

ESSENTIAL INFORMATION FOR ENTREPRENEURS

profits\$

BUSINESS DEVELOPMENT BANK OF CANADA
WINTER 2011 | VOL. 31 NO. 1 | BDC.CA

A GREAT BOSS HOW TO BUILD A WINNING TEAM

THE WIRED COMPANY

USING TECHNOLOGY TO
POWER YOUR GROWTH

HELLY HANSEN: DRY, WARM AND SAFE

INNOVATION IS KEY TO
COMPANY'S SUCCESS


BDC
Entrepreneurs first

ELANA ROSENFELD
CEO,
KICKING HORSE COFFEE COMPANY

TABLE OF CONTENTS

2 PRESIDENT'S MESSAGE

Leading From Strength

3 UP FRONT

Meeting With Success

My Best Advice

Benchmarking Your Way to the Top

Top Tech Investments

Employers' Reasons for Investing in Diversity and Inclusion

9 BDC NEWS

A Strong Commitment to Entrepreneurs in a Volatile Economy

10 ENTREPRENEURS FIRST

Technology: A Motor of Growth

13 FEATURE

Helly Hansen: Dry, Warm and Safe

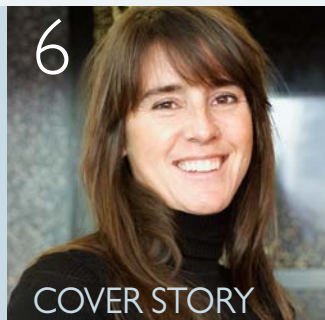
16 IN HER OWN WORDS

A Jewel of a Business

19 QUESTIONS & ANSWERS

Ask a Pro

6



COVER STORY

A Shared Sense of Mission

Profit\$® is published by the Business Development Bank of Canada (BDC). Its purpose is to provide entrepreneurs with information of interest and to inform them about BDC products and services.

Profit\$® articles may be reprinted when permission is obtained from the editor and credit is given to BDC. ISSN-0711-0316

® A registered mark of BDC.

Publisher: BDC

Senior Editor: Don Macdonald
don.macdonald@bdc.ca

Publications

Coordinator: Louise Forest

Art Direction: Pierre Ménard and Eunice Renélick (BDC Public Affairs)
Ardoise Design

Address: Business Development Bank of Canada
Public Affairs Department
5 Place Ville Marie, Suite 400
Montreal, Quebec, Canada H3B 5E7

Telephone: 1 888 INFO BDC (463-6232)

Website: bdc.ca

Printed on 100% recycled paper.

PRESIDENT'S MESSAGE

LEADING FROM STRENGTH



JEAN-RENÉ HALDE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

At BDC, we believe strong leadership is the key to building a strong business. That's especially true in today's hyper-competitive world where entrepreneurs have to find ways to become ever more innovative, agile and productive.

Good leadership starts with a clear vision of where your business is headed and a plan to get you there. Then you have to rally your employees to achieve your shared goals with honest, inspiring and consistent communications. That's a tall order, and to achieve it entrepreneurs must commit themselves to sharpening their leadership skills. They have to learn how to recruit the best employees, entrust them with responsibility and then offer feedback based on results.

Great leaders also understand that communication has to be in both directions. It's essential not only to be transparent about the company's situation and your expectations, but also to truly listen to employees' opinions and concerns. After all, they are close to the evolving challenges facing your business, whether it's a production bottleneck, a customer complaint or trouble brewing at an important supplier. Their intimate knowledge of your company and industry makes them a rich source of ideas to boost your competitiveness and help you grow.

Of all leadership skills, often the toughest to master is striking the proper balance between maintaining control over the business and delegating authority to employees. However, getting it right allows you to step back when necessary to focus on more strategic tasks while developing your employees by giving them more responsibility.

Leadership skills can be developed through training, coaching and experience. At BDC, we work hard to understand your business and help you to become a better manager. For us, it's entrepreneurs first. We're here to talk when you are. \$

Meeting With Success

HERE'S HOW TO TAME YOUR UNRULY BUSINESS MEETING CULTURE

Poorly managed meetings are a productivity black hole for many businesses. They're time wasters and frustration creators. So get them under control. Your team will thank you and your business will benefit.

Here are 10 strategies to improve your company's meeting culture.

1 Reduce the number of meetings by finding other ways to address business. If you're simply sharing information or reviewing project status, for example, consider e-mail or other written communications. Your employees will be grateful and use the time more productively.

2 If you're undecided whether or not you need a meeting, ask yourself: do I need the input of other people to make team-based decisions or solve a contentious issue? If not, you may not have a valid reason to hold that meeting.

3 Create a company culture where meetings are valued and respected. If you allow people to be systematically late or arrive unprepared, you are sending out a message that your meetings are unimportant. Close the door once the meeting begins and don't start over for latecomers.

4 Send an agenda in advance so that participants can be fully prepared. Be sure it is action oriented. If participants aren't key to achieving a goal, they shouldn't be there. You can allot specific times for each topic to keep the meeting on track and request that somebody take notes.


5 If you find you're attending too many meetings, check with the organizer to see whether your presence is necessary. Maybe you can assign somebody else on your team to attend.

6 If you hold a meeting to solve a problem, start with a brainstorming session first to stimulate creativity; write ideas somewhere visible in the room and don't censor employee input. Once everybody has had a chance to express his or her point of view, you and your team can decide which ideas work best.

7 Keep the atmosphere positive. Don't criticize colleagues at meetings. If participants become angry or highly critical, politely draw them back to the original agenda.

8 To keep your meetings shorter, give the participants brief summaries of topics and avoid handing out lengthy documents. If people are flipping through a PowerPoint while you talk, they're probably not listening.

9 If you reach a stalemate on a contentious issue, know when to move on; don't linger on issues because you can't reach a consensus. Come back to it at a later date.

10 Close with an action plan and circulate it at the end of the meeting. Ensure that everyone leaves knowing what is expected of them. 



Find more business tips at BDC's online Advice Centre at www.bdc.ca




SIXTY-SECOND COACH

MY BEST ADVICE

Before becoming a full-time entrepreneur, I worked as a manager for a technology company. The CEO was a brilliant businessperson and a natural at technology who came from an agricultural and manufacturing background. One day, when we were discussing management philosophy, he told me to “follow the mice.”

On seeing my utterly confused expression, he elaborated that when you see a mouse in the barn, you need to assume that there isn't just one. Follow the mouse and you'll find the nest.

This advice has become a cornerstone of my management philosophy and has served me incredibly well on my entrepreneurial journey, for which I am grateful. It taught me to keep an eye on the little problems before they become big problems. It

also taught me to develop an instinct for when to dig deeper for answers and take action when something doesn't “smell right.” 

Modern Earth is an Internet services company headquartered in Winnipeg, serving more than 700 clients across North America with web design, online marketing and e-learning. Dan Belhassen is a former winner of a BDC Young Entrepreneur Award.

DAN BELHASSEN
PRESIDENT,
MODERN EARTH WEB DESIGN



BENCHMARKING YOUR WAY TO THE TOP

Every company's financial statements tell a story and being able to read and understand that story is crucial to boosting your operational efficiency, cash flow and profits.



Benchmarking is one powerful way of using your finances to improve your performance.

The technique involves comparing your performance on key indicators to industry standards to identify weaknesses and opportunities to boost liquidity, profits and growth.

“Benchmarking financial statements quickly tells management exactly where it needs to improve,” BDC Consulting Senior Manager Eric Giroux says. “From there, you can evaluate the benefits of making specific changes.”

For example, if a business has \$10 million in sales and a gross profit margin of 25% while the industry average is 30%, then operating at industry levels means a gain of \$500,000.

Once you've benchmarked and identified areas for improvement, it's time to look even deeper and make an action plan. Your detective work will often produce big benefits.


Early detection of potential problems. Drilling down into your leverage and liquidity ratios can help you identify and address emerging problems stemming from financing of assets or current obligations.

Improved working capital management. This generally calls for better control of accounts receivable, accounts

payable and inventory.

A typical action plan might call for training accounting staff, implementing stricter accounting procedures and adopting lean manufacturing techniques.

A sharper focus on profits.

Detailed gross margin analysis by specific product and service will identify winners and losers. From there you can adjust your inventory while focusing your sales and marketing resources on your most profitable offerings. 

BDC Consulting offers the COMPASS program to help entrepreneurs benchmark their performance, identify areas for improvement and take action.

TOP TECH INVESTMENTS

A recent BDC survey indicates that the top technology priority for Canadian entrepreneurs over the next 12 to 18 months will be building their online capability. Several studies have found that information and communications technologies investments have a direct impact on innovation and productivity.



WEB PRESENCE

WEBSITE DEVELOPMENT,
E-COMMERCE, ONLINE
TRANSACTIONS, SOCIAL
NETWORKING, WEB 2.0,
SOCIAL MEDIA

62%



HARDWARE INFRASTRUCTURE

DESKTOP PCs, MACS, LAPTOPS,
NETBOOKS, FAX MACHINES,
PRINTERS, SERVERS, STORAGE

40%



BUSINESS SOLUTIONS

ACCOUNTING, CUSTOMER
RELATIONSHIP MANAGEMENT,
BUSINESS INTELLIGENCE,
PERFORMANCE
MANAGEMENT, OPERATIONS/
PRODUCTION SOFTWARE

35%



MOBILE SOLUTIONS

WIRELESS DEVICES,
SOFTWARE/DATA SERVICES

34%



SECURITY

BACKUP, DISASTER
RECOVERY AND BUSINESS
CONTINUITY SOLUTIONS

25%



SOFTWARE INFRASTRUCTURE

OPERATING SYSTEMS,
SYSTEMS MANAGEMENT,
NETWORK MANAGEMENT,
VIRTUALIZATION

24%



CONTENT, COMMUNICATIONS AND COLLABORATION SOLUTIONS

OFFICE APPLICATIONS,
MESSAGING, SHARED ONLINE
RESOURCES

18%



TELEPHONY

17%



CUSTOM APPLICATION DEVELOPMENT

15%



SERVICES

SYSTEMS INTEGRATION,
TRAINING

14%



ALTERNATIVE SOFTWARE LICENSING MODELS

SOFTWARE-AS-A-SERVICE,
APPLICATION HOSTING,
APPLICATION OUTSOURCING,
CLOUD COMPUTING, OPEN
SOURCE

10%

OTHER

4%

EMPLOYERS' REASONS FOR INVESTING IN DIVERSITY AND INCLUSION



NOTE: EMPLOYERS WERE ASKED TO IDENTIFY THEIR TOP THREE REASONS.

SOURCE: IMMIGRANTS AS INNOVATORS: BOOSTING CANADA'S GLOBAL COMPETITIVENESS, THE CONFERENCE BOARD OF CANADA, OCTOBER 2010.



Multiple answers were allowed. Therefore, the total exceeds 100%.

BDC is currently recruiting Canadian professionals and entrepreneurs to join our ViewPoints panel. Apply at www.bdcviewpoints.com

PHOTOGRAPHY:
MARTIN TESSLER

A SHARED SENSE OF MISSION

GREAT BOSSES BRING OUT
THE BEST IN THEIR TEAM

BY RICHARD ANDREWS

Each year, Elana Rosenfeld and Leo Johnson, her husband and business partner, leave their flourishing coffee company in the interior of British Columbia to travel for up to a month at a time to Mexico, Nicaragua, Peru and other countries.

Rosenfeld and Johnson have nurtured relationships with farmer co-ops in those countries that have been crucial to the success of Kicking Horse Coffee Company. It is now

Canada's No. 1 fair trade coffee company with annual sales of almost two million kilograms of organic coffee.

Those trips are also an example of the relationship that Rosenfeld and Johnson have fostered with their 50 employees back home in Invermere, B.C. It's based on trust, employee autonomy and a shared sense of mission.

"Knowing we can leave the shop in good hands allows us to develop a personal relationship with local suppliers," Rosenfeld says. "In turn, we can report back to our employees and customers on how fair trade

coffee makes a real difference to the lives of those who were often exploited. That message encourages further support for the company's mission and products."

Nestled in the Rocky Mountains of southeast B.C., Kicking Horse was founded by Rosenfeld and Johnson in a garage 15 years ago. They pride themselves on an informal and accessible management style, regular communication with employees and a strong sense of fun that permeates the company culture. Indeed, one of the most potent coffee blends is aptly named Kick Ass.



Work practices include flexible hours, daily stretch breaks for line workers, catered monthly “pow-wows” and official fun days for kayaking, skiing or Christmas celebrations.

To many entrepreneurs, those activities may sound more relevant to a holiday camp than a multimillion-dollar enterprise. But experts insist the keys to building an engaged, high-performance workforce are more likely to be found in Kicking Horse’s inspiring leadership approach than in traditional command-and-control management techniques.

“Doing it from the heart is paying off for us,” Rosenfeld says. “Our employees are highly motivated, very productive and usually stay with us a long time.”

The results are in the numbers at Kicking Horse, a client of BDC Financing and Consulting. The company’s revenue doubled annually for the first few years and now increases by about 15% to 20% a year. Plant facilities

were recently expanded to 60,000 square feet, including a welcoming cafe where local residents can sip the company’s wares. High-end chain stores in the U.S. have started stocking the company’s product and there looks to be much more growth ahead.

Motivated by purpose and meaning

There is increasing recognition that employees are motivated first and foremost by a fundamental need for purpose and meaning in their work, says Irene Lis, a BDC consultant in Toronto who specializes in human resources management.

“Obviously, you can’t pay someone peanuts and expect the best,” Lis says. “But once employees are satisfied that their compensation is fair, the rest comes down to managers and how well they are able to engage the staff. To get that engagement, employees need to believe in the business and the management.”

Forty years of research support this view, according to the bestselling book *Drive: The Surprising Truth About What Motivates Us*. For many jobs—where creativity and initiative are required—a focus on reward-and-punishment approaches (“sweeter carrots and sharper sticks”) not only doesn’t work in getting the best from employees but can also frequently do harm.

Instead, author Daniel Pink argues that robust employee engagement flows from three “deeply human” needs:

- > **autonomy**—the urge to direct our own lives;
- > **mastery**—the desire to get better at something that matters; and
- > **purpose**—the yearning to work in the service of something larger than ourselves.

In becoming a better leader, one of the toughest challenges for many entrepreneurs is finding the right balance between exercising managerial control and truly delegating authority to employees. Yet, delegating responsibility is a key to both generating sustainable growth and empowering employees.

“Kicking Horse began as the Elana and Leo show,” Rosenfeld says. “The company is our baby, but we can’t do everything. We need to delegate more as it gets bigger. So, we have to make sure that our team has the tools, the power, the freedom and the motivation to do the best job that they can.”

While perks like official fun days are eye-catching, Kicking Horse is careful to protect its culture by focusing on managing HR fundamentals in areas such as hiring and compensation.

Good recruitment practices are critical. To attract the best people, Rosenfeld says the company offers competitive wages and an above-average benefit package, relative to the local economy and the coffee industry. Then it sets the ground rules for employees and diligently monitors performance.

“You have to make your expectations clear,” says Rosenfeld, who with Johnson is a former winner of a BDC Young Entrepreneur Award. “Weak players can poison the workplace quickly and bring down staff morale.”

Tough decisions

Accordingly, the company does not shy away from tough decisions.

“It’s vital to put together a good team. If someone does not fit in, we deal with it quickly. We don’t want to be bogged down by the drama that can happen in workplaces.”

Bonnie Elliot, a Senior Consulting Manager at BDC, says the Kicking Horse model can be applied to companies in a wide range of industries, but cautions that entrepreneurs have to be prepared to back up inspiring words with sustained action.

“When you walk into the facilities at Kicking Horse, the way people interact makes it evident that the place is different from a company that is run bureaucratically and autocratically,” Elliot says. “The commitment to staff well-being and community is not just talk, but something that the partners live and breathe. The culture starts at the top. You can read all the concepts in the world, but unless you’re modelling them, they won’t work.

“It takes the right person who can attract the right people to share the organization’s vision.”

Continued on next page

TOP 10 TIPS FOR SUCCESSFUL PEOPLE MANAGEMENT

- 1** Treat people as individuals, not commodities.
- 2** Take the time to choose the right people, but be prepared to make tough decisions if they don't fit in. When in doubt, out.
- 3** Communicate, communicate, communicate. It's the most effective and cheapest way to boost employee engagement.
- 4** Make your expectations clear to employees and be clear on what your employees can expect from you.
- 5** Build your culture as you grow.
- 6** If you want to grow, you have to let go. Reduce micromanagement and start delegating.
- 7** Focus on quality rather than speed when growing the company.
- 8** Managers are trained, not born. They can be the strongest or weakest link in an organization. Train them well.
- 9** Clearly define and communicate your vision as well as your HR philosophy, strategy and processes.
- 10** Employees perform better when engaged, appreciated and inspired. That comes from the top and has to be genuine. Walk the talk.

She agrees that entrepreneurs have to work hard on improving their people management skills to be successful in building a highly engaged team.

"Learning people skills is the work of a whole career," she says. "Managers with poor people management skills are a leading cause of most HR problems. People quit their bosses, not their jobs."

"If an organization could do only one thing to improve its human resources practices and employee relations, it would be to train its managers to be effective in communicating, delegating and engaging company employees."

Back at Kicking Horse, Rosenfeld says the company's attitude toward employees is part of a holistic approach to business.

"Everything we do has to be high quality," she says. "And I don't just mean the product. We're passionate about contributing socially and environmentally."

"That commitment starts with our No. 1 asset, our people. Our priority is to make sure employees are looked after and can maintain healthy, fulfilling lives with their families." \$



GROW
YOUR BUSINESS
TO THE NEXT LEVEL

Growth is what an entrepreneurial business is all about. But sustaining growth becomes more challenging as the business gets larger. Strategies are more complex. Management is more demanding. Financing is more important.

Our consulting and financing experts can supply the resources your business needs to achieve its growth potential. At BDC, it's entrepreneurs first.



FINANCING | VENTURE CAPITAL | CONSULTING

bdc.ca

Canada

BDC News

A STRONG COMMITMENT TO ENTREPRENEURS IN A VOLATILE ECONOMY

Economists tell us that Canada is recovering from the recession, but we know conditions are still difficult for many businesses and entrepreneurs remain cautious.

That's why we are striving to help our clients build their businesses during the recovery with flexible support from our financing, consulting and venture capital services. In recent months, we have helped entrepreneurs position their companies for growth by investing to be more innovative and productive.

We have also worked hard to promote entrepreneurship in Canada because we believe resilient, innovative, growing businesses are the key to Canada's prosperity.

Here are some things you should know about BDC's recent activities:

> BDC launched a comprehensive Economic Recovery Loan Program to help entrepreneurs take advantage of the strengthening economy. The program supported existing BDC clients with pre-approved loans, many of which were used to finance working capital requirements and make other investments. BDC committed \$251 million to 3,800 entrepreneurs in all regions of the country under the program, which ran from July to October 2010.

> The 2010 edition of Small Business Week®, BDC's annual tribute to entrepreneurs and the vital role they play in our economy, was a big success, with activities taking place across Canada. Entrepreneurs had the opportunity to learn, network and enjoy themselves in the

company of their peers at 325 local events held during the third week of October.

> We are busy organizing the 2011 edition of BDC's Young Entrepreneur Awards. The awards pay tribute to young entrepreneurs who are outstanding not only because of their success in business, but also due to their creativity, innovative spirit and community involvement. Winners will be invited to receive their awards at a gala in Saskatoon on May 3.

We work to ensure that our clients have the support they need to succeed. At BDC, it's entrepreneurs first. \$

BDC ADVICE CENTRE

Looking for fresh ideas,
knowledgeable advice
and free tools?
It's all in one place—
on BDC's website!



BDC
Entrepreneurs first

FINANCING | VENTURE CAPITAL | CONSULTING

bdc.ca

Canada

A MOTOR OF GROWTH

USING TECHNOLOGY TO DRIVE
YOUR BUSINESS AHEAD

BY ALEX ROSLIN

It wasn't the worst problem a business owner had ever faced. Larry Cox's trucking business was seeing such colossal growth that his computers just couldn't keep up any more. Polaris Transportation Group had ballooned to 40 trucks from three in a decade. And the company's hodgepodge of clunky old PCs had become a drag on growth.

LARRY COX
PRESIDENT,
POLARIS TRANSPORTATION GROUP

PHOTOGRAPHY: YVES LACOMBE

"Our computer systems were cracking due to the sales volume," Cox says.

He decided to seek the advice of an outside consultant. With a \$15,000 price tag, it didn't come cheap. Nor was Cox entirely sure the money wasn't being wasted. "I'm paying someone for their opinion?" he asked himself with some disbelief. "That was a chunk of money. It could have bought half a trailer."

But that decision in 2004 changed everything for Cox and Mississauga, Ontario-based Polaris. It led to far more than just a vastly improved computer network. It also transformed the company's business strategy, allowing it to automate some order handling, trim costs and start offering real-time tracking of shipments to clients.

The technology investment helped Polaris more than triple sales to \$40 million. Revenues shot up a whopping 28% in 2009–10 alone. The company's carrier fleet now boasts 100 trucks.

"I've gone from fear and trepidation about technology to embracing it. When you see the results, you become much more comfortable with it. If we hadn't made this investment, our growth wouldn't have happened."

But this success story is far from the norm when it comes to investments in information and communications technologies (ICTs). When small and medium-sized enterprises (SMEs) go shopping for technology, it's more typical to hear horror stories of costly purchases gone awry.

For example, about 75% of purchases of enterprise resource planning software—a common project—don't provide a positive return on investment for SMEs, says BDC Consultant Rick Shaw, who advises Polaris. One-third of the systems don't even go live.

"Companies will often buy the wrong system from the wrong dealer for the wrong reasons,"

says Shaw, a Toronto expert on technology and operational efficiency.

ICT purchases go off the rails for lots of basic reasons:

- > They're often made when there's an emergency, not as part of a strategic plan.
- > They tend to be delegated to staff or external advisers who have no ICT expertise.
- > Alternative suppliers are not researched.
- > Entrepreneurs tend to see ICT as a cost centre, not a strategic tool.

And once burned, businesses often hold off on other needed ICT investments, leaving them without the technology they need to compete.

The stakes are high for both individual businesses and the economy as a whole. Canadian business productivity and innovation have fallen behind those of our key trading partners, and low private investment levels in ICT are contributing to this poor performance.

Entrepreneurs reluctant

Cox understands the reluctance of other entrepreneurs to invest in ICT.

"Businesspeople have difficulty spending money on something they aren't familiar with. I have no problem investing in a new model of truck or trailer. But when I'm faced with technology that I can't touch or feel, it's harder to see the value in it."

Montreal entrepreneur Jack McDonald saw first hand just how badly an ICT purchase can go wrong. A few years ago, McDonald and his business partner, Mark Hanna, needed to buy a major new software package for their company, Leeza Distribution.

Leeza, which distributes branded surfacing material such as floor tiles and quartz-based countertops, was growing fast but still using an off-the-shelf accounting system.

Without doing the right homework, McDonald bought a new enterprise resource planning (ERP) system that was poorly suited to the company's needs. It cost five times more than budgeted and was still causing frustration five years later.

With a little planning, however, an ICT purchase can do much more than just satisfy basic business needs, says BDC Consultant Lawrence Young, who has advised Leeza on the purchase of a new ERP system. It can more than pay for itself by boosting profits, enhancing competitiveness and reducing employee stress.

The secret, Young says, is to follow a detailed ICT purchase plan that is aligned with your company's strategic plan.

When McDonald decided to update his ERP system earlier this year, he did things differently. First, he brought in outside help. He called BDC Consulting and retained Young, who did an in-depth assessment of the company's requirements. The starting point was its strategic plan, which forecasts the number of employees tripling to 120 over the next five years.

The result: a highly detailed request for proposals sent out to vendors that listed nearly 1,000 requirements. The top four suppliers were each invited to do a half-day presentation specifically addressing how they'd meet Leeza's needs. This made them easier to compare than generic presentations.

"We were comparing apples with apples, not apples with pomegranates," McDonald says.

The top two picks were then each brought back for a full-day presentation, followed by an additional half day to answer follow-up questions. The final choice was about as well researched as it could be, McDonald says, and the new system will be a cornerstone of the company's ambitious growth plans.

Continued on next page

"I've gone from fear and trepidation about technology to embracing it."

—Larry Cox



A huge challenge

Back at Polaris, Larry Cox says he has followed a similar approach with great success ever since that first successful ICT consulting project six years ago. Polaris is now going through another major ICT upgrade that will see better real-time tracking of shipments and full automation of order processing, including bar coding of freight.

It's a huge challenge. Polaris needs to integrate data on shipments from all of its 13 U.S. and three Canadian partner carriers. The companies all use different technology. Some are small local companies that still enter orders manually; others are fully automated major regional carriers. With a combined fleet of 10,000 trucks between them, it's a logistical nightmare.

This time, Cox had no qualms about calling in outside help. He hired Shaw to give strategic management advice on a BDC mandate. Shaw soon determined that Polaris' skyrocketing

sales had again left its outmoded computer system in the dust.

"They had no idea how many orders they were shipping a day. Their response time was too slow. Data management was holding them back," Shaw says.

Shaw's first step was to review Polaris's operations, see what was working and what wasn't, and find ways to streamline. "People think that if you buy technology, it will solve all your problems. You have to have the proper manual processes before you automate them."

Shaw then put Cox in touch with a Toronto ICT firm that specializes in wireless solutions, including bar coding. It proposed a software and hardware package that promised to solve Polaris's order-handling problems—and pay for itself in 15 months.

If all goes well, Cox sees sales more than doubling to \$100 million annually in four years.

"It's one of the most expensive consulting projects we have ever done," Cox says

"But if we don't do it, we won't survive.

If we do, we'll have a big leap in our capacity to move freight." \$

10 STEPS TO A SUCCESSFUL TECH INVESTMENT

How can you make sure your ICT purchase turns into a profitable investment—not a nightmare money pit? Follow these steps.

- 1 Prepare a strategic plan for your business if you haven't already done so. Include a vision for the future and an action plan for achieving it.
- 2 Make a list of problems with your current ICT and opportunities for improvement.
- 3 Create a "needs assessment" for new ICT systems. Be sure to base it on your strategic plan and include ICT implementation needs, such as employee training and any needed re-engineering of your business processes.
- 4 Assess potential costs and available resources. Hire an outside consultant if needed.
- 5 Use your needs assessment to create a request for proposals to send to vendors. Be sure to consider smaller players—not just the big boys.
- 6 Score how well vendors meet each requirement, and determine the total cost of ownership of each proposal, including costs for licensing, professional services and maintenance.
- 7 Invite your top picks to present their product. Provide them with a "demo script" covering the requirements to address during their presentation.
- 8 Involve employees throughout the process to help ensure their needs are met and that they take ownership of the new system.
- 9 With employees' help, develop an "action plan" for implementing the ICT.
- 10 Monitor implementation and impacts.

FEATURE

DRY, WARM AND SAFE

**INNOVATION INFUSES
EVERY ASPECT OF
HELLY HANSEN'S BUSINESS**

BY DEBBIE LAWES

Helly Hansen Canada knows a thing or two about innovation. It has to—workers' lives depend on it.



DAN CLARKE
PRESIDENT,
HELLY HANSEN CANADA

PHOTOGRAPHY: DAN CALLIS
HELICOPTER COURTESY OF
COUGAR HELICOPTERS

"We're like a zodiac boat trying to sink a battleship."
—Dan Clarke



says Dan Clarke, President of Helly Hansen Canada, a privately held Canadian company that operates under licence from Helly Hansen of Oslo, Norway. "It was tough but we did it. It's now the survival suit of choice in Newfoundland and Nova Scotia."

Clarke adds that retrofitting 1,800 survival suits in eight months would not have been possible without having skilled people in Atlantic Canada.

"No doubt it would be less expensive to run our factory in the Far East, but we would not be able to respond as readily and rapidly to our customers needs," he says.

While governments and industry think tanks brainstorm on ways to encourage more small and medium-sized companies to invest in innovation, Helly Hansen walks the talk in every corner of its operations.

The Dartmouth, Nova Scotia, company keeps thousands of workers dry, warm and safe outdoors. Its line of meticulously designed work wear, including flame-retardant suits and thermal layer clothing, and full line of marine safety products are sold at more than 1,300 retail stores across Canada.

Helly Hansen has also made its mark as a manufacturer and distributor of cold-water survival suits used by major oil and gas companies, including Hibernia, Husky and ConocoPhillips Canada in Atlantic Canada.

The company's innovative mettle was put to the test in 2009 when it began upgrading its helicopter passenger suit for the offshore industry—a process that typically takes 24 months. A key client needed the suits in less than half that time.

It was a Herculean task, but the company's 120 employees were able to do a full redesign, certification and retrofit on 1,800 survival suits in just eight months.

"We had to create new production and quality control processes to meet the timelines, while producing a suit that fits a much broader range of individual sizes,"

Millions invested in innovation

It invests about \$750,000 annually in research and development for new products, and has invested millions of dollars more over the past few years to improve its processes, procedures, distribution and customer service.

"Innovation for us isn't just about a scientific review of a new flame-retardant garment; it's a 360-degree approach to our business," Clarke says.

In 2009, Helly Hansen, a client of BDC Financing and Consulting, launched a new corporate program to focus on three pillars: solid customer relationships, satisfied employees and innovation.

"Our innovation is driven by the fact that we're a small company competing against very large companies. That requires being innovative all the time, be it in processes, procedures, products or in how we serve our customers."

The global economic downturn presented even more challenges. Helly Hansen saw its sales drop to \$22 million in 2009 from \$25 million in 2008. It also found itself with

more inventory than needed and had to act fast to correct the situation.

"It was the biggest lesson we learned. We got caught in a rapidly growing marketplace, and the problem with that is you forget what's on the back shelf. Then all of a sudden you have an inventory problem."

The company decided to implement a new database system to better plan inventory levels. It introduced another system to make invoicing of major dealers more manageable and efficient. And it added new analytical reports and forecasting tools.

After the changes, a BDC consultant carried out an efficiency assessment of Helly Hansen's plant, R&D division and logistics group, and gave the company a glowing report.

The bottom line? Helly Hansen reduced its inventory costs by 33%—or about \$4 million—over the past two years.

The changes also shortened its product development cycles by 40%.

"We have a solid niche market but there are always bigger competitors trying to move into our space," Clarke says. "We're like a zodiac boat trying to sink a battleship. If we're not innovative, we're going to get run over." \$

LESSONS LEARNED

Remember what happens when the economy slows down. Keep a tight rein at all times on inventory levels and working capital.

Adopt information technology to improve invoicing, forecasting and inventory management. It can reduce costs and shorten product development cycles.

Innovation need not be drastic. Focus on incremental improvements to all aspects of your business, including products, processes, procedures, distribution and customer service.

Don't sacrifice quality for price. High quality standards can differentiate you from competitors.

Listen to and support your customers. Helly Hansen ensures its retail distributors have everything they need to sell its products, from good point-of-purchase material to product training.



PROFIT FROM PEAK PERFORMANCE

Is your business performing at its best? Peak operational efficiency happens when the right combination of people, processes and technology come together in a lean operation.

Our consulting and financing experts can provide you with the resources you need to attain peak efficiency, making your company more productive, agile and profitable. At BDC, it's entrepreneurs first.

FINANCING | VENTURE CAPITAL | CONSULTING

bdc.ca



Canada

A JEWEL OF A

Mary-Eve Ruel used to dream about making her mark in the world of fashion, but not as an entrepreneur. After studying fashion marketing in Quebec City, she joined Uranium, a company that designs and sells Canadian-made clothes, jewellery and accessories. Four years later, the founder of Uranium asked her to take over the company. At the time, she was only 22, and had no personal assets and not much of a track record. However, the founder of Uranium, Annie Bédard, saw in her the determination and passion of a true leader.

Five years later, Ruel has not only learned how to run a business, she has transformed it. She moved the head office from Quebec City to Montreal and developed a distribution network of 120 points of sale across Canada. She recently opened an online store and hired a community manager to promote the Uranium brand in social media. Today, she distributes her products in Canada, the United States and Europe. The future looks promising.

I HAD TO DO AN INTERNSHIP AS PART OF MY STUDIES. I knew about Uranium because I'd seen its products in the stores. I found out that its offices were in Quebec City and I contacted the company about doing an internship. They needed someone on the team right away and they hired me even before my internship started.

WHEN I STARTED I WAS PRINTING LABELS, DOING INVENTORY. I started at the bottom of the ladder, but I never complained. I was never bored at Uranium. I liked the ambiance, the company's vision and the team.

OVER THE YEARS, I WAS GRADUALLY GIVEN JOBS WITH MORE RESPONSIBILITY. In 2004, Uranium was established across Canada and starting to take part in trade shows in the United States.

AT THE TIME, I DIDN'T SPEAK ENGLISH. That was a big personal challenge. I started listening to lots of things in English to get an ear for it, to be able to function in English. That helped me to work at trade shows with the Uranium team.

IN 2006, THE FOUNDER ASKED ME TO TAKE OVER URANIUM. She had other projects she wanted to work on and she wanted to pass the torch to someone who would carry on the business.

I HAD NEVER DREAMED OF BEING AN ENTREPRENEUR! I loved fashion. I was passionate about my work, but I had never imagined running my own business. I saw myself working for the founder of Uranium for the rest of my life.

I THINK THE FOUNDER SAW IN ME SOMEONE WHO WAS LIKE HERSELF: a young, creative woman who is passionate about fashion and sees a big future for the Uranium brand.

I WAS SCARED. I SAW THE PROPOSAL AS A MARRIAGE, A COMMITMENT. I thought: "Oh my God, if I say yes, this will be it for the rest of my life!"

I FINALLY AGREED TO TAKE ON THE CHALLENGE AND WE PREPARED TO DO IT. I was only 22. We had to find financing to transfer the business but my personal net worth was pretty limited...I didn't own a home, didn't have a partner...It was a big challenge.

I DIDN'T WANT A CO-SIGNER ON THE LOAN, WHICH MADE IT EVEN MORE DIFFICULT. I became the sole shareholder of the company and I didn't want anyone else to be involved in my decision.



MARY-EVE RUEL
OWNER,
URANIUM DESIGN



BUSINESS

CREATIVITY FUELS YOUNG ENTREPRENEUR'S SURPRISING CAREER

PHOTOGRAPHY:
STÉPHANE CHAMPAGNE

I WAS YOUNG AND FINANCIAL INSTITUTIONS WEREN'T WILLING TO TAKE THAT RISK. But I was fortunate to be buying an established business with a proven track record that was doing well. The founder was also there for me. We finally found people—particularly at BDC—who were open minded and agreed to help me.

THE TRANSFER WAS VERY EMOTIONAL. Over the years, the founder of Uranium and I had become very close. And we're still very good friends.

THE DAY OF THE TRANSFER, JANUARY 31, 2006, WE ALSO MOVED THE COMPANY FROM QUEBEC CITY TO MONTREAL. We had decided we had to bring Uranium closer to the fashion world.

THE FIRST YEAR WAS TOUGH. I had to rebuild the team in a new city and learn how to run a business. I didn't have the resources that an established entrepreneur has. Every day brought new challenges.

Continued on next page



“If it were easy, there wouldn’t be anything special about being an entrepreneur.”

AT THE TIME, I WOULD SAY TO MYSELF: “IF IT WERE EASY, EVERYONE WOULD HAVE THEIR OWN BUSINESS.”

That became my mantra. Although things are easier for me now than they were at the beginning, I still think that if it were easy, there wouldn’t be anything special about being an entrepreneur.

I DECIDED TO STOP TAKING PART IN TRADE SHOWS ABROAD TO CONCENTRATE ON MANAGING THE BUSINESS.

I wanted to learn the basics, build a strong team, improve my English and do well in Canada before returning to the international arena. That strategy has worked well.

LAST YEAR, URANIUM WAS CHOSEN TO REPRESENT MONTREAL AT THE WHO’S NEXT SHOW IN PARIS. Over the years, we have proven that we are strong enough not only to build a greater presence in the Canadian market, but also to have an international presence.

LAST YEAR WE OPENED AN ONLINE STORE, WHICH GAVE US A NEW WINDOW ON THE WORLD. Uranium now ships its products to New York, Paris, Vancouver and lots of other places. Having the online store also strengthens our brand image and puts our name out there.

WE RECENTLY SIGNED AN AGREEMENT WITH A DISTRIBUTOR IN CALIFORNIA. That will help us continue to make inroads in the United States with the new 2011 spring collection.

URANIUM DESIGNS ITS COLLECTIONS AROUND FOUR FICTIONAL CHARACTERS, EACH WITH THEIR OWN PERSONALITY. It’s a marketing concept that works very well. We offer our clients more than jewellery and accessories; we offer the values our characters embody. Each product bears a medallion that represents the character’s values and spirituality.

I FIND IT EASIER TO DESIGN FOR LUV MACHINE, A FEMALE CHARACTER WHO EMBODIES BOTH ROCK AND GLAMOUR, WITH A DARK, METAL SIDE. But I wear a lot of the products from the collection created for Lucie, a more 1950s, Rockabilly type. Stella is very romantic, very feminine. I also like designing for our male character, Hayden, because I love everything retro-futuristic. People who like Uranium know which character they associate with.

I DESIGN ALL OF URANIUM’S COLLECTIONS. I save hundreds of pictures that inspire me, give me ideas. I check out the fashion shows and trend reports. The Internet is also a vital tool. Blogs and social media tell us a lot about what people like.

I HAVE A CREATIVE SIDE AND A BUSINESS SIDE, TWO THINGS YOU NEED TO BE SUCCESSFUL. I’ve learned that creativity isn’t only product design and development. It’s also solving problems, finding solutions. All entrepreneurs are creative to some extent.

WHAT I LIKE MOST ABOUT BEING AN ENTREPRENEUR IS THE CONSTANT CHALLENGE. It’s also seeing the results we get as a team in building the Uranium brand.

STRESS IS UNAVOIDABLE WHEN YOU’RE AN ENTREPRENEUR. You have to learn how to manage it. The amount of work doesn’t bother me, but I’m often afraid that we won’t be able to meet deadlines, that a problem will come up.

AS AN ENTREPRENEUR, YOU HAVE TO BE WILLING TO GIVE YOURSELF TO IT BODY AND SOUL. You have to set an example. We cannot ask our people to be more dedicated than we are. We have to be willing to do everything, show that we believe in our vision and be completely invested in it. \$

AS TOLD TO JOHANNE BISSONNETTE.

FOR MORE INFORMATION ON URANIUM VISIT WWW.URANIUM.WS

**CONNECT
WITH BDC**



Canada

Ask a Pro

Put your business question to a BDC Consulting expert through our free Ask a Pro service by visiting the Advice Centre at BDC.ca. 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.



Q How do you assess the export potential of a product in terms of its quality and market potential?

A Generally, you assess the export potential of any product or service the same way you assess its potential in your home market. This involves forming a business plan for launch of the particular product or service, one that factors in the market, competitive factors, operational factors, marketing tactics and, of course, budgeting.

Unlike planning for a launch in your home market, however, planning for export involves other factors—such as language, local cultural differences and delivery over great distances. Each will present a special problem. The perception of quality may differ from country to country, depending on the needs of customers in each country. Similarly, markets in each country may vary widely in their comfort level with your product or service.

These decisions at the heart of the strategic planning process require a deep understanding of your target market, which depends on the depth of information you can locate in advance. You can obtain much of this information from the Canada Trade office or from foreign governments. Many exporters planning to deliver products or services in foreign countries partner with a similar local company. This partner is immersed in the local culture and usually has a better understanding of the subtleties involved in local business. Also, many exporters first refine their systems in countries closer to home, such as the United States. This way, mistakes can be corrected more easily.



Q I run a small trucking company, and larger companies have started to drop their prices to cut smaller companies out. How should we fight back?

A This is a strategy known as price taking, and is happening in many industries. With this strategy, companies hope to grab market share by lowering their prices.

But this technique leads only one way. When companies begin price cutting, the marketplace rapidly converts to a commodity market where the only real differentiator is price. Essentially, the lowest price rules.

It is unlikely that you can compete against larger companies on price alone. They simply have more resources and can outlast you. When the competition is eliminated, prices will probably go up again.

Having said that, you can still fight back with a “judo strategy.” Use your opponents’ strengths against them, keeping them constantly off balance through your agility, creativity and ability to be flexible. Differentiate yourself so that you can maintain higher prices.

Generally, larger competitors can compete on low pricing because they use systems that serve the masses and therefore cut out many niche buyers. Your job as a differentiated service provider is to find the problems within that system and solve them. Weed out those buyers who care only about price, and concentrate on those who want more. **\$**



FROM HOME OFFICE TO HEAD OFFICE

At BDC, we're dedicated to taking entrepreneurs to the next level. You can count on our flexible financing and consulting services to provide you with made-to-measure solutions — so that your business gets exactly what it needs. At BDC, it's entrepreneurs first.

FINANCING | VENTURE CAPITAL | CONSULTING

bdc.ca



Canada