

ESSENTIAL INFORMATION FOR ENTREPRENEURS

profits\$

BUSINESS DEVELOPMENT BANK OF CANADA
FALL 2010 | VOL. 30 NO. 3 | BDC.CA

READY FOR TAKE-OFF

**YOUR PLAN FOR
INTERNATIONAL
SUCCESS**

THE INNOVATION CHALLENGE

DESIGNING A MORE
COMPETITIVE COMPANY

RADIAN6: SOCIAL MEDIA STAR

MONITORING ONLINE
BUZZ IS BIG BUSINESS



GUILLERMO ALONSO, JR.
PRESIDENT,
ALTA PRECISION INC.

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Ready for take-off

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PRESIDENT'S MESSAGE THE INNOVATION MINDSET



JEAN-RENÉ HALDE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

The Canadian economy appears to be on its way to recovery after a difficult recession. For most entrepreneurs, however, the fight to build stronger, more profitable businesses remains as demanding as ever.

It's clear there will be no respite from intense global competition, rapid technological change and ever-increasing market demands. The good news is that we know what it takes for entrepreneurs to succeed in an ever more competitive world. The ingredients are a strong commitment to innovation, vigilance for competitive threats and a willingness to seize opportunities.

It's important to remember that for the vast majority of businesses, innovation isn't a "eureka!" moment when a new technology is invented. It's a constant drive to make incremental improvements across your business.

In this issue of *Profit\$*, you will read about entrepreneurs who are doing just that. They are competing and winning against the best in the world in industries as diverse as metal machining, equipment manufacturing and software development.

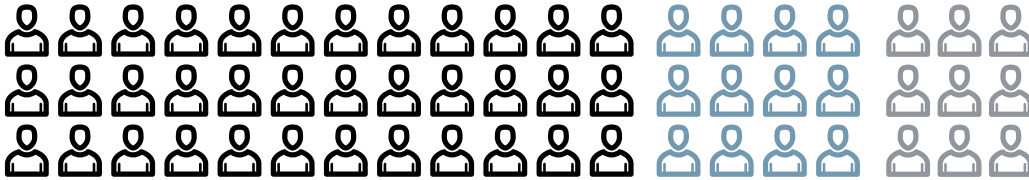
The keys to building wealth—investment, innovation and growth—will be at the heart of discussions at the many events planned for this year's Small Business Week®, BDC's annual tribute to entrepreneurs. Once again, there will be a full slate of activities across the country where entrepreneurs—and prospective entrepreneurs—will have the chance to learn, network and enjoy themselves. Small Business Week takes place from October 17 to 23. I encourage you to participate in an event near you.

Canadian entrepreneurs showed their mettle in the difficult times of the past few years and I'm confident they will rise to new challenges in the months and years to come. As always, through good times and bad, BDC will be there to help. \$



Canada's workforce by the numbers

17.2 MILLION
CANADIANS **EMPLOYED** IN AUGUST 2010^A



1.5 MILLION
UNEMPLOYED



11 MILLION
CANADIANS EMPLOYED
IN THE **PRIVATE SECTOR**

3.5 MILLION
PUBLIC
SECTOR^B

2.7 MILLION
SELF
EMPLOYED

A 13.8 million full time, 3.4 million part time; 9 million men, 8.2 million women

B Those who work for local, provincial or federal governments, a government service or agency, or a government-funded establishment, such as a school or hospital



\$22.34

Average hourly wage of Canadian workers 15 and over in August 2010

\$45,000

Median income of Canadians employed full time for a full year in 2008



10

Days lost per worker due to sickness or personal or family responsibility in Canada in 2008



6.2

Million employees working for small and medium-sized businesses (fewer than 500 employees) in 2009—58% of the private-sector workforce



35%

Percentage of self-employed workers who worked more than 50 hours a week in 2007

5%

Percentage of employees who worked more than 50 hours a week in 2007

41.6

Number of hours per week the average self-employed worker worked in 2007

35.6

Number of hours per week the average employee worked in 2007



63

Number of minutes the average worker spent commuting to and from work in 2005



18

Average number of vacation days Canadian workers took in 2007

36

Average number of vacation days workers in France took

14

Average number of vacation days American workers took

24

Average number of vacation days British workers took

22%

Percentage of Canadians who said they would be willing to take a lower salary for more vacation time

Sources: Statistics Canada, Industry Canada, Expedia/Ipsos Reid

SIXTY-SECOND COACH

MY BEST ADVICE

“You have to keep your focus on the long term and not overreact to the ups and downs of everyday business.”

The bottom line is that it can't just be about profits. Over our 22 years, we have never laid off a single person because of a lack of work. We're looking to build a place where our people have confidence and trust in us. Our employees are willing to make a commitment to do their best job for us and we make a commitment right back to them.

The business goes up and down, just as every business does. And when things are tough, I want us to operate exactly the same way as we do when things are booming. Our job is to present a unified front to the agriculture world and give every bit as good service when business is tough as when times are good. By continuing to do things the right way in tough times, you build your customer share for the long run. \$

Tim Young, 55, is president and co-owner of Young's Equipment, a farm equipment dealership with 140 employees at five locations across Saskatchewan. The company, a client of BDC Financing, is forecasting sales of \$120 million this year compared with \$5.9 million in 1989, its first full year in business. In 2009, Farm Equipment magazine named Young's Equipment North America's top farm equipment dealership.



TIM YOUNG
PRESIDENT AND CO-OWNER,
YOUNG'S EQUIPMENT

WHERE ENTREPRENEURS PLAN TO INVEST

59%

PURCHASING NEW EQUIPMENT / MACHINERY

49%

DEVELOPING NEW PRODUCTS / SERVICES

37%

INTEGRATING NEW TECHNOLOGY

28%

RENOVATING AN EXISTING FACILITY

23%

INVESTING IN R&D

16%

EXPANDING IN FOREIGN MARKETS

12%

LEASING NEW COMMERCIAL REAL ESTATE

7%

PURCHASING NEW COMMERCIAL REAL ESTATE

6%

PURCHASING ANOTHER COMPANY

A survey of Canadian entrepreneurs indicates the emphasis will be on investing to boost productivity and innovation over the next two years. Commissioned by BDC in advance of Small Business Week®, the survey was completed in June by 830 entrepreneurs who are members of the Angus Reid Forum, an online research panel. Small Business Week takes place from October 17 to 23, with events planned across the country.

Releasing steam from the pressure cooker

TOP 10 STRESS MANAGEMENT TIPS FOR LEADERS

The volatile economy has been taking a toll on many entrepreneurs.

Being aware of personal stress is an important step in managing and mitigating the negative effects, says Michael Campbell, a researcher at the Center for Creative Leadership (CCL), a non-profit global provider of executive education. Once people figure out what's stressing them out, he says, they can take steps to better manage the situation.

Here are 10 stress management strategies that experts recommend for entrepreneurs.



1 Pay attention to your body's stress signals, such as sweating and increased heart rate.

It's important to recognize these signals and get them under control. This could involve simple deep-breathing exercises.

2 Deal with the stress head on. Rather than procrastinate, think about what is causing the emotional reaction and get a handle on it. Deal with the cause of stress right away, whether it's a phone call from an angry client or a difficult business decision.

3 Take systematic breaks. When you feel stress coming on, get up and do something else, such as taking a brief walk or going outside. This short break can give you a different perspective on a stressful situation and provide at least short-term relief from the physical effects of stress.

4 Adopt a healthy lifestyle. Getting 30 minutes of rigorous exercise at least three times a week can help you reduce stress. Good eating habits, such as including more fruits and vegetables in your diet, can give you more energy and help you handle stress better.

5 Try to achieve a better work/life balance. Although today's business environment can be demanding, it's crucial to take time for other activities outside of the office, such as family events, hobbies and sports. This is when you recharge your batteries.

6 Keep perfectionism in check. Offering a quality product and service doesn't mean obsessing about it. Know when to get a task off your desk and focus on doing your best in a competitive environment.

7 Delegate to reduce your workload. Accept that you can't do it all. Rather than micro-managing, pay special attention to delegating responsibility to employees and leaving them alone to do the job. Sharing the load can relieve stress.

8 Find people you trust and confide in them. Talking to others about business issues can help you find solutions to challenges. Entrepreneurs can also network with other people in their industries to see how they are handling similar issues.

9 Get your company's financial situation under control. Cash flow is a major source of anxiety for entrepreneurs. Find ways to better monitor your revenues and expenses. Also, find ways to improve productivity and, ultimately, your company's financial health.

10 Commit to vacation time. Give yourself time off to relax, particularly during challenging periods. For example, turn your cellphone off when you're on holiday. Postponing a vacation may have short-term benefits for your business, but in the long run, your health could suffer and cause greater problems down the road. \$

READY FOR TAKE-OFF

**COMPETING AND WINNING
IN INTERNATIONAL MARKETS**

BY ALEX ROSLIN

**GUILLERMO
ALONSO, JR.**
PRESIDENT,
ALTA PRECISION INC.



When the global recession hit, it walloped the aerospace industry. Tourist travel collapsed. Business flying was curtailed. Orders vanished. But that wasn't the story at Alta Precision Inc., a fast-growing, family-owned maker of landing gear parts in Montreal.

Sales barely dipped and have since recovered completely. At the height of the downturn, Alta was even able to secure a major new customer in Europe.

Alta has reaped the benefits of a strategy to become a global competitor in the aerospace industry. It refined its product line, invested to boost operational efficiency and aggressively tackled foreign markets.

It's all added up to a more robust, innovative and productive business that's a model for other Canadian entrepreneurs to follow as they confront intensifying global competition.

"If you have just two or three customers, you're vulnerable," says Guillermo Alonso, Jr., who took over from his father as Alta's president in 2006. "For us, being international has meant security. Our backlog of orders is healthy."

Alta's current success stands in contrast to the company's fortunes just a few years ago. At the beginning of the decade, Alta faced big troubles. The 9/11 attacks had just taken place, and the airline business was on life support. The economy was being wrenched by the dot-com stock collapse, and customers were becoming increasingly demanding.

The company had done well supplying Montreal-based aerospace concerns like Bombardier, CAE and Pratt & Whitney since Alonso's father, Guillermo, Sr., founded it in 1979. But the sudden cascade of new challenges made change a necessity.

Alta started knocking on doors in the U.S. and in 2003 won its first big deal, a military contract. The U.S. now accounts for 50% of sales. Just as important, the sales helped recession-proof the company because they diversified Alta's sources of income.

Alta's experience reflects that of many small and medium-sized Canadian companies. Going international is often not just about expanding; it's about survival. But how do you compete internationally? Is it even the right step?

Those dilemmas are top of mind for many business executives who approach Carl Gravel for assistance. "Many entrepreneurs see

immense risks, and it makes them hesitate," says Gravel, national director of global competitiveness at BDC. "Our job is to show them that yes, there are risks, but you can manage them."

He heads a support team that helps Canadian companies seeking to build their businesses internationally.

"For a long time, Canadian businesses were somewhat sheltered by a lower valued Canadian dollar and privileged access to the U.S.," says Gravel, whose team advises companies and coordinates BDC financing and consulting services to support them.

"Now there is competition from new players and, at the same time, the U.S. market is not as strong as it was."

Before heading into international markets, Gravel says, companies must ensure their fundamentals are in order, in areas such as sales and marketing, innovation strategy and operational efficiency.

"If you're not competitive locally, it's going to be hard to work internationally. If we see there's still work to be done on productivity, we advise working on that before expanding into Brazil, for example."

That means investing to boost productivity even when things are tough, Gravel says. He also encourages companies to look at countries beyond the U.S., including emerging markets, which have shown high rates of growth in the economic recovery.

Another potential market: multinationals operating in Canada. Going global doesn't necessarily require exporting directly to international markets, he says. It can also mean selling into global supply chains, much as Alta has done as a supplier to major Canadian aerospace concerns. This can eventually open doors to new markets where these multinationals operate.

Entrepreneurs need to proceed with care when expanding internationally, says Dominic Deneault, co-author of *Le Québec sur le podium*, a study of 25 successful large and small Quebec businesses operating abroad.

The biggest mistake he has seen is companies failing to adapt their business model or product and service portfolio to their targeted foreign market.

"You have to make sure you fit the needs of your client," says Deneault, who is a corporate strategist at Deloitte Inc. in Montreal. "That means you have to redesign your product or service and adapt your marketing pitch, operational processes, strategy, branding—often your entire value chain."

Continued on next page

GLOBAL COMPETITIVENESS BASICS

Before you start eyeing a lucrative new international market for your business, you need a plan. Poor planning and execution are the culprits in nearly three-quarters of failed corporate expansions, says business strategist Dominic Deneault. Here are some important elements of a globalization plan.

FUNDAMENTALS



You should be sure your fundamentals are in good shape and can be replicated from country to country before embarking on an international expansion. That means focusing on such things as your sales and marketing, supply chain, operational efficiency and innovation strategy. You also need to be sure you've got the financial capacity to stay the course until sales start rolling in.

TENACITY



Entrepreneurs who successfully navigate international waters often have a specific mix of personal qualities—tenacity, ambition and an appetite for risk.

“The first international venture often doesn't work,” Deneault says. “That can lead entrepreneurs to question their international ambitions. If they don't have the ambition, tenacity and a burning desire to learn from mistakes, they may have a problem.”

STRATEGY



Are you expanding as part of a carefully thought-out growth strategy—or just for growth's sake? Good reasons for going global can include diversification, pursuing market leadership, acquiring complementary assets, developing new competitive advantages and creating synergies with current operations.

Another common problem, he says, is that some companies decide to expand globally for the wrong reasons. “They just want to grow for the sake of growth. You need a strategy behind your growth.”

Expanding internationally through acquisitions can be particularly difficult. Two-thirds of companies that make an acquisition fail to meet their return-on-investment target after five years, Deneault reports in his book. Just one-quarter of acquisitions create shareholder value.

Apart from a solid global competitiveness strategy, business leaders also need internal fortitude, Deneault adds. That means ambition, tenacity and an appetite for risk.

Back at Alta, Alonso and his family (his father is still involved in the business as chairman, while sister Sonia is vice-president of administration) realized they had to retool their business as they went international.

“Customers are more demanding. It used to be that quality and on-time delivery were the most important things in our industry,” Alonso says. “Today, quality and delivery are givens. If you don't have those, you aren't even selected. Now, it's price, price, price. And you can't reduce your price without changing the way you do things.”

Alta responded by focusing on adding value in the area where the company excelled—making landing gear. It dropped aircraft engines and fuselages from the product line-up.

“We became known for our landing gear. We want to become the best in the world at supplying landing gear parts.”

Alta also hired BDC Consulting this year to implement a lean manufacturing program, which aims to streamline production and improve international competitiveness with a just-in-time manufacturing process.

Domestic sales have also benefited from Alta's moves to specialize and get leaner. Alta recently won a local contract to supply parts for Boeing's new 787 Dreamliner.

Abroad, Alta has also stretched its wings. After winning contracts to supply landing gear to the U.S. Air Force and U.S. Defense Logistics Agency, Alta broadened its international scope into Europe in the late 2000s.

After more than a year of making cold calls and attending trade shows in Europe, Alta won contracts to supply the new Airbus A350 and is currently pursuing a European plant making Bombardier's C series of jetliners. Europe now accounts for 20% of Alta's sales and is its fastest-growing market.

Since 2000, Alta has grown from 30 employees to 75, and plans to expand to 120 by 2012.

“If we didn't have the international sales, we would have struggled a lot more than we did,” Alonso says. “Now we are ready for the upturn of the economy.” \$

BDC News

WHEN THE RECESSION STRUCK, BDC HELPED ENTREPRENEURS MORE SUPPORT REMAINS STRONG IN THE RECOVERY

At BDC, we supported Canadian businesses through the recession. Now we stand ready to help them during the recovery.

In our last fiscal year, we boosted our lending to Canadian businesses to a record \$4.4 billion, a 53% increase over the previous year. And we provided new kinds of support as part of the federal government's Economic Action Plan. But we didn't stop there.


■ We showed the value of our patient, flexible and knowledgeable approach to financing entrepreneurs. We allowed more than 4,000 principal payment postponements by our clients to see them through a tough period.

■ We lent more money than at any other time in our 65-year history; provided top-quality, affordable business advice through our consulting service; and continued to play a key role in the venture capital market—all in a commercially viable manner. Once again, we earned a profit.

■ We introduced a new online Advice Centre where entrepreneurs can find the know-how they need to tackle the challenges of running a business. The Advice Centre at BDC.ca offers a wealth of fresh ideas, advice and tools touching all aspects of managing a company—and yourself.

This year, Small Business Week®—BDC's annual celebration of entrepreneurship—will once again feature networking and educational events across Canada. The theme for this year's week—Power Up Your Business: Invest, Innovate, Grow—reflects the opportunities and challenges facing entrepreneurs as the economy builds steam. Small Business Week 2010 will take place from October 17 to 23.

As part of this year's activities, we will be launching our Young Entrepreneur Awards with a call for candidates. Outstanding entrepreneurs aged 19 to 35 from all regions of Canada will be recognized at our Young Entrepreneur Awards gala in May 2011.

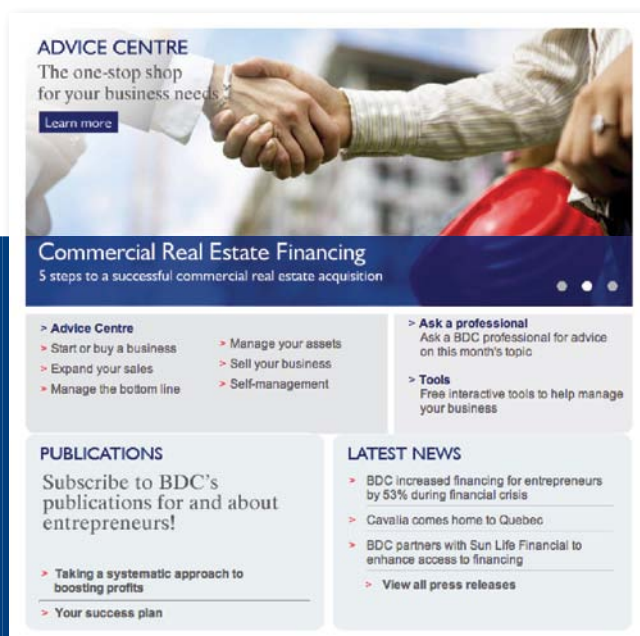
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What's the buzz?

THE SOCIAL MEDIA REVOLUTION MEANS
EXPLOSIVE GROWTH FOR RADIANT6

BY GIUSEPPE VALIANTE



MARCEL LEBRUN
CEO, RADIANT6

Social networking sites like Facebook, Twitter and LinkedIn are experiencing explosive growth, and that means increasing pressure on companies to keep track of what's being said about their brand.

It also means an extraordinary business opportunity for Radian6, a Fredericton, New Brunswick, firm whose software platform allows it to monitor or “listen” to social networks for its clients, a list that includes some of the world’s largest corporations.

For a monthly fee, companies can use the Radian6 platform to track, analyze and engage with everything that is said about them, and even alert different departments—such as public relations and customer service—to key conversations.

It’s a business model that’s producing powerful growth for Radian6. Since signing up its first client in January 2008, its monitoring service has attracted over 1,500 clients, including giants such as Dell, Comcast, Microsoft, Pepsi and Kodak.

“We’re adding hundreds of clients every quarter,” CEO Marcel LeBrun says.

The company expects sales to triple in 2010 after increasing 600% in 2009. And the employee count should reach 170 by year end, double the number at the end of 2009.

The idea for Radian6 started with Chris Newton, now the company’s chief technology officer. A few years back, Newton was working for a network security company, trying to find a way to massage huge amounts of data into something meaningful.

At the same time, he began noticing how social media were gaining ground on traditional media—people were increasingly getting their information from Internet communities and those sources were helping them to form their opinions.

Newton believed he would have a valuable product if he could find a way to channel and organize those Internet-based conversations. He was right.

LeBrun got involved after hearing about the venture from his former boss, Gerry Pond, one of Radian6’s early investors.

Radian6 started in 2006 and received venture capital from BDC in its first round of financing. It quickly became profitable and didn’t need another round of financing. Its software platform went live on the Internet in 2007.

Its computers monitor the web 24 hours a day and index hundreds of millions of conversations in most of the main European languages, as well as Chinese, Japanese and Korean.

The company’s software is able to assess whether the conversations are negative or positive in tone. Radian6 is also able to keep clients abreast of what key themes are being discussed.

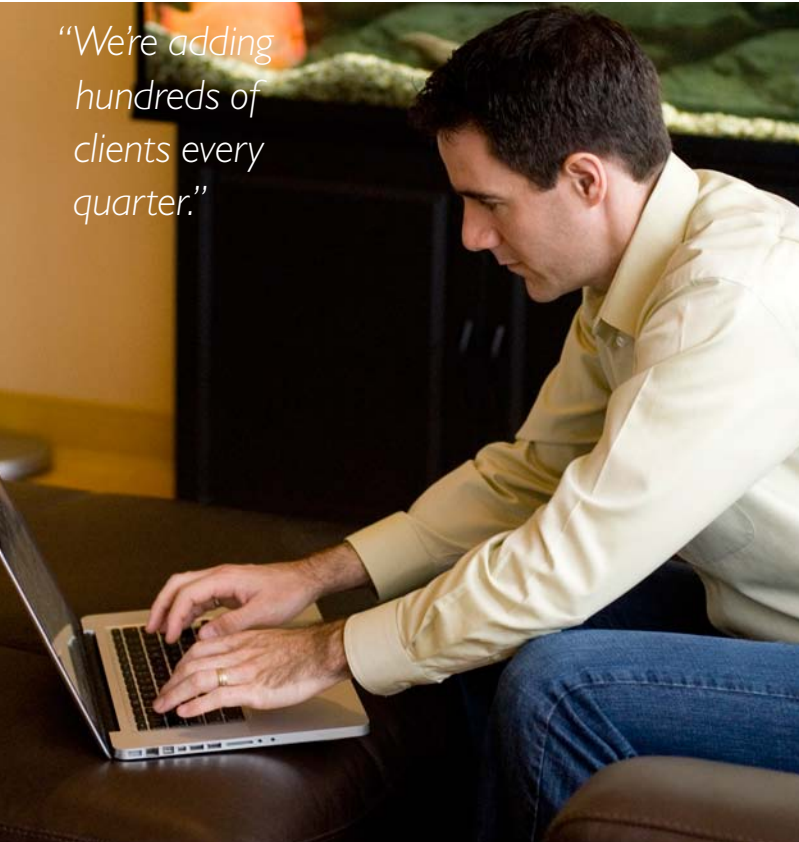
Additionally, it can measure the influence of those talking about a company. This allows companies to understand how much of an impact a blogger or a website has and decide which ones they might want to interact with.

LeBrun, a computer engineer by training, acknowledges the company’s success, but cautions that future growth and profits depend on innovation and staying ahead of the competition. That’s why the *Continued on next page*

LESSONS LEARNED

- 1 Celebrate your success but keep an eye on the competition.
- 2 To stay ahead of competitors, invest in innovation. Aim to constantly develop and introduce improved processes, features and products.
- 3 Build a team that is focused on customer service and helping clients succeed with your product.
- 4 Become “an engaged brand” by interacting with your customers. Think about participating in social media and offering value-added content through podcasting, blogging and video.
- 5 Stay on top of what’s happening in your industry and provide this information to your customers. It sends the message you’re a leading expert in your field.

"We're adding hundreds of clients every quarter."



company has 50 employees engaged in R&D and will spend \$50 million this year on the activity. Radian6 produces new features for its software platform every six weeks on average.

Another key to success for Radian6 is its ability to create what LeBrun calls an "engaged brand." He defines the term as a company that remains in close contact with clients, potential clients and the public through online media such as blogs, e-books, videos and podcasts.

"We are in a constant conversation with our community, collecting suggestions and feedback."

Radian6's New Brunswick home base is far from North America's high-tech centres and LeBrun sees definite advantages in the arrangement, especially when it comes to employee turnover.

"Since we started in 2006, we have not had one employee leave from our research and development unit," LeBrun says. "That just doesn't happen in most tech firms. It's invaluable."

"But it also means I spend more time on planes than other people do." \$

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JIM HOGAN
PRESIDENT AND CO-FOUNDER,
VMAC

The innovation challenge

HOW TO TURN IDEAS INTO PROFITS

BY DEBBIE LAWES

Mobile air compressors don't seem like a product that would be ripe for innovation. After all, they've been a staple of the construction industry for decades, where they're used to power tools such as nail guns and jackhammers.

But there was a problem. Compressors were so heavy and bulky that they needed to be towed behind a truck. That's where Vancouver Island's VMAC came up with a better idea. That idea revolutionized the mobile compressor industry and created a robust international business for VMAC.

The company developed a rotary screw compressor technology in the late 1990s that made air compressors lighter, more powerful and compact enough to fit under the hood of a truck.

"There weren't a lot of folks pushing the envelope of this technology," says Jim Hogan, president and co-founder of VMAC. "They were either

Continued on next page

complacent or not technically savvy enough. So we took advantage of that opportunity.”

Today, VMAC’s full line of compressors and systems can be found in thousands of vehicles worldwide. And with 10 of its 70 employees focused on R&D, the new products, improvements and efficiencies keep coming. The company, which does most of its design, engineering and manufacturing at a three-hectare facility in Nanaimo, has won multiple awards for its manufacturing excellence and business savvy.

VMAC (Vehicle Mounted Air Compressors) is among the thousands of Canadian companies that are developing new products or improving existing technologies, processes, designs and marketing to solve problems and reach new customers. Now, the challenge is to persuade thousands more—particularly small and medium-sized businesses—to do the same.

“To stay competitive these days, entrepreneurs should invest in their capacity to innovate,” says Jean-René Halde, BDC’s president and CEO. “In other words, they should invest in things that enable them to constantly improve their products and services, and how they produce them. An investment in information and communications technologies is a good place to start.”

“Innovation can also mean, for example, improving processes to cut costs and taking that money to buy a new piece of equipment. Or try a new marketing idea.”

The latter is just what VMAC has done. You wouldn’t expect a manufacturer of air compressors to go hog-wild with Internet marketing. Yet not only is VMAC on Twitter and Facebook, it has also developed a series of ninja spy movies for YouTube as a way of generating customer interest in the launch of a new technology.

Investing in equipment is a good start

A report card released earlier this year by the Conference Board of Canada gave Canada a D for innovation, ranking the country 14th among 17 industrialized nations. The grade

HOW TO ADOPT AN INNOVATION MINDSET

- 1 With your team’s help, develop a strategy for improving your products or services, your processes, your marketing strategy, your business model and your supply chain. Then keep it up to date.
- 2 Tap the creativity of your employees. They have intimate knowledge of your business and industry, and will often be your best source of ideas.
- 3 Look for ideas and feedback from suppliers, customers and other stakeholders. An idea could be as simple as changing a process, adapting a product to a new market or exploring new ways to reach customers.
- 4 Invest in capital assets that improve your competitiveness, especially information and communications technology. The high Canadian dollar can make this a particularly good time to invest.
- 5 Don’t look for the magic bullet. Focus on continuous incremental improvements.
- 6 Study innovation, change and creativity. Educate yourself. Go to conferences and travel.
- 7 Take action on new ideas. Even if they fail, have faith that you’re on the path to innovation.



reflects inadequate levels of R&D and investment in capital assets, such as property, machinery, and information and communications technologies.

“Companies that invest cleverly in capital assets reap the benefits in terms of higher productivity, innovation and competitiveness,” says the Conference Board’s president, Anne Golden.

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Canada

Canada's D rating was also based on its limited success in turning R&D advances into money-making products and services.

"There's a lack of savvy in terms of the marketplace, and a failure to commercialize new products and services to the same extent as other countries," Golden says. "We need to boost our ambition, individually and collectively."

It's not just Canada's competitors in developed countries that are embracing innovation. Halde notes that emerging markets such as China and India are innovating at breakneck speeds. He describes this as a "terrible threat" for Canada.

"The world is turning up the heat on us," he says. "Other countries are becoming more competitive and more productive, and we're not noticing it yet. Companies can't afford to wait until their markets have disappeared."

While there is no magic bullet for solving Canada's lagging innovation performance, there are reasons for optimism.

Golden says the operating environment in Canada is becoming more favourable for small companies. This includes improved local, provincial and national policies on a series of fronts, such as taxation, regulation, education, infrastructure and intellectual property protection.

While government policies help, Halde says they are insufficient on their own to improve Canada's competitiveness. The greatest source of innovation will always be business leaders with a sustained commitment to doing things better and a willingness to seize opportunities.

"I believe the fundamental challenge Canada faces is one of mindset," Halde says. "Companies of all sizes must understand that their company's competitiveness depends on their capacity to innovate and to adjust their investment decisions accordingly. Embrace risk-taking and aim higher. Aim for the top."

Such was the case at VMAC, founded by Hogan and Tony Menard, both engineers who were determined to deliver reliable, high-performance products that are lightweight, compact and durable. Constantly changing truck designs keep VMAC on its toes, sometimes leaving them with only a few weeks' notice to adapt their compressor to fit into smaller engine compartments.

"I've developed my own philosophy about innovation," Hogan says. "It may sound corny, but you have to think you're smart and try things."

"If you don't, your competitors eventually will. The prize goes to the people with the guts to try." 💰

"The prize goes to the people with the guts to try."



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PATRICIA HOOGENDOORN
CHIEF FINANCIAL OFFICER
AND CO-FOUNDER,
AFFINITY BIOLOGICALS INC.



ENTREPRENEURSHIP IN THE BLOOD

SUCCESS FLOWS FROM A STRONG PARTNERSHIP

Patricia Hoogendoorn and her husband, Hugh, began Affinity Biologicals Inc. in 1987 with an idea and \$2,500 in savings. With the money, they built a laboratory in the basement of their home and a walk-in refrigerator in their garage.

As medical lab technologists, the Hoogendoorns specialized in bleeding and clotting disorders. Their idea was to produce commercial quantities of antibodies used by research laboratories worldwide.

Now, Affinity is firmly established as a leading international supplier of antibodies and antibody-related products for research and diagnostics for the full range of blood-clotting disorders. A sister company provides testing services for medical clinical trials, research projects and product evaluation. Patricia, the chief financial officer, and Hugh, the president, are equal partners in the Hamilton, Ontario, business and in life.

Still, it hasn't always been a smooth ride for Affinity. Between 2003 and 2006, Affinity faced a series of storms: a massive power outage in 2003 threatened to destroy its entire frozen inventory; a surge in the value of the Canadian dollar slashed its export revenue; and the mad cow disease scare led the U.S. government to consider banning imports of Affinity's products, even though they are 100% pure.

The Hoogendoorns, BDC Financing clients, fought their way through those challenges. And now—with some 255 products distributed worldwide, 22 employees and \$3 million in annual sales—the company is poised for a new surge of growth. Patricia reflects on the path she and Hugh have taken.

I grew up in Thessalon, near Sault Ste. Marie. My father had the Western Tire and Auto Supplies store; he had the funeral home; and he was a member of Parliament for 18 years. So I just grew up knowing that anything you wanted to take on, you could do it.

Hugh and I both came from hard-working, entrepreneurial backgrounds. I think that's a lot of what motivates us still.

His parents emigrated from Holland after the Second World War. They were well educated but came over with next to nothing. So he grew up in an environment where you worked hard for everything you got.

My dad died when I was 10. My mother was a very strong person. She had a lot on her plate. And I've always said, "If I had to work half as hard as she did, I'd have a lot to be proud of." I grew up always focused on being able to provide and survive on my own, if those were the cards that I was dealt.

I went from a town of 1,700 in Northern Ontario—I think there were 12 of us in our Grade 13 class—to living in a residence at the University of Western Ontario holding 1,300 people.

It was just such a culture shock. I went home for Christmas and I told my mother I hated it, I couldn't stay. And she said to me, "Whatever you decide to do, I'll support you 100%. But you're not coming home." And I think that was the toughest thing that she ever did, and it was the best thing that she ever did for me.

For my mother to say to me, "You're not coming home" was her way of pushing me out of the nest and saying, "You have to get out there and you have to succeed." She wanted me to realize the potential she saw in me.

So I went back and I went to guidance and they put me through all kinds of tests, and at the end of the tests, they said, "You want to grow up to be a lab tech." And I said, "Great, what's a lab tech?"

Continued on next page



I applied to Mohawk College in Hamilton and got accepted and that's the best thing that ever happened, because my husband was in the same year.

Hugh and I hung out with the same group. At the end of second year, I brought a group of about eight people home, up to the lake. That is when my mother met him. After they had all left, she said, "I want you to bring my Hugh back." I said, "Your Hugh?" She says, "Yeah, that's my Hugh." That was just funny. She knew.



My husband and I are business partners and this year we celebrated 30 years of marriage. It's kind of a unique situation because we are very good friends and we work very well together. We've actually had people decline jobs because they couldn't understand that we would be able to work well together. Unfortunate for them.

The toughest part of being an entrepreneur is staying focused, because if you go off on tangents, it's not difficult for things to start to unravel. And it's very easy for a phone call to come in with what seems like a great opportunity. You want to take advantage of those, but you don't want to lose sight of what is paying the bills and what you already have.

The first banker that we dealt with said, "No one will ever be as interested or take better care of your money than you will." Those have always been very wise words. At any given time, we know exactly what the financial health of the company is.

"We love what we do and that makes it all worthwhile."

We've always been conservative in our approach to things. We worked full time in other positions while we started this, always re-investing and always looking for diversification, so we would have protection should one area of the business slow down.

You can't have a business that's based on one product. You have to diversify. And you can't have just three customers. You have to have lots of customers.

Hugh has always done the science; I've always done the money. It's a perfect blend, because I understand the science. So when he says, "We need to spend money here," I understand what he's asking. But if I have orders come across my desk, I can question whether or not we really need that amount of material, or I can go back and ask, "What project is this for?"

I think that the foundation of our relationship is a very strong mutual respect. I have tremendous respect for his scientific ability, for his entrepreneurial insight and product development. But then, also, I have tremendous respect for him as an individual. His values are second to none. And we're both family oriented. We have three beautiful children and four grandchildren. That's a strong basis for our relationship.

I got my pilot's licence five years ago. You know, why not? Both Hugh and I like a challenge. We're not obsessive by any means. But we are committed.

My husband got a used sports car, a little Audi TT, cute little cherry red, and that's his toy. We got it paid off and I said, "I'd like a set of wheels now." He said, "Really? What do you want to get?" It's a 12-foot quilting machine frame with an industrial quilting machine and it's on four casters. So that was my set of wheels. Quilting is something I do that's totally unrelated to my day-to-day life.

Our perception of BDC is that they'll work with you in any way possible to see you succeed. It's patient money. If things get tough, they're the first ones to come to you and say, "You know what? We see that you're faced with some difficulties—mad cow disease was an example. Would it help you if we just let you not make principal payments for six months?" And that just gives you a little bit of breathing room, and it's always been that way.

We look for the positive, the potential, and put the hard work behind it. We love what we do and that makes it all worthwhile. \$

AS TOLD TO DON MACDONALD.

Ask a Pro

At our new online Advice Centre at BDC.ca, we offer our unique Ask a Pro service. Each month, we pick a new topic and invite entrepreneurs to discuss it with one of our business professionals from BDC Consulting. Here are some recent exchanges.



Q Is it possible to have an image that will make an impression and thus keep customers? I know that word of mouth is very important, but do you have some other approach that could help me?

A Marketing and branding strategies, to a large extent, depend on the size of your business and your position in the market. You may want to evaluate the real attributes of your company. Maybe you offer a more reliable service, improved efficiency, friendlier service or greater dependability than your competitors do. What makes you unique? Sometimes, when you are relatively small, you can offer better prices.

Once you have established your strong points, communicate this message to your existing customers and to qualified prospects. Do so regularly and consistently. Maintain frequent contacts. This way, you are constantly “reminding” your customers and prospects of your unique features and attributes.

Q Where can I find specialized questionnaires that I could use during interviews of candidates to evaluate their capacity for self-reliance, their personal initiative, sense of responsibility, emotional intelligence and so on?

A Review any book or material that explains “behavioural-style interviewing.” The best predictor of future behaviour is past behaviour. Behavioural-style interviewing asks specific questions that will reveal a candidate’s behaviours.

Try questions like these:

- Tell me about a situation you faced when there was no one around to help you and you could only rely on yourself to get the job done.
- Tell me about a time when you faced a difficult decision and the answer was not readily apparent.
- Tell me about a time when you were involved in a highly emotional confrontation. What was it about? How did you handle it? What was the outcome? How would you approach it differently next time?

When you run a small business, your time is at a premium and you may not be able to attend seminars or workshops. Ask for assistance from an association you belong to, or find out whether there are any books, tapes or videos at the library that you could study after hours. \$

Put your business question to a BDC Consulting expert through our free Ask a Pro service by visiting the Advice Centre at BDC.ca. On this site, you can also consult previous questions and answers, and sign up for our online newsletter, eProfit\$, with its monthly selection of original articles to help you manage your business—and yourself.



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