional cost of 30 million Euros. We knew this group well, and we had license agreements with it. The financial *montage* was quite complex because its turnover was the same as ours, but in the end we were able to buy it and to complete the operation in just one-and-a-half years.

This acquisition gave us a much broader geographical coverage because we now had a factory in Switzerland as well as sales locations in Germany. We decided to change these sales sites into production sites, and started buying companies in Germany, and then China, where Alstom approached us to supply them with paint for their first sixty-four TGV trains, and subsequently also in India.

Today, we have a presence in 14 countries. Our turnover increased from 10 million Euros in 1993 to 200 million Euros. We increased our employees from 80 to 870, 360 of which are in France, 200 in Switzerland, 200 in Germany and 70 in China.

To finance this growth, we had to ask banks and investment funds for financial help, but they had to follow two important rules: they had to be minority shareholders in the capital, and there was to be no dividend payments because this practice was incompatible with devoting 10% of the turnover to R&D. All our financial backers agreed to these principles without any difficulty: they stand to make a capital gain when they leave the capital.

Polymerisation using ultraviolet radiation

In 2000, when we bought Mäder, I sensed that one of the technologies developed by this group, polymerisation using ultraviolet radiation, had a great future. It had numerous advantages such as its lack of solvents, zero evaporation, and much lower energy consumption.

At the time, this technology was still in its infancy and no-one thought that it would lead anywhere. Today, we have managed to perfect a process which allows transition from a liquid state to a solid state in one-tenth of a second using very little, but well directed, energy. We realised that not all the forms of UV wavelengths were of interest: for example, those from 200 to 280 nanometres only produce a little polymerisation with our process, consume a great deal of energy, and are extremely carcinogenic. We took two to three years to scan all the UV frequencies and to identify a very narrow wavelength band which is of interest for our technology.

After years of work and a number of doctoral theses, we undertook tests on a continuous production line of pre-painted bands of aluminium. The energy savings compared to a conventional process were 5,000 times less! We continue to move forward with this technology, but we do have a limit: the person in charge of the workshop explained to me recently that in the near future the light from a cigarette lighter would be enough to initiate a process of polymerisation! So we must maintain sufficient levels of security.