

## Innovation: The Worst of Times... and the Best of Times

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It was in the middle of winter in 1930, the heart of the Great Depression, when Howard Tuthill walked through the cavernous factory thinking about what to do with his family's business. It was eerily quiet as dim sunlight streamed through the narrow rooftop windows onto the grease-laden, cast-iron machine tools. Only a couple of people were working at a wooden bench on a small order for cutting-blade parts for one of the local furniture companies. The once bustling factory that manufactured woodworking equipment—saws, sanders, planers, and lathes—no longer had a steady stream of orders coming from the area's premier furniture makers. Everything had slowed to a crawl.

Dismayed, Howard left the factory on the north side of town and walked downtown by the lines of people waiting in front of the YMCA building for some meager portions of food. He watched as the government official scooped up soup and tore off pieces of bread for each needy person. He kept walking and kept thinking. Two seemingly disparate images floated around his mind continuously—sharp saw blades ripping through a thick piece of white oak and a man's hands ripping off pieces of bread from a large, soft-crust loaf.

"THAT'S IT!" Howard blurted out loud. The dots finally connected.

Howard raced back to the factory to begin developing the first retail bread slicer. Fast-forward to this century, and you will find bread-slicing machines, modernized since those early models, in 80 percent of the supermarkets in the U.S. and most retail foodservice bakeries, such as Panera Bread. Over that same time frame, the Tuthill family passed the business down to the third generation, who continued to diversify the company into bread packaging and labeling.

Faced with the current market conditions, how can you respond creatively, as Howard did? Is this current economic funk actually a conducive period for developing your company's next innovation?

YES. Now is an excellent time for family and closely held businesses to step back and take a look at what is going on in their industry, what the business's unique strengths are (that is, those that cannot be copied by your competition), and how these might be leveraged into new opportunities. What have your customers been complaining about, and how might you address these complaints? What do your salespeople describe as the real reason you are unable to win over those prospects, and how might these objections be overcome? What are your suppliers saying about other companies to which they provide products or services, and are there

areas where you are superior to these competitors? What products or services have you been thinking about developing and offering in the marketplace? Answers to these questions can serve to generate thoughts that can be filtered down to a meaningful list of potential innovation opportunities—be they new products, new markets to serve, or a superior way to manufacture your product or bring it to market.

Beyond generating ideas, companies that successfully produce a steady stream of innovative products and services have a disciplined process for capturing, prioritizing, developing, and commercializing these ideas. Howard's bread-slicing idea did not follow a disciplined process, but subsequent company developments did. The adjustable-width slicer that could cut thick Texas toast or thin deli slices followed a new product development process that clearly identified the unmet needs of customers and guided the path to market introduction.

We have all been exposed to the accomplishments of large companies that are recognized as innovators. 3M created the now-famous Post-it Notes® out of a lab mistake, and Boeing is in the midst of finalizing the game-changing Dreamliner 787. Although a “killer app” product or service can create a whole new product category or change an entire industry, radical innovation is not necessary for most small to medium-sized private companies. Incremental innovation can

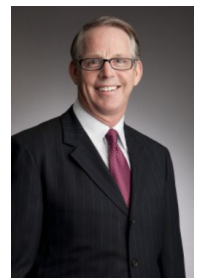
also drive significant value. Modifying a product, such as by taking a bread slicer and morphing it into a bagel slicer, can extend an entire product line without requiring the risk or investment necessary to expand into a new customer base or market.

An innovation can also come in the form of a new business model or a different way to go to market. Michael Dell showed the world how to create a made-to-order computer via the Dell website, shrinking lead times and bypassing the retail outlets. Or how about an innovative service? Again, the Internet played a key role in the recent success of Google, eBay, and Facebook.

We live in a time when information—what customers want and don't want, what competitors are offering, and what new business models have been tried—is readily available. The challenge is to ask yourself the right questions, create a process for filtering opportunities, and create a culture that fosters and rewards innovation. This turbulent economic period is actually a prime time to spawn new creative ideas, because people are more open to change and may need to think outside the box to keep their business afloat. It is an opportunity to capitalize on the new world order that is unfolding in front of us. Can your company create the next innovation that lives up to the clichéd standard set by Howard Tuthill—the best thing since sliced bread?

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