

**Canadian Regional  
Development**  
A Critical Review of Theory,  
Practice, and Potentials



**Développement régionale  
canadienne**  
Un examen critique du théorie, de  
pratique et des potentiels

## **Innovation Case Study**

### **Chatman's Bakery: Diversification and Innovation in the Family Business**

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In 1979, Jean Chatman founded Chatman's Bakery in Charlottetown, NL in the middle of Terra Nova Provincial Park (see Figure 1). The initial building was 500 ft<sup>2</sup>, which expanded as business and revenue increased. The first business strategy for the bakery was to produce pies and other baked goods in the store and deliver them to customers in the family vehicle. The initial goal of the bakery was to provide goods to residents and visitors in the park. In 1996, Jean's daughters Lorraine and Roxanne entered the family business with new ideas while upholding the same values as their mother. In 2005, Roxanne and Lorraine moved the business into a new 7000-ft<sup>2</sup> building and became owners in 2011. While their production varies seasonally, Chatman's employs around 20 employees from the community.

**Figure 1: Chatman's Location**



Since its initial creation, Chatman's has gone through several important upgrades and implemented new strategies. The first was a major shift in their primary market and general business approach. After the collapse of the food fishery the business struggle to remain viable. As a result, in 1996 the firm discontinued deliveries to rural consumers and shifted 80 percent of their production to supplying Dominion stores in Newfoundland and then the rest of Atlantic Canada in 2004. They also started supplying Coleman's stores in Newfoundland. This market expansion was a strategy to combat declining tourist customers in Terra Nova as well as the declining regional population. Despite

**Figure 2: Peanut Butter Balls**



these market challenges, Chatman's upholds a strong commitment to place and attachment to Charlottetown. For example, they volunteered to pay higher taxes to offset any possible tax increases for the community associated with a new regional waste management system.

Chatman's products are innovative because of their commitment to quality. Since 1979, the company has refrained from using any preservatives in their products. While this has limited Chatman's from expanding their sales to a wider national market, it provides consumers with locally produced products. Chatman's has also recently eliminated all trans-fat from their products and these healthy lifestyle choices have extended to their management strategies. For example, employees can participate in a healthy lifestyle challenge where

participants contribute one healthy food item a week to a basket with the winner getting to keep it.

Another of Chatman's commitment to quality is their desire to undergo audits by the Guelph Food Technology Center. In 2009 they received a bronze standard for food safety and quality and a gold standard in each subsequent year.<sup>1</sup> The firm is now preparing their operations for a global food safety initiative that will appeal to more distributors. More recently, Chatman's introduced a traceability system that would track their inputs and outputs to ensure accountability. Through Internet research, Chatman's found a Quebec firm with the necessary equipment for implementing the traceability system. The technology was acquired through funding assistance from the National Research Council's (NRC) Digital Technology Adoption Pilot Program (DTAPP). In addition, Chatman's acquired a metal detector that would ensure safe production and high quality with the financial assistance of the Department of Innovation, Business, and Rural Development's (IBRD) Technology Utilization Program.

Another innovative practice at Chatman's is their custom-made packaging that protects their products during shipping. Chatman's worked with Reynolds, a packaging producer, to design customized containers that perfectly fit their dessert squares (see Figure 3).

Three years ago, Chatman's also joined the Central Continuous Improving Network (CCIN) with six other manufacturing firms in the region. The network was formed by the Canadian Manufacturers and Exporters (CME) to improve business skills and foster collaboration among businesses. Each firm engages in one-on-one training/mentoring with CME to enhance their production (e.g. LEAN training) and the network meets regularly to exchange business advice and new ideas.

**Figure 3: Packaging**



Chatman's worked with CME to receive LEAN training to improve the firm's efficiency. LEAN seeks methods of increasing a firm's productive capacity by working with staff and altering existing processes, methods, or equipment.<sup>2</sup> Through this process, Chatman's changed their floor plan to position employees closer together. They also discovered that by training employees in all aspects of production (rather than having one individual perform one task), this prevents delays in production when an employee is unavailable to work. The LEAN process also resulted in their recipes being measured by weight to ensure consistency. LEAN was also beneficial because it connected Chatman's CNA students, the Quebec firm, and NRC.

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<sup>1</sup> Chatmans. (2012). A Family Affair. Retrieved from: <http://chatmansbakery.ca/about>

<sup>2</sup> Canadian Manufacturers and Exporters. (2013). Core Training Programs. Retrieved from: <http://mb.cme-mec.ca/manitoba/training-and-events/training.html>

As part of the LEAN process, employees were also provided with one day devoted to observing production instead of working. This employee was then able to identify stages or practices that could be improved on or changed to enhance efficiency. This strategy is an excellent way of utilizing and encouraging employees to bring forward ideas that will improve the firm and create a culture of innovation. As part of this culture of innovation, employees are also encouraged to experiment with recipes and contribute to the firm's product line.

**Figure 4: Chatman's Work Space**



Another example of Chatman's continuous learning practices is their participation in the Central Skills' Steps for Success program, which works with employees to identify any of their weaknesses. Through this program staff were able to build upon any weaknesses, which in turn created a more knowledgeable workforce. This improved the firm's capacity but also the skills of individual employees.

Chatman's has benefitted from the support of several external agencies. One example is the NRC, through their DTAPP, and IBRD through their Technology Utilization Program. These programs enabled Chatman's to obtain the technology for the traceability system. Another example is a partnership with the College of the North Atlantic that involved one of their students examining Chatman's facility to report on efficiency and potential improvements. As a result, Chatman's acquired new ideas and the student gained valuable hands-on work experience. Chatman's is also working with Memorial University to devise a strategy to improve the company's chocolate machine to expand their production and product line.

Despite their success, Chatman's has encountered a number of challenges. The first is the paperwork and time-intensive process of applying for government loans and/or grants. The second is the challenges associated with their location in rural Newfoundland. For example, Chatman's is located at a distance from their suppliers, which results in their need for a larger inventory of supplies. Another challenge is by not adding preservatives Chatman's cannot ship their product long distances. For example, when Dominion wanted to use Chatman's products in stores across Canada, a lack of preservatives and difficulties with transportation (i.e. the Port-au Basques ferry) prevented national expansion. However, many of these challenges have been overcome with the ingenuity and commitment to their product that Chatman's upholds.

Chatman's is a leader in their industry, extending their pride and quality assurance into every aspect of their production. Their innovative thinking and willingness to diversify provides them an edge when competing in a dynamic market. It is unclear whether the business will remain in the Chatman's family in future generations but the immediate

future is bright for the dedicated team at Chatman's. Their pride in production is affirmed by the quality of their product.

## **References**

Canadian Manufacturers and Exporters. (2013). Core Training Programs. Retrieved from: <http://mb.cme-mec.ca/manitoba/training-and-events/training.html>

Chatmans. (2012). A Family Affair. Retrieved from: <http://chatmansbakery.ca/about>

Interviews conducted with operators of Chatman's Bakery.

Figure 1 retrieved from: <http://www.clodesound.com/directions.php>

Figures 2, 3 & 4 by HMHALL