

National Federation of Independent Business (<http://www.nfib.com>)

4 Ways to Be More Innovative

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Here's how you can breathe new life into your small business.

- Innovation is crucial as the economy recovers
- Taking chances can make you more competitive
- Solve problems to generate new ideas

Necessity is the mother of invention. That old saying is especially true in the small business world. When economic times are turbulent, companies often find themselves with their backs against the wall, searching for ways to grow—or else die.

“Companies only innovate when they have to,” says Jeff DeGraff, clinical professor of management and organizations at the University of Michigan’s Stephen M. Ross School of Business. “In the words of Bob Dylan, ‘When you got nothing, you got nothing to lose.’”

DeGraff says small businesses need to innovate now more than ever, as the economy rumbles back to life and competition becomes fiercer. “If you cannot do something significantly better or new, your chance of surviving in the most competitive of all possible landscapes is incredibly small,” he says. “The only reason you innovate is you’re trying to stay alive or you’re trying to grow.”

MyBusiness interviewed four small companies working on the next big thing. Here, we uncover their tips, secrets and best practices so you can incorporate their methods in your own efforts to innovate.

Be a First Adopter

Since Franklin G. Horn and his wife, Alvina, opened Ace Sign Co. in 1940, the Springfield, Ill., sign shop has weathered a lot of change in its industry. More than seven decades later, the family-owned NFIB member company is still around—and thriving—against all odds. The rise of the Internet and other technological advances in advertising have waylaid many storefront sign shops across the nation.

But Ace has grown. Today the company has 38 employees and a growing list of national accounts in markets as far away as New York. And that’s largely because it has consistently found ways to bring its basic product and service—signs and sign-making to help small businesses and national franchises advertise to passersby—into sync with the technology of the day, says Todd Bringuet, vice president of the company and Horn’s great-grandson. Bringuet is one of seven family members who still work at Ace.

“Being innovative enough to be able to do something that has never been done before is always

a challenge and part of the reward of our business as well,” Bringuet says. “One of the more challenging aspects of our industry is the fact that everything is so custom. It makes it exciting and keeps us on our toes.”

As each decade brought new technological innovations, Ace was quick to adopt and become proficient at them, from hand lettering and neon to the latest LED and full-motion displays.

Late last year, Ace received a call from PRG, a New York-based events company. PRG was familiar with Ace’s reputation for innovation in the sign world and asked if the company could work on a project that involved making “some letters in New York City,” Bringuet says. He knew it was a project that Ace could take on.

Even as the details trickled in, PRG kept the project wrapped in a veil of secrecy. One day, PRG sent Ace a sample of what it was looking for—a single, mysterious letter “X.” Bringuet and his team slowly pieced together clues and wondered if the project was related to Super Bowl XLVIII. They were right.

The project: creating the 9-foot-tall, 38-foot-wide “XLVIII” that lit up Super Bowl Boulevard in Manhattan in January. Millions of eyes would see Ace’s work.

Producing the sign, made of aluminum and a one-inch layer of illuminated acrylic, took months of planning and development, Bringuet says. The sign featured more than 4,000 LED lights programmed to light up in different patterns.

It’s a feat that the small company with big ambitions would never have achieved without its posture of innovation and early adoption of new technologies, Bringuet says.

Tinker With Your Product

Five years ago, Andrew Rutter bought a 3-D printer and began tinkering with it on his dining room table in San Francisco. But his wife didn’t want the printer on their table, so Rutter set out to build a model that was more portable and user-friendly. By making improvements to an existing model, he developed a printer that could fit in the back of his car. The modified machine even produced better results. All of Rutter’s hacker friends were entranced by his printer and wanted one of their own.

In January 2012, Rutter realized he had the beginnings of a company. So he and three friends founded Type A Machines. Two years later, Type A has grown to 18 employees and is a largely self-sustaining venture after receiving approximately \$300,000 in seed funding, says CEO Espen Sivertsen.

In its first year, Type A sold 100 machines. In 2013, the company sold 400 units, worth more than \$1 million in revenue (Type A’s printer retails for around \$2,295). Because the pace of technology in the 3-D printing space is very high, Sivertsen says, the company keeps its product fresh by focusing on product improvements and adapting to new 3-D printing technologies.

“Our strategy is to focus on modularity and accessibility,” says Sivertsen. “Our printer is designed as a modular unit, meaning as new technology becomes available, our users can just

upgrade the relevant module on their existing machine instead of having to buy a whole new machine. We've also worked hard to make our hardware and software accessible so that users and developers can create their own tailor-made solutions or work with us to create more value for our user community."

DeGraff, the University of Michigan business professor, says tinkering with your current product is key to successful innovation. His caveat: "Don't try to innovate where everybody can see your failures," he says. "Fail off Broadway—outside of your region."

For example, DeGraff, who was one of the early players in franchising Domino's Pizza, would test out new stores in small markets. To avoid failure in a major market, he picked small, out-of-the-way markets such as Zanesville, Ohio, to test new concepts.

His advice? Make small, 90-day bets on new products. If they don't succeed in that time, shut them down. That way, you limit your exposure and risk.



David (left) and Adam Belanich, co-owners of Joyride Coffee.

Change Your Business Model

Taking a chance is partly how Joyride Coffee, a nine-employee coffee distribution startup in New York City, got its start. Three brothers, Adam, David and Noah Belanich, started small in 2011, running a coffee truck that used premium café equipment to serve Stumptown coffee. But as they rotated through various spots in the city, they began to hear a similar refrain.

"We kept having customers say, 'I wish you were here every day,' and it occurred to us that there wasn't really any reason they couldn't get café-quality coffee in their office every day," Adam says.

They decided to expand their service by tweaking how they delivered their product, relaunching as a business that provides offices with full coffee service. Joyride Coffee distributes coffee-making machines to offices and arranges regular deliveries of premium

coffee beans to offices within 72 hours of roasting.

The company, which still operates exclusively in and around New York City, switched from a service business as a small food truck to a distribution business that serves offices including viral content producer BuzzFeed and social media giant Twitter. The company grew 223 percent from 2012 to 2013. A willingness to experiment has helped fuel that growth, Adam says.

“If you think something can solve a problem or fill a niche, run a trial, take meticulous notes and review the outcome,” he says. “Tweak and repeat. This really has been how we’ve gotten to where we are.”

Failing to find new ways to deliver your old product or service is one of the biggest mistakes small businesses make when it comes to innovation, DeGraff says. “A lot of small businesses are built by entrepreneurs who are entrenched in their way of doing things. Businesses get contained within their boundaries.”

Solve Your Own Problem

DeGraff says small businesses have an advantage over their larger counterparts when it comes to innovation. That’s because they’re agile.

To capitalize on that agility, DeGraff suggests owners focus on solving one of their own problems or coming up with a solution to one of their great frustrations, and then turning that solution into a product or service.

That’s how Jeremy Smith started SpotHero, a company launched in 2011 that created an app for Android and iOS smartphones. In cities such as Chicago and New York, where parking is a challenge, the SpotHero app allows users to find, compare and reserve a guaranteed discounted parking spot at garages and lots. The company, based in Chicago and backed by \$2.5 million in venture capital, has grown from five employees and service in two cities to 20 employees and service in seven cities in one year.

It all started because Smith was tired of struggling to find a parking spot in the crowded Wrigleyville neighborhood of Chicago. At one point before he came up with the idea, he says he owed more than \$5,000 in parking tickets and had his car towed several times. Together with a roommate, Mark Lawrence, Smith started brokering parking spots in Wrigleyville, “and things just grew from there,” he says.

“We started by selling individual parking spots,” Smith says. “We then focused more on monthly parking. We now focus primarily on daily parking but work with the biggest garage companies in the country rather than individuals who have a spare parking spot.”

Smith’s recipe for innovation is simple: “Find a problem you have. Figure out how to leverage technology to make it easier. Build strong relationships with your suppliers and customers along the way.”

How to Protect Your Big Idea

To build a sustainable small business with innovative offerings, you must protect your work from competitors.

“In many ways, the only asset a startup has in its early days is intellectual property,” says Scott M. Smith, a patent attorney at the law firm Dorsey & Whitney. “It does not cost a fortune to shore up strong intellectual property rights for a startup, but it does require a small investment. Failing to make that initial investment is a common, and sometimes fatal, mistake.”

Smith offers these three tips for small businesses working on the next big thing.

Invest wisely. “Ideally, a startup will invest a reasonable, manageable amount of its budget to protect big innovations with patent applications from the beginning, and the money spent will pay huge dividends later as the company adds further innovations and iterations to the big ideas,” Smith says.

Enlist experts. Hire an attorney with experience in intellectual property to prepare your paperwork.

Time it right. “Most countries have no grace period between the time an invention goes public and when the inventors can file a patent application,” Smith says. “This means that if your inventive ideas are published, made available for sale or presented at a trade show before you file a patent application, you have lost almost all patent rights immediately outside the United States.”

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