



REINER : the long-term commitment of a family of business leaders

This case was elaborated by Cristina Iturrioz and Cristina Aragón for the Antonio Aranzábal Foundation and Deusto Business School. The authors would like to express their appreciation to the firm for its collaboration and particularly to María Pilar Pérez Reiner and Javier Igarza Pérez for their participation in the project. The final version of this case study was approved in May 2014. Translation: Patricia O'Connor Sims, University of Deusto.

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Guipuzcoa during the enterprising 1920s

Guipuzcoa was a land of opportunity for foreign investors in the 1920s. A number of German families, such as the Kellers, the Niessens, etc..... settled on Guipuzcoa's coast at the time and formed a colony of great business leaders and firms whose legacy lives on today.

Ernest Reiner was born in Hausen, Germany. He was forty when he received a letter from a German friend living in Guipuzcoa who encouraged him to come and look for new opportunities. Ernest was extremely enterprising and strong, both mentally and physically. He saw that this suggestion could shape his future and he moved to Guipuzcoa in search of opportunities, leaving his wife and four children in Germany. That same year, 1927, he founded his business with the help of a local partner and a loan from the Banco San Sebastián.

When Emma Reiner arrived in Deba in 1927, Ernest was deciding where to locate the plant. While exploring possible sites for the plant and a family home, Emma fell in love with Deba. In fact, it was Emma who found the final location for the plant and the family home, on a property beside the Deba River, where they remained until 2003.

Photograph 1. M. Ernest Reiner, his wife Emma and a friend with the firm at the other side of the Debe river



Source: Reiner

However, nothing was easy during those years. The plant and their home burned in 1932, only a few years after they had been built. The family lost everything and had to start over practically from scratch. It was a time of hardship as many basic resources were lacking so production in such circumstances was a heroic feat. The order of the day was strict organisation, reliability and austerity.

The start of the war was a tremendous blow for the area. However, the family rebuilt the plant and only barely managed to keep the business going as they concentrated on primary necessity products. It was a time of hardship.

Reiner, the story behind the business leaders

The founder of Reiner, Ernest Reiner, led the firm until he retired and it was taken over by his daughter Elsbeth's husband, Ángel Pérez. That didn't stop Ernest's entrepreneurial activities, and once he left Reiner, he retired in La Rioja. Instead of settling down to a quiet life, he began new ventures such as housing development and business in the wine and spirits industry. When he died in 1963, the family fortune was divided and Reiner was left in Elsbeth's hands.

Elsbeth was one of the Reiner children born in Germany and she married Ángel Pérez. Her husband was a tireless enterprising commerce teacher who became involved in the family business from the beginning and earned Ernest's full trust to lead the business. "Ángel, you seem more German than I do" - the founder would sometimes scold him. Like his father-in-law, he was a brave business leader who was willing to take risks. Although from a humble background, Ángel Pérez was organised, a fighter and disciplined. He managed Reiner from 1950 to 2000.

- *"My grandfather and my father were always the last ones to leave the company. It was in their blood, the business was their life."* -María Pilar Pérez Reiner.

Elsbeth Reiner and Ángel Pérez had three children: María Pilar, Rosa María and Ángel Mari, who would form the third generation of the family business. In spite of their father's encouragement, neither of the daughters became involved in Reiner and both pursued careers in other fields. Only the son, Ángel Mari, worked at the firm for some years. At the end of the 80s, he left the firm to manage another of the family's companies based in Burgos. Although this third generation did not play a key role in managing or leading Reiner, they were important during the generational renewal.

In the last years that Ángel led the firm, there was definitely concern about who would take over, as this had been not properly planned. In spite of the attempts to hire external professionals, their management styles were not a good fit with the business project and, as a result, Reiner suffered from lack of leadership for a long period of time. Following Ángel's leadership, there was no one to take over the business. The eight grandchildren were still very young, although María Pilar's oldest son, Javier, had worked in the business from 1997. Ángel, who had led the business for so many years, had not managed to plan for someone to replace him, either in the firm's management or governing bodies.

As a result of Ángel's illness, the firm's continuity was questioned and the third generation, which had not been involved for many years, was faced with the responsibility of keeping up a business with ninety families whose livelihood depended on it.

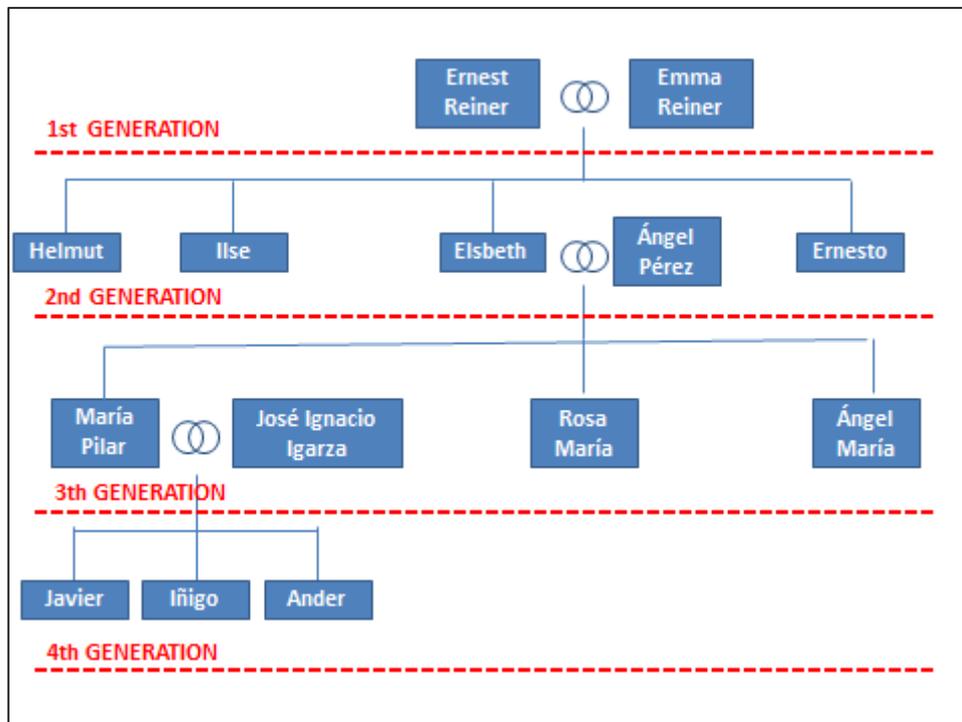
- *"The responsibility of the workers was a heavy burden for me. These were skilled workers who had been with the firm for many years. I just couldn't let them down"*-
María Pilar Pérez Reiner.

In view of this dilemma, Ángel's oldest daughter, María Pilar, decided to take over the business, with Reiner's future in her hands. María Pilar, whose career as a teacher had nothing to do with the business, decided to keep it operating. The business required leadership to mark the path to follow and there was no one up to the task at that moment.

Assuming the risks this situation involved, in 2002, María Pilar put the management of the firm in her oldest son's hands. With Javier Igarza, Reiner was to be run by the fourth generation of Reiner family members.

- *"Javier has always had a lot of common sense. He had been working at the plant since 1997 and I was sure he could take over the business and overcome the difficult situation it was going through and I was right. And that is the way things turned out."*- María Pilar Pérez Reiner.

Diagram 1. Generations of the Reiner family



Source: Reiner

The evolution of a business over eight decades

Over its eighty years, Reiner's evolution has been closely linked to social developments and their products have changed to meet society's needs.

The firm was ten years old when the Spanish Civil War broke out. During and after the war, the biggest problem was not sales but production. There were not many manufacturers in Spain, and only necessity goods were made, which were sold as soon as they left the plant: soap dishes, buckets, strainers, toothbrushes...

- *“Reiner’s production capacity was very limited in those years with the scarcity of raw material. Production was practically done by hand. My great-grandfather’s entire output for a week fitted in one wagon and was sold immediately.”* Javier Igarza Pérez, CEO of Reiner

At the end of the 40s, necessity goods became more diverse and in the 50s toys were included. Toys were labour-intensive because they were painted by hand. The situation gradually become more complicated for Reiner and in the 60s, some stiff competition came onto the scene. More specifically, the Valencian toy manufacturers appeared, which had cheaper labour and more competitive production.

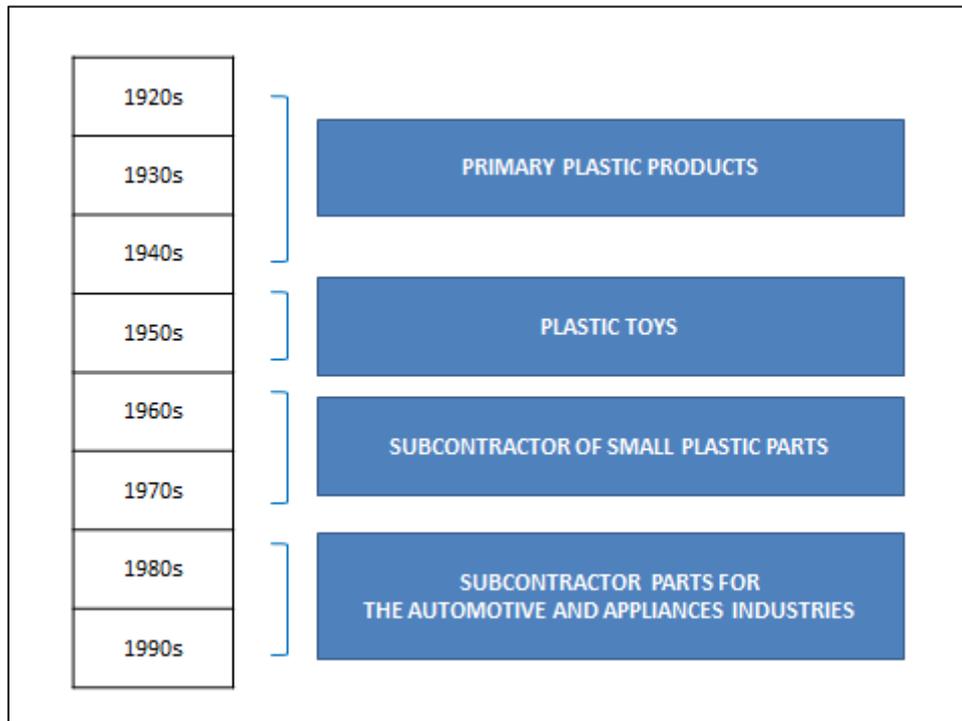
The shift in the paradigm took place quickly: the problem was no longer producing. Selling was not so easy in a sector with a strong seasonal demand and a growing number of rival firms. In view of this scenario, Reiner ended up discontinuing toy production.

The question now was: What were Reiner's skills? What was its field of knowledge? What the firm had done and applied throughout its life was based on the plastic injection process. This was the idea when the company led by Ángel Perez became a subcontractor and produced plastic parts for other firms, becoming a manufacturer of parts to order. In those years, companies such as Bianchi, Sigma, BH, GAC, Avon Cosmetics... entrusted their parts production to Reiner. The parts were later used in a wide range of products such as bicycle seats, sewing machines, toy pianos, race cars....

When democracy was established in Spain and the borders opened to free trade, the economic situation changed completely. Opening up to international competition and free trade meant that a considerable number of industries that were not competitive on the international level would shut down quickly. As a result, Reiner gradually lost its traditional customers. The firm's turnover plummeted.

Once again, Reiner had to transform itself so they began to manufacture parts for industries registering high growth at the time, such as appliances and automotive. Companies like Ap shock absorbers, Candy and Fagor became Reiner clients. That was basically the firm's situation in the 80s, as Reiner continued to serve customers with their plastic injection skills. However, there were many companies like Reiner in the plastics industry. So, what makes Reiner different? This became the key question at the start of the new century.

Diagram 2. Reiner's evolution over eight decades



Source: Reiner

The legacy of a weakened business

Until the early 90s, the firm managed to survive as a subcontractor, but after 1996, the downward pressure on prices was unbearable and caused many of Reiner's competitors to shut down. The dynamics that made Reiner distinctive throughout its history, developing and improving their products, shifting to different industries, customers and markets, had slowed down.

At the management level, Ángel had tried to hand over his leadership to various non-family professionals although none of them turned out to be a good fit with the firm. There were several reasons for this, although in general the main snag was that these new managers did not share the firm's values: caution, humility, work and commitment. Therefore, they only remained in their positions only a short time; a lengthier stay would have been impossible in such circumstances. The family began to lose hope of solving the management problem at Reiner by bringing in a non-family manager.

After Ángel's illness, the family was faced with a complicated business situation. Therefore, the proposal was put to Javier at a Board meeting as a last shot before selling out.

- *“We literally had a parade of different managers at the firm and hadn’t been able to find a good fit with us. How many more would we have to try? Unless someone in the family decided to get involved... and the only one who had the skills for it at the time was Javier. It’s no joke, knowing that you’re taking over the firm at a difficult time, Javier... Do you want to lead Reiner? If the answer is no, we’ll probably have to sell out...” – María Pilar Pérez Reiner.*

It was true that Javier Igarza, María Pilar Pérez’s son, had been working at Reiner for five years. He had joined the firm at the family’s request, immediately after finishing his degree in Business. He had learned a lot about the firm in those five years but most of his tasks were administrative so he hadn’t had much contact with the market and the product, which was actually what appealed to him.

When María Pilar Pérez decided to take over the firm in 2003, she asked her oldest son to manage the business and he accepted. However, they both knew it would not be an easy task. The challenge was twofold. On the one hand, the firm had survived on day to day management for years, and had no strategic plans. On the other, the grandfather had been so charismatic that it was difficult to fill the gap his absence left in the business.

Loyalty to a family project

The social and business situation at the time did not make the commitment to manage the firm any easier. The involvement of many of the workers and their families, their unwillingness to lose what they had achieved after so many years of development, the commitment to the area and the desire to promote and value businessmen finally outweighed the disadvantages.

- *“I was so worried that we would end up as a cabbage patch again, after having done our best for progress in this area by developing the business”- Javier Igarza Pérez, CEO of Reiner.*

His connection to the business dated back to his childhood, when he had shared family meals and holidays in July at his grandfather’s home or visited the firm every Saturday. So, he took over the management of Reiner rather naturally, with his mother’s support on the Board of Directors.

For the first few years, as Javier was getting his bearings, he had help from his brothers, Iñigo and Ander, who had studied Business and Engineering respectively. They supported Javier during the first three years that he was manager. Iñigo worked mainly in sales and Ander in R&D. Their help was a godsend during those first years, when the project needed all the family’s energy and support. However, both of them eventually found their own career path in other business projects and today Iñigo and Ander work at other firms.

And since that time, Javier has led Reiner. The firm has brought in new staff and there are committed trustworthy persons who are gradually assuming greater responsibility in the business. This has resulted in a community of people who work very closely with Javier.

The Guipuzcoa Chamber of Commerce awarded Reiner the distinction of best firm in the "Guipuzcoa Business" category in 2013, recognising the efforts made by firms to generate wealth and employment in the province.

- *"It was vital to develop Reiner's business concept, and this would not have been possible if the family had not opted for responsible ownership at difficult times and taken risks to keep the firm and ensure the workers' jobs"-Javier Igarza Pérez, CEO of Reiner*

The fourth generation: Reiner's metamorphosis

In 2002, the firm had a seven-million-euro turnover and employed 90 people. However, the plant was not equipped to take on future challenges and Javier wanted to avoid complicated situations in the coming years.

- *"A short time after I joined the business, in 2003, there wasn't enough space in the plant and the facilities were not up to scratch, the production conditions were not the best,... in short, it was not a modern plant. And I think the plant and its design are key to being competitive. So, we decided to remodel the plant"- Javier Igarza Pérez, CEO of Reiner.*

Besides renovation of the plant facilities, Javier knew that the firm should define a strategic path that would make it possible to orient decisions and the future of the business. However, they didn't want a complex strategy design. They decided to avoid "handbook style" strategic plans and instead established a set of challenges and a management team to tackle each one via deployment of a specific plan. This system had never been used in Reiner, so some guidance was required. From 2002 to 2008, Javier Igarza and his team brought in external consultants to help them closely monitor the business's new strategic design.

This collaboration with external consultants turned out to be efficient and enabled the firm to define the following areas that "offered continuity" and allowed it to undertake projects that have now become Reiner's key business activities:

- Increase their knowledge, which led to an applied training plan in contrast to the standard learning they had practised until the time.
- Concentrate on sales, increasing their market share and constantly seeking opportunities through active listening.
- Boost internal efficiency.

- *“When I arrived, it was clear to me that the business would shut down if we didn't make some fundamental changes. With those facilities and without a new business concept, we would not have been able to tackle new projects that Reiner is working on today and we wouldn't have improved efficiency and productivity like we have in these last ten years, by getting rid of tasks that don't generate value and implementing more automated processes...”* Javier Igarza Pérez, CEO of Reiner.

Processes, organisation and management style

- *“In my father's office, there was a plaque with a saying that he had inherited from my grandfather. It said: “Get to the point, time is gold”-* María Pilar Pérez Reiner.

In recent years, this old family saying became important at Reiner where rising to the challenge of efficiency has been a leitmotif in the shift to new internal processes. This has been achieved by continuously identifying the activities at the firm that do not add value to the final product.

- *“In general, doing things that don't serve any purpose gets on my nerves. I saw things at the firm that didn't make any sense to me, manual tasks that customers didn't pay us for, many operations done by hand in the administrative area.... We have tended to get rid of or automate all those processes”* – Javier Igarza Pérez, CEO of Reiner.

The objective of boosting efficiency has required updating our information systems. The advances in IT business management systems had not been implemented at Reiner and a modern vision of how a business is run meant we had to improve these systems. This awareness involved changing all the ICTs in the firm in five years. The ERP was replaced with another more powerful system and offered the potential of collecting in-plant information to avoid errors and inefficiency caused by keying in production data manually.

Therefore, this renewal meant the organisation had to be transformed. The Reiner that Javier Igarza inherited was task-centred. However, a new perspective was needed to address the challenges that the business was facing. For this reason, the firm shifted to a process-based organisation. Two processes were defined for production: injection and blow molding. The decision was made to include quality control in these processes because there is no specific quality control department. At Reiner, quality is not something extra or an option but the philosophy is that if you're going to produce “you make quality goods”. As for sales, this is another process that starts the moment the sales person receives the order for a project until the engineering section starts to work on it. Finally, one last process was identified in the administrative area that led to outsourcing several activities such as those related to management systems and quality certification (for instance, the ISO standards) which is now subcontracted.

As a result, the firm's structure is formed by staff in charge of processes and Javier Igarza himself, who supports them all and dynamises the business activity.

- *“As I see it, my main job in the firm should centre on ensuring that the decisions we make are meaningful over time and consistent with the vision of the business” – Javier Igarza Pérez, CEO of Reiner.*

Of course, this has meant implementing a new management style and shifting from formulas that had been successful in past but were not in keeping with the personality and idea of the business that Javier envisaged. Organisation had been particularly control-based and, as a result, the manager spent most of his time checking and making operational decisions, which led to a firm where people barely developed their decision-making capacity. Javier felt it was important to give others a chance to decide while he centred his time and efforts on laying the foundations to build Reiner's future project. So he limited his tasks to controlling the key strategic indicators rather than all the firm's operational aspects.

Seeking their own product: the key to growth

Focus on essential capacities to develop their own business concept

In recent years, the firm has undergone constant renewal as it has considered and experimented with different alternatives to develop Reiner's business concept. When Javier took over as manager, Reiner was having difficulty surviving and was mainly subcontracted by third parties. However, it was clear that it was not a long-term arrangement. After a year, the firm added and supplied a line of its own products, in addition to the ones it was making for third parties.

This change was based on the need to create value added for each product. However, it was no easy task. Reiner initially wanted to create higher value added for the products it incorporated in appliances. However, the market soon found them too expensive and pushed the firm out. The industry cannot support a large number of suppliers and limits its components production to a few companies which turn out large amounts, benefit from economies of scale and can continue operating.

This experience enabled Reiner to learn some valuable lessons and stop focusing its business exclusively on production. They decided to opt for more complete service, based on their key capacity: mastery of specialist plastic parts. More specifically, the firm began to apply injection techniques for components used in the automotive market. It developed automotive shock absorbers and was able to offer clients more complete service. This change was suggested in 2003 and it clearly turned out to be the right move. 85% of the firm's turnover now comes from the automotive industry.

- *“We were sure that we were suppliers for the European automotive industry. We opened a plant in Poland for logistical purposes. The customers were basing a lot of plants in Poland, the Czech Republic and Slovakia. That was a key strategic decision for us”. – Javier Igarza Pérez, CEO of Reiner.*

Five years after Javier took over management of Reiner, a plant was opened in Poland, hiring another fifteen employees for the project. This emphasis on a specialist field and knowledge led Reiner to tackle the process of becoming international because their new market demanded it. Being close to the customer was a must to be competitive and that involved setting up a plant and new logistics in Poland.

It was a complex decision: the investment and the risks involved were huge and the success of the new plant largely depended on getting things right, such as how to increase our production capacity and logistics, where to base the plant, how large it should be, how to organise production and staff....

In 2007, the firm finally opened a production and logistics centre in Wroclaw, Poland from which it has been able to serve clients located mainly in Poland, the Czech Republic and Slovakia. This initiative enabled Reiner to expand its export capacity from just one country to sell its goods on seven foreign markets.

Photograph 2. The Reiner facilities in Poland



Source: Reiner

The firm also took advantage of some underused machinery to apply the blow molding technique to produce high quality plastic balls for children's play areas. They began supplying these goods in 2007, mainly to take advantage of surplus capacity rather than to meet a specific market demand. These products were sold under the Reiner Play brand. The positive response to Reiner's products has led to a wider range such as foam playground equipment or ball launchers, which they buy from other suppliers and sell as a complete package with the multi-coloured Reiner balls. This business is currently a differential activity which is registering growth and laying the foundations for new opportunities.

Microtek: a spin-off oriented to the health care industry

However, the dynamics of seeking business synergies in plastics obliged the firm to venture into new markets. The firm raised the idea of making higher value, more precise and smaller parts that required specialist skills. Reiner had mastered plastic processing but was not familiar with the world of nanotechnologies and decided to find a business partner for this purpose. In 2008, Reiner formed a partnership with Tekniker and created a unit for the medical field, Reiner Microteck.

This symbiosis was initially necessary but became excessive after several years. When presenting their supplies in different industries, they found that the market was not demanding such a high degree of precision or such small components. Nanotechnology was not central to Reiner's first goods targeting the medical industry. The need was for medium-sized parts and this was Reiner Microtek's biggest market.

- "It's a different plant, a Reiner spin-off" – Javier Igarza Pérez, CEO of Reiner.

The medical unit was initially established as a subcontractor for hospital medical suppliers. These clients gave firms like Reiner the chance to enter the hospital industry, and were key intermediaries to reach final users. This enabled them to produce final products or components for them such as syringes, anti asthma inhalers, a bone mending product, devices for dental implants and other applications, but they were still not reaching the final users.

They also entered the dental field with the intention of being subcontractors. They ran into problems when trying to form partnerships and enter the market through third parties, which prompted them to market their own goods in the dental industry.

- *"We found that there was a profit margin and we brought out a catalogue of our own goods that we supply directly, through distributors and also online "* Javier Igarza Pérez, CEO of Reiner

This decision also raised a new challenge: the health care industry's strict regulations and specific requirements. Of course, this was in addition to the habitual problems related to investment decision-making. In other words, finding funding sources, organising the new business unit, bringing in the talent needed for the unit....

The result of all this development was that turnover increased from 9 million euros in 2008 to 14 million in 2014. To put it differently, the firm's turnover rose by 50%. A large part of the final amount, around 70%, came from foreign markets.

During this time, the management challenges were approached in a natural manner, and the focus was always serving the business project. The direction that was chosen when transforming the business during this period was based on delegating increasing amounts of responsibility to staff. In this respect, strides had been made to achieve management by processes, in which the person dynamising each each process assumes the responsibility for it.

Decision-making at Reiner has improved by developing a more horizontal organisation where staff occupying positions of responsibility now have larger amounts of relative time and quality information for decision-making. The information systems in general, and particularly the ERP and market vigilance, have been decisive in this sense. The process of modernising the organisation and systems has made possible an openness and strategic transformation that has positioned Reiner as a company with a future.

The role of women at Reiner

When taking a final look at this case study, plastics are undoubtedly the star in Reiner's story. Like the material itself, the company has demonstrated that it is adaptable, versatile and expandable. The bravery, hard work and modesty of its business leaders from the times of Ernest Reiner and Ángel Pérez to Javier Igarza have been essential. These men rose to the challenge of leading a project committed to its employees and its region. Wrapping up the story of the firm, we would like to highlight the important role that the families' continuity and business culture have played in its competitiveness.

However, this would be unfinished without considering the Reiner women's influence. Emma Reiner, at the beginning, and then Elsbeth and María Pilar Pérez, have been women who played a key role behind the scenes during some of the firm's most difficult moments. It was Emma who first saw where Reiner would be established. Since that time, the population of Deba has witnessed the company's history, a business linked to a family that shared everything with it, from their name, property, culture, their lives and who kept it afloat despite the initial difficulties. Elsbeth, who was the daughter and wife of businessmen, nurtured a strong sense of family that was passed from parents to children as she organised Sunday meals and summer holidays to keep the family close. Maria Pilar's role is no less important. Although she chose another career path, she supported the business project at a critical time when its future was extremely uncertain.

The unquestionable leadership of Ernest, Ángel and Javier has been complemented by women who played a vital role in sustaining the business project at key moments: in the beginning and during generational renewal. Like these women, many others have also been key players behind the scenes in business projects in our region. Many of them have been and will be forgotten. This case should serve as a tribute to all the women whose efforts have been just as valuable as those of others although their contribution to family firms has not been and will never be recognised.