



## **Commitment and knowledge: Strategies for development of a family business**

This case study has been elaborated by Cristina Iturrioz and Cristina Aragón for the Antonio Aranzábal Foundation and Deusto Business School. The authors would especially like to express their appreciation to Cristina Pasaban, Alain Iturbe and Gustavo Lascurain for their participation in the project. The final version of this case study was approved in September 2013. Translation: Patricia O'Connor Sims, University of Deusto.

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## 1928, the origin of a family tradition spanning four generations

We parked the small Citroën C3 near the entrance. We thought we had gone too far, but there stood Pasaban before us in the middle of the forest on that rainy April morning. There was nothing outstanding about the building although it was where paper and cardboard processing machinery for the entire world was designed and manufactured.

We went into the practical-looking lobby and asked for Cristina Pasaban. She was waiting for us in her office and rose to greet us when we entered. This petite smiling woman apologised for her desk, covered in papers, and admitted:

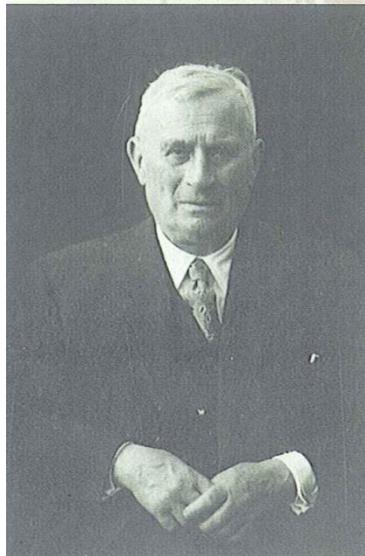
- *“Although I officially retired a short time ago I still come in the mornings. I think I’m hooked on work, but now my son Alain, is head of the financial and administrative department.”* Cristina Pasaban, partner in Pasaban S.A.

She is an active member of the third generation of Pasabans. She took a deep breath and leant back in her chair as she began to tell us the story of the company.

- *“In 1928, my grandfather Pedro, who was called Don Pedro Pasaban, started up the family business with some lathes to create the family’s first machine tool shop in our hometown of Tolosa. It was on the ground floor of the family home..”* Cristina Pasaban, partner in Pasaban S.A.

The company’s main activity from its beginnings was to cater for the paper industry’s needs, repairing and designing auxiliary machinery. Pedro Pasaban’s three sons, Isaac, Pepito and Fidel, began to work in the family business at an early age. Pedro later decided to buy a building in Anoeta where he set up his own smelting workshop to make goods for the machine tool shop we have already mentioned. Opportunities arising at that particular moment led him to the manufacture of machinery to make paper bags, a market which was then undergoing growth.

**Photograph 1. Pedro Pasaban, founder of Pasaban S.A.**



Source: Pasaban S.A.

The family continued to grow and the third generation joined the company. Isaac Pasaban's older son and daughter, Sergio and Cristina, took an interest in the business and began to work in the company when they were both very young. With more family members working at Pasaban, S.A., the three branches of the family gradually took over different businesses, which were separate from the present-day firm. It was Pepito who first founded his own company, a workshop in Ibarra that also manufactured machinery to make paper bags while the family business remained in the hands of Isaac and Fidel, constituting Pasaban Hermanos S.R.C. (General Partnership) on 31 December 1957. The third generation was fully on board by then. Sergio was in charge of production and Cristina took over the financial-administrative department, particularly after Pepito set up on his own. Each one was head of an area they were fully responsible for.

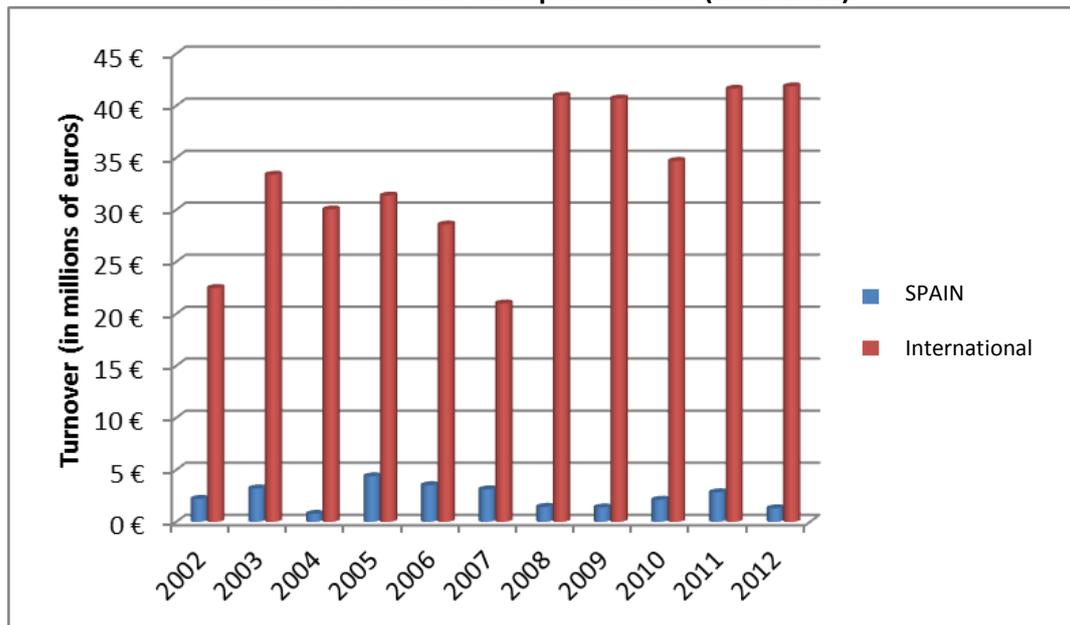
After some years, in 1996, Isaac's older brother Fidel, also set up on his own, taking over the smelting workshop in Anoeta. Isaac's family ran the paper bag manufacturing business in Tolosa, which would become Talleres Pasaban, located at no. 37 in the Santa Lucía neighbourhood, which is now Uzturre. Isaac Pasaban decided to expand the facilities and on 17 August 1973 bought a property in Albiztur, which is the company's present-day location. It was then that Pasaban S.A. made the decision to become a specialist machinery manufacturer for finished products in the paper industry, concentrating on cutters, winders and packers.

In 1986, Isaac Pasaban's youngest son, Alfredo, joined the company when Cristina and Sergio had been working there for 23 and 22 years respectively. Alfredo currently leads Montelec, S.L. which exclusively handles Pasaban's electronic business and is one of the group's biggest assets.

In addition to the plant in Albiztur, Pasaban had already set up a plant in China with 127 employees in 2013 .

- *“Pasaban has come a long way. Today it has a turnover of more than 40 million euros, of which 97% is export of machinery that may be over 50 meters long and weigh 140 tons. At the present time, there are some 600 Pasaban machines working in over 40 countries.”*— Alain Iturbe, Chief Financial Officer of Pasaban S.A.

**Table 1. Pasaban’s sales performance (2002-2012)**



Source: Pasaban S.A.

## A story of internationalisation that triggered product innovation

In the Tolosaldea district, with its deeply rooted paper industry, there were 22 companies manufacturing and/or processing paper and cardboard in 1975. That same year, borders were opened and supplies at highly competitive prices from countries such as France and Portugal pushed Papelera Española out of the market. The company had been the flagship of the paper industry. In the following years, a series of shutdowns almost wiped out the industry in the district. In spite of these difficulties, Pasaban kept their business going.

With the entry of Julian Echevarría's company in 1982, Pasaban began to operate on the international scene and negotiated with the French paper company, Cascades La Rochette, which reached an agreement with the Basque firm, mainly for their reasonable prices. This first export experience proved that the product had excellent mechanical qualities but was still lacking electronic development.

This sale triggered a change of attitude in the company; the product needed electronic components. Siemens was the first company Pasaban approached to tackle this issue. However, the German giant refused. Siemens was working for Pasaban's German competitors and was not interested in the proposal. Only Sergio Pasaban, who was a specialist in mechanics, and José M<sup>o</sup> Goikoetxea, who was knowledgeable in electronics, were able to solve this problem. Sergio's skills and José Maria's experience in the electronic division were an unbeatable combination. They were fully aware that they had to make the electronic components in-house to use in their products or they would never be able to compete on the international market.

They overcame the challenge with flying colours. In a few months, they had a dual rotation system based on two blade holder drums driven directly by the engine and the electronic system itself, specifically adapted to their machines. This would become one of Pasaban's key market strengths. This was, in fact, the origin of the present-day Montelec. S.L.

### **Photograph 2. Montelec in Albiztur (2013)**



Source: Pasaban S.A.

The 80s were a decade marked by the creation and incorporation of many innovations. In 1981, Pasaban became the first company to set up an automatic pallet changer system for Duplex cutters that could make the change simultaneously, with different formats. This was improved four years later by implementing automatic pallet changing at maximum speed without changing blades. The company introduced the top speed automatic splicing system based on regenerative electric brakes just two years later. In addition to minimising waste, this considerably increased production capacity. In 1987, Pasaban developed the modem-link system in their software platform. This provided the system with diagnosis and problem-solving capacity in real time.

All of these product improvements, jointly with a coordinator hired in 1986 to boost the efforts that had been made on the international market to that time, strengthened the company's presence on the international scene. Paper production was focalised in the U.S. and Europe during those years. Although the leading destinations were France, Germany and the Scandinavian countries, the company penetrated the U.S. market in the 90s. The United States was a milestone for Pasaban, not only for the market diversification this meant, but also because it required them to develop smaller paper cutting machinery. It was never a question of trying to sell what Pasaban made, but rather trying to make what the market demanded in each case. Once again, the family did not miss this chance to develop product innovation.

- *"There were always risks; in 1990 we set about setting up the firm Lamb Pasaban, Inc. located in Mobile. This was a joint-venture with the American company Lamb that owned 51%, as opposed to Pasaban's 49%."* – Alain Iturbe, Chief Financial Officer of Pasaban S.A.

Throughout the 90s, the company carried out different product development initiatives, pushed by specific market needs. Due to a series of contacts made through an ICEX (Spanish Institute of Foreign Trade) trade mission, Pasaban decided to penetrate the Chinese market, creating the Pasaban Beijing Office to represent the firm. As of that time, Pasaban had to adapt to the demands of the Chinese market to meet its particular needs.

In 1995, an American client in charge of supplying paper for hamburger wrappers contacted Lamb Pasaban, Inc. and raised a new challenge. The client needed the paper bags to be cut so that the brand name would be centred on the hamburger when the bag was folded. This involved developing a register control cutter that would not only cut but ensure that the logo was properly centred on the paper. Apparently, this was one more technological advance that Pasaban developed to satisfy a client's demand. However, it turned out to be much more than that...

- *"Developing the technology for this client was decisive. It meant Pasaban could implement register control cutting to meet very fine tolerances, brand reading and precision thanks to electronic control"* - Gustavo Lascurain, CEO of Pasaban S.A.

When the Burgos mint (Fábrica Nacional de Moneda y Timbre) needed machines to cut paper currency, Pasaban was able to quickly adapt this technology and successfully enter this extremely demanding market niche. A new concept in paper currency was introduced, with direct drive technology, guaranteeing a top cutting quality product, which was also capable of carrying out the entire cutting, packing and stacking process without requiring later handling. The firm also introduced the carbon fibre blade holder, considerably improving the curve cutting speed, and developed a new highly efficient overlapping system that guaranteed higher operation speeds, without damaging the product surface. These innovations would lead Pasaban to revolutionise the paper currency industry with the double sheeter technology, making the firm the world leader in the paper currency industry. In fact, the firm now works for mints in Ukraine, Pakistan, India, China and Australia.

**Table 2. Milestones in Pasaban’s history**

| Year | Main milestones  |
|------|--|
| 1928 | Pasaban was founded  |
| 1965 | The business was rethought: focus on production of packers, winders and cutters for the paper industry |
| 1974 | Creation of the Electronic Division  |
| 1979 | Creation of the Dual Rotation System   |
| 1982 | Talleres Pasaban’s first international sale  |
| 1990 | The joint venture was set up with Lamb Pasaban in the U.S.   |
| 1992 | The Pasaban Beijing Office opened  |
| 1997 | First sale of paper currency cutting machine for the Burgos mint                                       |
| 2012 | Creation of the Pasaban Creativity Cloud   |
| 2013 | The production plant in China was set up   |

Source: Pasaban S.A.

## The Pasabans: a family of business leaders.

They were involved in the company from their childhood. The first workshop was immediately below the family home and Don Pedro's children lived with the business in their own home, which meant that there were never any doubts about the second generation taking over. Isaac’s children took part in the business from an early age and their education was focused on making a contribution to the family firm. Both of them were already engaged in their father's business when they were twenty.

- *“ From childhood you feel that you have a direction, and although we were never obliged to follow this path, we did feel this identity, that we had to make the business run successfully. You see your grandparents and parents devoted to it and it becomes a part of you”* Alain Iturbe, Chief Financial Officer of Pasaban S.A.

From their childhood, the family members' lives revolved around the firm. Starting with Don Pedro, who spent his entire life in the company; then his son Isaac, who went to the company every day until he was 90, and the two partners, Cristina and Sergio, who continue going to work daily even though they are now retired and are members of the Board of Directors.

- *“...things have worked because we had clearly defined tasks, respect for each other and autonomy”* – Cristina Pasaban, partner in Pasaban S.A.

The family has lived the business day to day for four generations, avoiding one of the most common situations in family businesses that have a rather long history, which is not taking part in the daily activity and executive decisions.

- *“Undoubtedly, one of the Pasaban family’s key characteristics over these 85 years is that they have the business in their blood and everybody who works in the company knows it” – Gustavo Lascurain, CEO of Pasaban S.A.*

It is not uncommon to find that in most family businesses the owners only take part in the governing body and leave the everyday affairs when their sons and daughters take over. However, this is not the case at Pasaban; family members have always led and taken an active role in even the most minor tasks of running the business.

- *“Furthermore, not only have they been present in the company but they are also firmly convinced that the most important point is keeping the business going regardless of any family problems.”- Gustavo Lascurain, CEO of Pasaban, S.A.*

Isaac Pasaban’s business initiative was carried on by his eldest son, Sergio, and supported by his daughter Cristina’s sensible approach. When Cristina Pasaban joined the company as a young woman, her tasks centred on financial management. Her position has remained parallel to her older brother’s, complementing it but without intervening in the technical aspects. From her position, Cristina has always strived to safeguard the company’s finances and optimise treasury management.

- *“There has always been a fine balance between the siblings, which has enabled Pasaban to operate like they have all these years. However, Sergio, Cristina and Alfredo are very different. Genetics plays a key role, one branch is daring, risk-taking, true opportunity hunters... and the other is much more inward-looking and conservative. The balance of this dual condition is very noticeable and extremely enriching for the business.*

This specialist approach has enabled each sibling to concentrate on one department, fully trusting the others' criteria, etc. in the activities they carried out. Keeping this fine balance has been central to Pasaban's success over the last forty years.

- *“Sergio Pasaban is an example of a very dynamic branch of the company, which has enabled him to take on risky projects but which also had great future potential. Cristina, on the other hand, has made this possible by weighing the pros and cons of decisions and assuring the business is balanced...”–Gustavo Lascurain, CEO of Pasaban S.A.*

When the time came for the third generational replacement, it was evident that a change was needed. It was time for a new way of operating. The balance in the totally autonomous areas of control was nearing its end and a new system had to be sought.

- *"We've had purchase offers, even at times when the company was not doing well and we were operating with losses. Fighting to keep the business going for money has never been our priority. Otherwise, I wouldn't be here today. Our driving force has always been the satisfaction of having a business that works and creates employment"- Cristina Pasaban, partner in Pasaban S.A.*

The partners thought it was important to leave the family affairs in order so that the fourth generation would continue to be connected to the company and efficiently share its development.

- *"Each one of us, Sergio, Alfredo and myself have handled our tasks with full autonomy. Alfredo was in charge of the electronic part. Sergio travelled a lot and had to deal with all the sales and mechanical aspects, firstly with our father Isaac and then with Julian Echevarria while I handled the administrative matters. Each of us was fully committed to our responsibility and we made our decisions respecting the others' scopes of action. We didn't often have to talk about things too much. "- Cristina Pasaban, partner in Pasaban S.A.*

The first manager who was not a Pasaban joined the firm in 2008 and spent three years updating the family protocol that the company had put in place in 2004. He received full support from the partners who stressed that the priority objective was to guarantee the stability of the business for future generations.

## **The difficult years and the importance of non-family staff**

2005 to 2007 were very difficult years. Not only were there problems in the business, which was registering losses, but the relations with staff were very tense....in addition to the fact that Cristina Pasaban had a serious illness and the unavoidable tension created among family members by a business that is not doing well. All of these aspects raised questions about the future of the company.

- *“At certain times, the relationship between employers and workers is not easy. There are problems when you're making money because you are making profits, even though you have always reinvested and strengthened the company. But when you're taking losses and you have problems, it's even worse because you're the one to blame for things going wrong.” – Alain Iturbe, Chief Financial Officer of Pasaban S.A.*

From the very beginning, non-family staff have played an important role at different levels of the business. From mere coordinating advisors and even the current CEO, external staff have performed and continue to play different roles in development of the business: labour relations, research and development, sales, international markets...

These non-family staff members have assumed a dual role in the company, as professionals who add value to the business and round off each family member's expertise and by fostering a family-business balance.

- *“If we had not had some external staff during the hard years, when results were poor and the family did not share a sole vision, I don't know if the company would have survived. The external staff members, so highly qualified and impartial, have played a very important role in Pasaban's evolution” - Alain Iturbe, Chief Financial Officer of Pasaban S.A.*

2006 and 2007 were especially difficult, with the different steps underway to reorganise the business. Very aggressive action was taken and had been suggested by a consultant to the family at the time. One such action was that different middle management staff were made executives, making part of their salary performance-based. The aim of all the actions undertaken during that period was to cut losses and costs as quickly as possible.

In December 2007, following the internal reorganisation, a selection process for the position of CEO was begun. A young man, Gustavo Lascurain, was rejected in the first stage, mainly due to his youth. However, in March 2008, he was called to a meeting with the Pasaban family.

At that interview, Gustavo Lascurain visited the company and strangely enough, he knew that sales figures for 2006 and 2007 had not been bad. Therefore, the problem was not the market or the portfolio. However, the pressure that China was exerting made the company uncompetitive price-wise, meaning that decisions had to be made. The tension caused by this difficult situation led to a poor work atmosphere and staff felt that the future of the company was at stake.

Gustavo Lascurain had previous experience leading a family industry in the area and he immediately realised that the losses were not due to a market problem but that the portfolio had to yield a profit.

- *"I believe that Gonzalo never considered that Pasaban's only solution was to drastically downsize to reduce unsustainable costs. He believed, and made us believe, that keeping the current sales portfolio and optimising processes were key."* -Alain Iturbe, Chief Financial Officer of Pasaban S.A.

The traditional management style of the business had to be transformed; processes had to be organised and the human team had to be led to effectively to achieve Pasaban's objectives. Undoubtedly, the new CEO's approach, team spirit, flexibility, professionalism and commitment did the trick and enabled him to successfully become a key figure at the company. Based on these expectations, Gustavo Lascurain became the new CEO of Pasaban in June 2008.

**Photograph 3. Gustavo Lascurain, CEO of Pasaban S.A.**



Source: [www.diariodenoticias.com](http://www.diariodenoticias.com) (04/06/2012)

## **Pasaban 2009-2011: strategy and processes**

What did Gustavo find when he joined Pasaban? A company that was successfully selling its products across the world, thanks to three generations of business-minded people. Although it was operating, the business urgently needed to be transformed into an organisation with modern, efficient and profitable management.

The new CEO soon noticed that the sales and technical divisions' autonomy gave them extraordinary potential to tackle new high-risk projects. However, these independent decisions involved constant changes in the projects with a view to satisfying the client's needs and often resulted in spiralling costs.

During that first meeting in September 2008, Gustav faced a Board of Directors formed by fourteen people, many of whom had been middle management promoted to executive positions during the restructuring process. Gustavo decided from the start that one of his goals was transparency with the family, the management and the workers. At that first encounter, he gave them an idea of his initial diagnosis of the situation, which had become unsustainable for the company's feasibility:

- *"The generous profit margins we saw in the past may have kept us from being affected by certain inefficiencies in our internal processes. We have to mark our priorities and concentrate on being efficient and profitable. We need to start to work in a more formal manner, planning, standardising, rationalising and controlling costs and activities. We need a shared overall vision of the business. I'm going to launch a strategic plan that will enable me to make a more accurate diagnosis of the situation and I will set goals to allow us to exit this situation by next year. I would like to bring something before the Board before the end of the year"- Gustavo Lascurain, CEO of Pasaban S.A.*

So that was the start of Pasaban's first strategic plan. It intended to be a road map that would enable them to overcome the complex situation they were immersed in. Gustavo Lascurain, who had also had several years' experience with a large international consultancy firm, therefore led the 2009-2011 Pasaban strategic plan focused on meeting the challenge of internal efficiency, which was an aspect the business had to give priority to.

In view of the company's situation and because it was their first formal strategic plan, it was important to introduce the process in an agile manner and above all, with a focus on short-term results.

A series of group meetings was organised during which they intended to elaborate a strategic plan shared by the organisation. However, results were not always as good as expected due to the Board members' lack of experience in processes of this type. Gustavo finally managed to define the steps that Pasaban had to take to overcome its situation at the time.

It was based on a clearly defined shared mission.....

*“We are a company with a tradition in the paper industry, formed by expert staff committed to guaranteeing growth as a human team and business”*

... and following the meetings during which this and different dynamics were the subject of reflection, the main areas for improvement were identified, two of which were essential for the company to move forward: optimisation of purchase management and standardisation of Pasaban's internal processes. Once the objectives in each of these areas had been set, a first group of indicators was defined to make it possible to redirect the company's operations and get it back in the black. Therefore, the strategy was deployed via the design of a set of indicators in a descending cascade according to the CMI scheme. Elaboration of the plan got underway in September of 2008 and was presented to the Board of Directors for approval in December of the same year.

### **Purchasing was the first step....**

Rationalisation of purchase management was what actually had the biggest effect on reducing costs in the short-term and was the focus of a considerable number of the actions and indicators in the 2009-2011 Strategic Plan.

Pasaban's purchases were managed from two different departments without any coordination between them. One handled purchases of commercial material and the other purchases of material from drawings, in other words, all the parts that Pasaban ordered custom-made.

Stable relationships and trust with local workshops where the parts were made, which accounted for 60% of the cost of the machinery, meant that each part was ordered directly from its habitual workshop. However, there were no pre-order requests or estimates from the different suppliers; the plans were simply sent, indicating the date the part was needed. This was a very flexible process and made placing orders and delivery fast but was not efficient.

Parallel to this, trying new suppliers or new materials was a challenge that had still not been addressed. And one which undoubtedly involved risks that would have to be very carefully assessed. The collaboration and joint work between the technical office and purchasing played a key role in guaranteeing the quality of these new proposals.

### **Project management was the second step....**

Although Pasaban had a very well organised technical office, Gustavo found that the internal process from the time the offer was accepted until the machinery was actually functioning at the client's premises needed to be clearly conceptualised, organised and, to a certain extent, standardised.

After the formal approval of the strategic plan, a key step in deploying the project was to standardise the machinery that Pasaban regularly manufactured. Each order was dealt with separately and order management was quite costly.

- *“All the machines are different but they are formed by the same modules, which could be highly standardised, and the combination of different types makes different machines”- explained Gustavo in the first Board meeting following the formal approval of the 2009-2011 Strategic Plan.*

Standardisation, simplification and grouping project management allowed them to more efficiently handle the large amount of orders that would come in the following years. In addition to changes in processes a new position was created in the business, that of project manager. The project manager was responsible for each project once it had been approved by Pasaban although the process had its problems. The project manager assumed a great deal of responsibility and was in charge of cross-cutting management of the technical office, purchasing, production, subcontracting and assembly. He provided a comprehensive coordinated vision of the project as opposed to the autonomy that had characterised the work of each department until that time.

### **First results...**

The economic situation improved in a few months and Pasaban was back in the black in 2008. With the family's trust and support, Gustavo brought in his particular management style, going beyond the family tradition. He took advantage of all of Pasaban's accumulated knowledge but changed the system used up until that time for more professional internal management and processes as well as relationships, overcoming the family's tendency to inertia and introspection.

As regards purchase management, the cost of material per machine was reduced by over 25%. These achievements strengthened the family's trust in the new CEO's procedures and changes.

- *“The family trusted me fully from the beginning and I have always felt supported by them although they often did not totally agree with my way of doing things. The employees were more sceptical; they called me "white Obama". They were not convinced that these changes would be permanent”- Gustavo Lascurain, CEO of Pasaban S.A.*

Cost reduction in purchases was achieved after having implemented a series of very important changes at the organisational level: combining departments, making requests for estimates obligatory prior to purchase, price negotiation with local workshops and some subcontracting of non-strategic machine parts to Chinese producers. Their relationships with local workshops were important to the family and were maintained as long as they were feasible for Pasaban. In fact, the new head of purchases, who combined both departments, was knowledgeable about the production processes in these subcontractor workshops and worked with them to improve their internal processes to become more efficient and translate as cheaper prices for Pasaban.

The new organisation and the aim of tackling work in a collaborative coordinated manner throughout the company was like a breath of fresh air, prompting trust in the new management team.

*"I met with all the middle management to share information about the committee from the beginning, with coverage in the press, interviews..... and we had our first Christmas dinner party in 2008 (...). In 2013, we organised a Saturday open day for workers' families. This is everyone's project, not just the family's or management's and we need the engagement of every single person in the company". - Gustavo Lascurain, CEO of Pasaban S.A.*

**Photograph 4. Paper currency cutter at the Tolosa plant (2012)**



Source: Pasaban S.A.

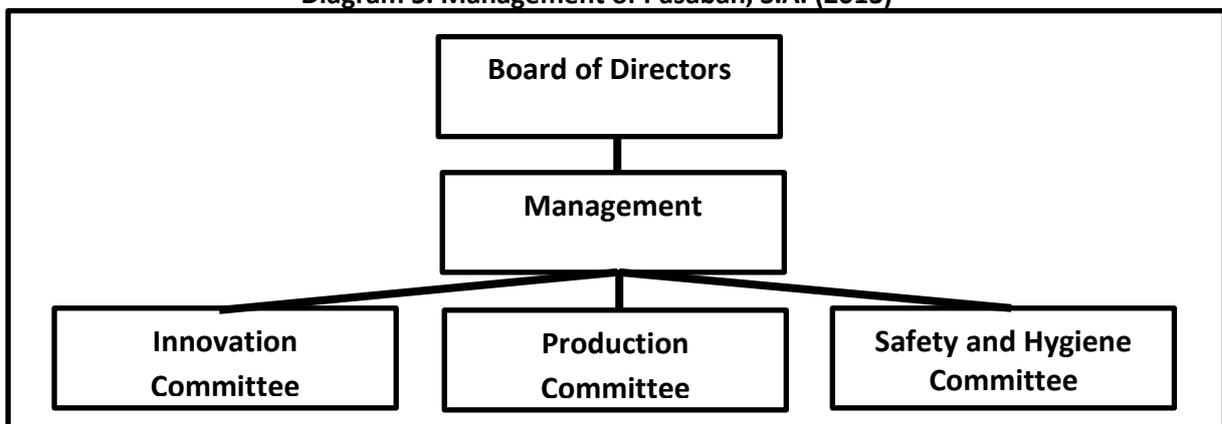
## Pasaban 2012-2014: Knowledge, commitment and innovation for product diversification

Reflection on the second strategic plan began in 2011. The CEO decided to hire a specialist Catalan firm in innovation and engineering to reflect on possible future business areas for Pasaban. This process was divided into three phases: analysis of Pasaban, definition of opportunities and development of the selected opportunities. Different groups of Pasaban employees took part in this process.

Following the initial analysis phase in which the most senior Board members took part, and a second phase in which non-Board members got involved to add value to the creative process the consultant wanted to carry out, it was time to define new business areas. In spite of the fact that Board had differences of opinion concerning the final reflection phase of this process, there were two main outcomes.

First of all, the Head Office, backed by the Board of Directors, raised the idea of reorganising the company's governing bodies. The Board of Directors was certainly too big to carry out operational decision-making and more bodies with specialist knowledge of the company's main problems were needed. The Management Committee was finally formed by 6 members (Head of Technical Assistance Service, Sales Manager, Head of Purchases and Subcontracting, Chief Financial Officer, Assembly Manager and CEO). Three specialist committees were also established (Innovation Committee, Production Committee and Safety and Hygiene Committee), which reported directly to the Management Committee. The Head of R&D was a member at large of the Innovation Committee, which was the most active. The Head of the Mechanical Technical Office, the Head of the Electronic Technical Office, the Coordinator of the Sales and Assembly Manager were also part of the Innovation Committee.

**Diagram 5. Management of Pasaban, S.A. (2013)**



Source: Pasaban S.A.

The second advantage of the reflection was that it enabled the organisation to understand that the business should be receptive to new product lines, should learn to advance and be alert to bringing in new ideas to maintain its production capacity through new business areas that would gradually replace some of the existing ones. The obsession to dominate production has sometimes led Pasaban to invest large amounts of money and human capital in their own product development, during times when innovation was not exactly fashionable. Electronics, the key component of Pasaban's machinery developed internally by Montelec, S.L., ensures quality, safety and corroborates the excellence of the product.

- *"The product and technical aspects have been key at Pasaban. We have manufactured a variety of products and sold them on diverse markets, but that has never affected our striving for improvement in all that we do."* Cristina Pasaban, partner in Pasaban S.A.

For this reason, when reflection began in 2011 on what the following strategic period would be like, the involvement of employees in the project become paramount because the capacity to learn, collaborate and innovate were key to the company's future.

- *"The main challenge is to engage people in continuous reflection on what we are doing and what we are, we must shift from an emerging strategy to a continuous development strategy"*- Gustavo Lascurain, CEO of Pasaban S.A.

Although this marked a major change in comparison to past procedures, the CEO did not meet with objections to his new way of establishing communication with the people collaborating with the company. This philosophy is a good fit with the new generations that participate in more widely shared company projects.

- *"Gustavo has made internal and external communication more intense. I feel that perhaps better communication with employees can avoid tension in the future and help us to move towards greater co-responsibility in the business, with each person performing their role with respect and responsibility."* – Alain Iturbe, Chief Financial Officer of Pasaban S.A.

This reflection led to the 2012-2014 Strategic Plan that strengthened the brand "Pasaban, Committed Intelligence". The emphasis on knowledge and the company's capacity rather than their current products or markets proved to be a key point in this new strategic period. The ability to quickly accelerate or slow down the cut and expertise in handling paper had enabled Pasaban to become a market success. However, they had to continue progressing and diversification was central to the second strategic plan.

In alignment with this new strategic approach, the launch of two projects that had little to do with what Pasaban had been doing to date was approved in the October 2012 Board meeting and involved additional risks and investment. These were hot stamping foil and laser slitting for paper currency.

- *“If we had found what we were looking for when we began to consider new business areas, we should not think twice. Although the first projects are always the most costly in every sense of the word, we should go ahead and learn, to later systematise and make these new market niches profitable in the future”- Gustavo Lascurain, CEO of Pasaban, S.A.*

The new projects were finally approved but their novelty, and above all, getting rid of snags within the company led to a new project process, which was different from the one applied to conventional projects that Pasaban was used to.

### **Some results...**

Pasaban supplied new open accessible electronics for their clients with the Pasaban Connectivity Cloud in 2012. The company thus advanced in its efforts to integrate its machinery with other subprocesses via new technologies. In the last decade, special emphasis has been placed on developing certain devices to recover the potential energy generated, in consonance with the firm's environmental commitment. This has been a priority, along with providing clients with assessment and advanced solutions tailored to meet their individual needs and key in hand projects.

In 2013, the company's strong focus on R&D+I meant a 2% return on investment, in this case in the form of two new patents. The first patent improved laser cut applied to security aspects of paper currency and made it possible to bring high precision components into different manufacturing lines to include security features. In this manner, Pasaban managed to achieve precision in the cut format, which is central to paper currency cutters. The second patent contributed an innovative system for blade retraction, which has already been included in a paper pulp cutter prototype.

## **The future: evolution of the family business to ensure its continuity**

The business itself is only a part of family firms. In addition to including a strategic management plan, renewal of the governing bodies, process management and control,... the Pasaban family firm has also undergone remarkable evolution in the last decade.

Some examples of the family's evolution hand in hand with the business throughout these past years are the decisions concerning how the Board of Directors would officially operate and signing a family protocol to ensure the continuity of the business in coming years.

While there was already an official family protocol in 2004, it was not rethought until the beginning of 2011 with the support of Gustavo Lascurain. This was due to the third generation's concerns about internal organisation and having three branches of the family present in the firm.

The main value of the protocol was undoubtedly the dialogue it required between the different parties and the explicit nature of the agreements that were to regulate the fourth generation's participation in the future, thus establishing the bases for Pasaban's horizon, both the family and the business.

On the other hand, the family had always made efforts to keep up some special relationships with firms that played a certain role within the family group framework. Relations with firms in the district producing goods complementary to Pasaban's have made joint sales agreements possible. Pasaban's family profile has definitely boosted this and, going beyond a family business, it could actually be considered a network of family firms, having developed a formula that is seldom seen, especially in organisations that have been operating for so many years.

- *"Developing collaboration even further is one of the next challenges. Pasaban have always kept up long-term relationships and trust with other companies, to which we have transferred a great deal of our knowledge, and these are the firms that we want to evolve with. We currently work with different companies and technology centres on various projects (artificial vision, security aspects, new applications...) but this should be developed further so that Pasaban can tackle new projects"- Gustavo Lascurain, CEO of Pasaban.*

In addition to this shared development of capacities, the other big challenge is taking full advantage of the opportunities that the global market can offer Pasaban. In 1992, the Asian market's valuable potential was identified, in spite of the uncertainties surrounding the decision at the time. Now the continent accounts for 10% of material purchases and 40% of sales. Ten years later, in 2012, the Board of Directors launched another risky project and approved a production plant in Tianjing to manufacture part of Pasaban's machines. These were the parts with least value added, thus keeping the generation of know-how and manufacture of key parts in the Basque Country.

- *"It is a risky investment but we have carefully weighed the possibilities and we believe it will be good for the development of Pasaban....time will tell..."—Alain Iturbe, Chief Financial Officer of Pasaban S.A.*

Lastly, this company is facing is the difficult task of continuing to be a family-run business. The success of Pasaban's shared project lies in a fine balance between the family's drive and engagement, the CEO's strategic vision of the business and the commitment of all the staff. Pasaban is about to celebrate its hundredth birthday and is still as robust as it was in the beginning: which in itself is a huge success. Knowledge, which is combined, shared and committed to the business project is the key ingredient to Pasaban's future success. The team chosen must become stronger in the coming years and find its own recipe to achieve competitiveness. This will undoubtedly involve striking a balance between leadership and management, family and external collaborators, exploration and exploitation of resources. The firm's future depends on it.