

ESSENTIAL INFORMATION FOR ENTREPRENEURS

profits\$

BUSINESS DEVELOPMENT BANK OF CANADA
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GO FOR GROWTH

BUILDING YOUR DREAM BUSINESS

TECHNOLOGY: YOUR COMPETITIVE EDGE

TOOLS FOR BOOSTING
PRODUCTIVITY AND PROFITS

PREMIER TECH'S RECIPE FOR WORLD- CLASS INNOVATION

FROM HUMBLE BEGINNINGS
TO GLOBAL REACH



SULEYMAN ODEMIS
PRESIDENT
THE TILE SHOPPE

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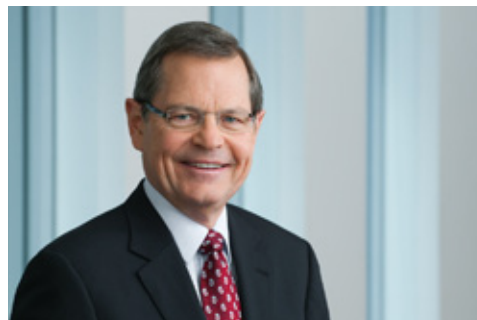
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PRESIDENT'S MESSAGE

ONE ENTREPRENEUR AT A TIME



JEAN-RENÉ HALDE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Our mission is to help Canadian entrepreneurs build profitable, growing businesses. An important part of that mission is to encourage them to embrace innovation as a key to their success.

In the bigger picture, we believe a more innovative Canada will be built one entrepreneur at a time. In other words, innovation is crucial for creating not only more competitive businesses, but also a more robust national economy.

Certainly, there has been no shortage of studies and talk in recent years about Canada's productivity deficit and the need for more innovation to fill it. Now it's time for action.

But how do entrepreneurs operating in the tough, everyday world of business go about making their companies more innovative? We say it starts with a decision to put innovation at the heart of your business strategy.

The next step is to strive to discover what your customers want and how your company might meet those desires with new products, services, processes and marketing approaches. Here, your employees can often be an invaluable source of new ideas. After all, they have a wealth of expertise and are on your business's front lines every day.

Once you have uncovered what your customers want, you need to act. But you don't have to bet the company. Instead, take calculated risks and don't be afraid to make mistakes. A good place to start is by investing in the information and communications technology your company needs to be more competitive.

The Government of Canada has designated 2011 as the Year of the Entrepreneur, in recognition of the vital role entrepreneurs play in creating prosperity. Canada needs its entrepreneurs to be more innovative in order to grow as a nation. And I'm confident they can and will come through. \$

UP
FRONT

ADVICE YOU CAN COUNT ON

ADVISORY BOARDS: A FRESH PERSPECTIVE

Ask an entrepreneur why he or she started a business and at least one answer is inevitable: I wanted to run my own show. So why would a business owner want the input of an advisory board? It turns out there are a lot of good reasons. A well-run advisory board can bring significant advantages to a business by offering a fresh perspective and wise advice at an affordable price.



Michel Nadeau, executive director of the Institute for Governance of Private and Public Organizations in Montreal, says an advisory board is often preferable to a formal fiduciary board of directors for smaller companies. “Advisory board members are usually drawn from an entrepreneur’s business contacts—retired business executives and associates with legal, financial or other specialized knowledge,” Nadeau says. “They will often agree to help out on an advisory board in exchange for a nominal fee, or even just the price of a good dinner.”

While there are potential liability risks involved in sitting on a fiduciary board of directors, there are normally no legal implications involved in joining an advisory board. Another advantage of advisory boards is that many entrepreneurs prefer their more informal structure, says Nadeau, former deputy general manager of the Caisse de dépôt et placement, Quebec’s public pension fund manager.

Even the smallest company can start with a mentor and then work up to an advisory board as the company grows. Board members should have skills and experience that complement those of the president and top managers, and they shouldn’t be afraid to diplomatically challenge management’s ideas, decisions and ways of doing things.

That kind of independent advice can be invaluable to an entrepreneur, especially in turbulent times, such as a growth spurt or slowdown. \$

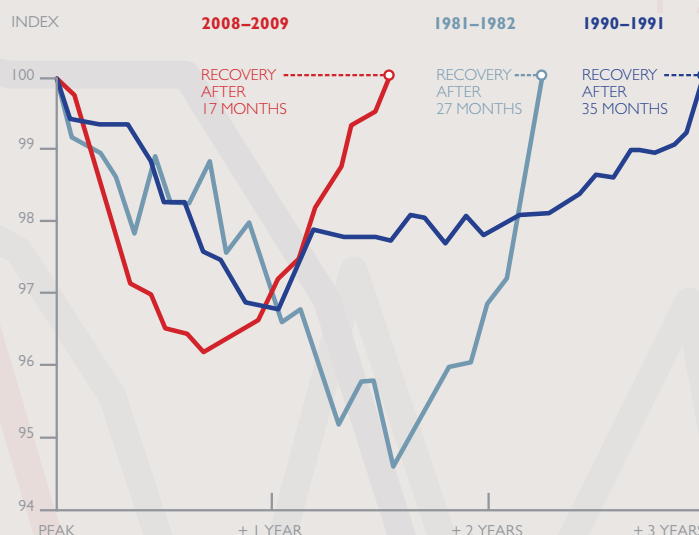
RECESSION POST-MORTEM

FIRST A DRAMATIC DOWNTURN, THEN A SHARP REBOUND

By most conventional measures, the 2008–2009 recession in Canada was less severe than those in 1981–1982 and 1990–1992, according to Statistics Canada. However, this does not reflect the toll the global financial crisis took on the economy, the agency says. In the early stages of the downturn, both gross domestic product and employment contracted at the fastest rate of any post-war recession. This reflected in large part the unprecedented decline in global trade flows, and the resulting quick and severe drop in corporate profits and spending. The economy began to stabilize in mid-2009 in response to policy measures in Canada and abroad. The decline in output in Canada, although significant, was less pronounced than that in the U.S. and other industrialized countries, and the subsequent recovery was quicker and more complete. \$

Source: Statistics Canada.

GROSS DOMESTIC PRODUCT CYCLES





SIXTY-SECOND COACH

MY BEST ADVICE

To start a viable business today, you really have to stand out in the crowd with a product that resonates with consumers. I've been an entrepreneur for more than 25 years and I've learned that the secret to finding a great business idea is paying attention to what people need and responding to that need. You have to keep your eye on the market and determine exactly how you're going to differentiate yourself. It's a simple but powerful piece of advice that has served me well.

For example, I recognized a trend: basement windows in houses were getting bigger and decks were being raised higher. I noticed that

people on my street were limited to using latticework or wood as skirting for decks, so I was able to find an alternative solution with our durable but highly decorative mesh skirting. My company solved a problem for customers, and that's how I started a successful business. *\$*

Founded three years ago, Design Equations is an outdoor decor company based in St. François Xavier, Manitoba. The company's innovative decorative deck skirting, railing and fence products are now in home improvement centres and garden retailers across Canada.

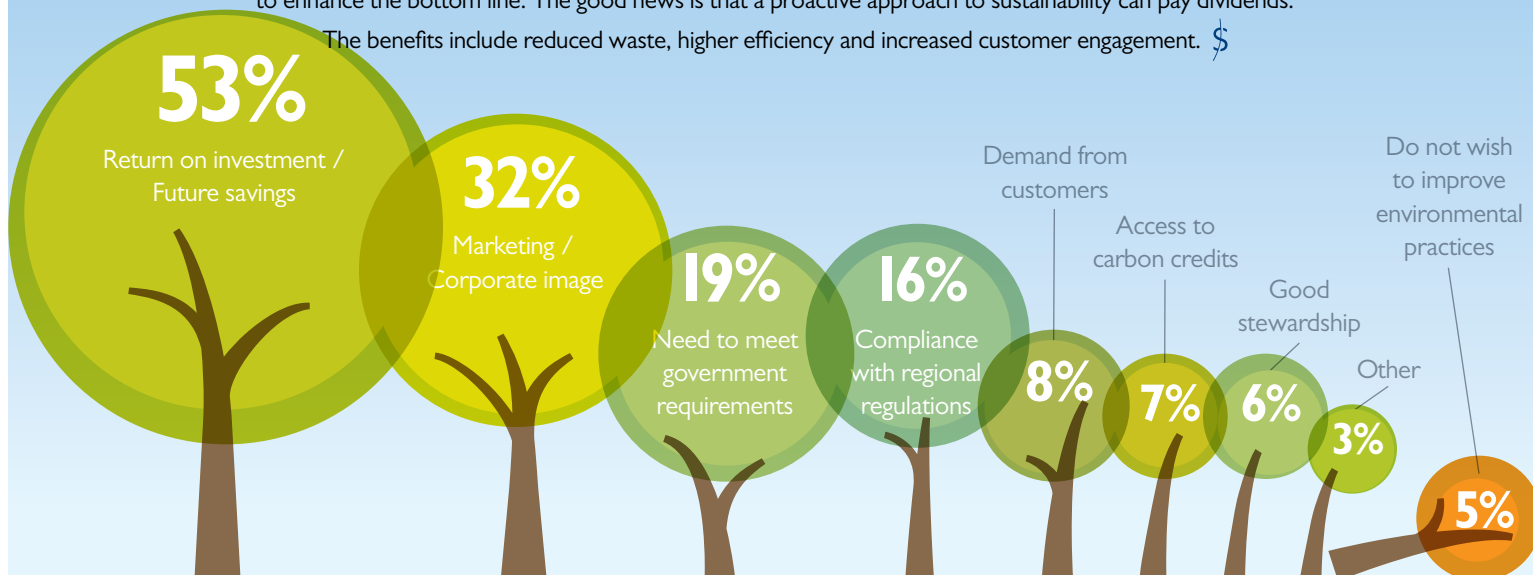


BRENDA GORAN
CEO, DESIGN EQUATIONS

REASONS FOR MAKING YOUR COMPANY GREENER

A recent BDC survey of Canadian entrepreneurs indicates the top reason for wanting to improve environmental performance is to enhance the bottom line. The good news is that a proactive approach to sustainability can pay dividends.

The benefits include reduced waste, higher efficiency and increased customer engagement. *\$*



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

AVOIDING A CRASH

HOW TO ENSURE YOUR INFO-TECH STAYS SECURE

What are the biggest info-tech security problems that Canadian entrepreneurs face?

If you said computer hackers, guess again. The biggest problems, by far, come from a company's own employees. The good news: they're usually not doing it on purpose.

According to industry research, four in five Canadian small and medium-sized businesses report experiencing a security problem related to information and communications technology (ICT) caused by an employee, in the previous year.

One of the most common breaches: accidentally downloading malware—those nasty little computer viruses and Trojan horses that can cause mayhem in your computer network.

"People pay lip service to ICT security, but they don't invest money in it," BDC Consultant Robert Hyde says. "Until they've been burned, they don't necessarily see the value in it."

Here is the ICT security checklist that Hyde gives to his clients.



DESKTOP SECURITY

- ☐ Do all computers have working anti-virus software?
- ☐ Do you have a security policy about downloading and installing new software?
- ☐ Do you have passwords with a minimum of eight alphanumeric characters that are changed every 90 days?
- ☐ Are all computers updated with the latest system updates and security patches?

INTERNET AND NETWORK SECURITY

- ☐ Do you have a firewall and intrusion detection on all web connections?
- ☐ Do you use a virtual private network for remote access?
- ☐ Are all modem and wireless access connections known and secured?

POLICIES

- ☐ Does your company have a clear ICT security policy that's known to staff?
- ☐ Do you have a policy on acceptable ICT use, password guidelines and security practices?
- ☐ Do you have confidentiality agreements for contractors and vendors?
- ☐ Does your company have a privacy policy?

DATA BACKUP

- ☐ Do you centralize critical data (anything needed in day-to-day operations, including customer information) on a server and back it up nightly to a remote location?
- ☐ Do you centralize important data (anything important to the business that isn't updated frequently) on a server and back it up semi-regularly to a remote location?

PRIVACY AND SENSITIVE INFORMATION

- ☐ Is customer financial information encrypted and accessible only to those who need it?
- ☐ Are paper files kept in locked filing cabinets with controlled access?

AUDIT

- ☐ Do you do a periodic audit (at least every six months) of your ICT security checklist? \$



YOUR GROWTH PLAN

LAYING A SOLID
FOUNDATION FOR
YOUR AMBITIONS

BY ALEX ROSLIN

PHOTOGRAPHY:
YVES LACOMBE

Many entrepreneurs dream of creating a profitable, fast-growing business. Suleyman Odemis has a turbo-charged version of that dream. His chain of discount tile retail stores, The Tile Shoppe, has tripled its revenues since Odemis founded it in 2007.

He has expanded his original outlet in Vaughan, Ontario, to six stores in Ontario and Alberta. And that's just the beginning. His ambitious growth plan foresees 50 stores across Canada in the next three years. "I like to take risk. I believe that how much I take risk is how much I can win," he says.

But Odemis has hit a roadblock. Finding the right people to manage his existing stores has proved tough. His model requires store

managers who can accept responsibility and are invested in the store's success, instead of seeing their work as just another job. To motivate managers and salespeople, Odemis has put in place some of his industry's highest commissions. But it's still hard to find people, he says.

Keeping tabs on six stores in two very different provinces has also proved harder than he imagined. How, he wonders, will he ever manage 50 outlets? "It's easy to open stores, but it's difficult to manage them. It looks easy on paper, but I didn't really know how to grow."

Odemis's problem of fast sales growth may sound like an enviable one to entrepreneurs just struggling to pay the bills. But ramping up a business can cause big headaches, too, and leads many small businesses to crash.

"A typical scenario for small companies is they experience rapid growth, but they are not prepared to handle it," says Kathy St. Jean, a BDC Senior Consulting Manager in Brampton.



SULEYMAN ODEMIS
PRESIDENT
THE TILE SHOPPE

"They are in pain, and they are trying to produce as quickly as possible and running as fast as they can. A lot of them are not even stopping and asking, 'Am I making money? Am I profitable?'"

As revenues take off, experts say, it's vital for small companies to step back from the daily grind and ensure their fundamentals are in order. That means having a strategic business plan backed by empowered and motivated personnel, adequate financing, and the right information and communication technology.

In 2009, Odemis approached BDC Consulting for help with taking his business to the next level. Consultant John Brown first worked with him to develop a strategic plan. It consisted of three parts:

- > a detailed analysis of his company's existing operations, potential markets, strengths and weaknesses;
- > a vision for the company's growth; and
- > steps to achieve that vision.

The consultant also did a growth potential assessment, which involved taking a detailed look at the company's growth prospects and ways to sustain rapid expansion.

"Getting that fresh perspective on my business was invaluable," Odemis says. "I really have a better sense of where we're going now."

Out of all this planning came a solution to The Tile Shoppe's growing pains. The company will expand through franchises, instead of corporate stores. Running the new stores will be franchisees who put up their own cash and are directly invested in their outlet's success, more so than an employee could be.

The growth potential assessment also showed Odemis he needs to increase his company's internal capacity to support the new stores by, among other strategies, adding to his management team. He says he has filled only 10% of the key managerial positions in his company. That means far too much day-to-day management still falls on his shoulders. "We're still at the entrepreneurial stage as a company. The company still relies on me too much."

Delegating daily responsibilities to employees is, in fact, a common issue for entrepreneurs as their companies grow. Part of the problem, says St. Jean, is that entrepreneurs tend to wear many hats in small companies and have a hard time letting go of responsibilities and empowering employees to make decisions.

"Time management is probably one of the top factors that influence the success of growing companies," St. Jean says. "If you're out there loading trucks, you're misusing your time and energy. Stop working in your business and start working on your business."

Tony Perrotta realized the importance of delegating the hard way at his company, Greentec. His business of recycling ink and toner cartridges was a runaway success. And it was helping save the planet, which made the self-professed environmentalist even happier.

But Perrotta's sales success was costing him personally. In the late 1990s, not long after starting Greentec in Cambridge, Ontario, he was close to burning out—exhausted from working up to 14 hours a day.

Perrotta got control of his work hours by learning to delegate, but it wasn't easy at first. "Delegating was a challenge. I had to learn the hard way that you have to empower people and make sure they can deliver," he says. "It's very important if you want to grow. You're not going to be able to do everything yourself. You'll burn out; I came pretty close."

"A lot of it has to do with hiring the right people. The faster you grow, the faster you need the right talent."

Today, the company has 95 employees (up from three in 1995), and Perrotta envisages that revenues will expand by 75% in the next five years. "We've always had rapid growth, but you can only grow as fast as you can manage growth."

Ann Gray, a BDC Senior Consulting Manager in Kitchener, Ontario, who has worked with Perrotta, credits him with laying the groundwork for rapid growth early in the company's life. "He has built a healthy, open-minded working culture that allows employees to contribute," she says.

Perrotta took other steps to create a solid foundation for quick growth. For one thing, he was quick to realize the importance of strategic planning. Not long after he founded Greentec, he started to sit down for yearly strategic planning sessions with employees and his wife, Betty Pereira, the company's finance manager.

"Planning allows us to stay one step ahead of the competition. Just the fact that I know this is my vision, this is where I'm going, this is where I want to take this organization, that is the best feeling in the world for me," Perrotta says.

Continued on next page

MANAGING GROWTH

Managing quick growth is a challenge for many entrepreneurs. The secret is laying a solid foundation to sustain growth in key areas: planning, human resources, financing, operational efficiency, and information and communication technology.

Here are a few tips.

PLAN AHEAD

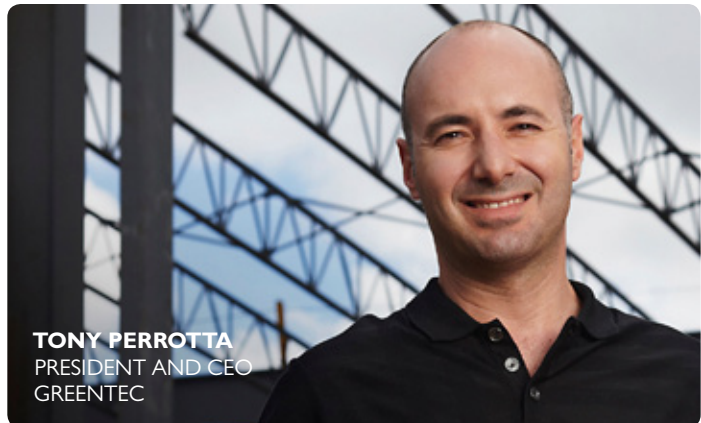
Having a formal plan is vital for any business—especially one that's growing quickly. The plan should analyze the company's current status, articulate a vision for the next few years, and lay out an action-oriented strategy for financing and managing growth. The plan needs employee involvement, and should be monitored and updated regularly.

DON'T DO EVERYTHING YOURSELF

Delegating to employees or contracting expertise can be tough for a hands-on entrepreneur. But it's also critical in a growing company because failure to recognize your own limitations can quickly stall your progress. Experts recommend that entrepreneurs empower employees to run the company's day-to-day operations and reward them appropriately. That leaves the business owner freer to focus on the bigger picture—the business's vision and future growth.

INVEST TO KEEP PACE WITH GROWTH

Your company can't grow without the right tools and business systems. That means investing to expand facilities, add machinery, or introduce new information and communications technology to improve your sales, productivity and financial controls.



TONY PERROTTA
PRESIDENT AND CEO
GREENTEC

Planning ahead helped Greentec weather a major storm when the market for recycled ink and toner cartridges nosedived as e-mail started to replace fax machines in the early 2000s. Far from taking a major hit, Greentec grew by adding new lines of business, such as services to recycle and dispose of electronic products such as computers, cell phones and monitors.

Greentec now has electronic-waste collection deals with national retailers such as Future Shop and The Source, and several Ontario municipalities.

Perrotta also engaged BDC Consulting to help improve Greentec's operational efficiency, and secured BDC financing for a plant expansion and major equipment purchase.

Back at The Tile Shoppe, Odemis has also worked hard on his business fundamentals in order to lay a solid foundation for the growth he wants.

Three years ago, he adopted sophisticated new inventory management software that has cut costs. The software helps managers time new orders so there is enough tile to meet customer demand without leaving product sitting idly on warehouse shelves. "If the order is late, it costs money because there is no sale. If it is early, it costs money because it sits in inventory," Odemis says.

The software was customized to The Tile Shoppe's needs and took a year to implement because the company's other business systems needed to be reorganized to harmonize with the new software.

This year, Odemis has also set a goal to fill 50% of those vacant managerial positions. In addition, BDC has provided financing for store renovations and is helping him create his franchising framework.

Odemis is now eager to open his first franchises. "I'm excited to be able to take the business to a whole new level." \$

FEATURE

THE GREAT
CANADIAN
LANDSCAPING

YOUR TECH EDGE

PHOTOGRAPHY:
MARTIN TESSLER

BOOSTING PRODUCTIVITY AND PROFITS

BY DON MACDONALD

Two years ago, Chris O'Donohue reached a crossroads at his fast-growing landscaping company on Vancouver's North Shore. O'Donohue had started the business back in 2000 with a pick-up truck, a shed in his mother's yard and an ambitious name—The Great Canadian Landscaping Company.

CHRIS O'DONOHUE
PRESIDENT
THE GREAT CANADIAN LANDSCAPING COMPANY

By 2009, he had built Great Canadian into a bustling year-round business with 30 employees in high season, eight trucks and an impressive collection of equipment. But O'Donohue knew his 14- to 16-hour work days were unsustainable if he wanted to preserve his health and personal life as well as pursue more growth at the company.

So he decided to hire two senior managers to take some of the burden off his shoulders. Together, the team decided the business needed a roadmap for the future. With the guidance of BDC Consulting, they devised a detailed strategic plan that foresees the company more than doubling its revenue to \$4 million by 2016.

A crucial part of achieving that plan is using more information and communications technology (ICT) to enhance the company's productivity and competitiveness.

The company is already reaping impressive benefits from two recent ICT investments: job estimating software and mobile clock-in technology for work crews. O'Donohue estimates the clock-in software alone will produce cost savings at Great Canadian of as much as \$120,000 a year by reducing wasted time.

"This is what's allowing our company to grow," O'Donohue says. "For Great Canadian to become the company I want it to become, I had to step back and invest some capital."

In every industry, advances in business technology have made it easier to manage and grow a business. Hunches and guess-work can now be replaced with accurate information delivered in real time, equipping managers to make better decisions and improve their company's performance.

Unfortunately, too few Canadian companies are taking advantage of productivity-enhancing technology. Canada's rate of ICT investment per worker in 2009 was 59.5% of that of the United States, according to a new study by the Ottawa-based Centre for the Study of Living Standards.

Experts say ICT can help entrepreneurs to better manage every part of their business, from inventory control to operations, accounting, human resources, communications and customer relationships.

"There's incredible value in analyzing your business, identifying key success metrics and then using technology to stay on top of those key performance factors," says BDC Consulting Manager Christopher Lythgo, who has worked with Great Canadian.

"If you can do that, you will ultimately become more profitable and a lot more competitive."

Great Canadian certainly doesn't have to be sold on the benefits of ICT for improving the way things are done in the landscaping business.

Jason Black, the company's Vice President of Operations, says most landscaping firms bid for contracts by making rough calculations based on past experience. Those estimates often don't take into account overhead and other hidden costs, leaving managers unsure of how much profit they are earning on each job.

Great Canadian, for its part, uses its estimating software to first prepare an annual budget that forecasts its costs for everything from materials to vehicles and equipment to office overhead. The software then uses this information to calculate prices to charge customers, including a profit margin based on costs.

The software produces not only an estimate, but also a job sheet that guides the work crew with a description of tasks required to complete the job, materials and the number of hours allocated.

"We know that every job we're doing is going to be profitable. There's no guessing," Black says. "And our foremen are driving out of the shop knowing what they have to do. There's no standing around at the site."

The software also makes Great Canadian more flexible. For example, the firm is now in a better position to adjust its pricing and staffing levels in response to peaks and valleys

INFO-TECH TOOLS FOR IMPROVING YOUR COMPANY'S PRODUCTIVITY

So your business is set up with the technology basics—computers, a network, an Internet connection. You also have a website that's optimized to attract customers. Now what? Businesses can benefit from a wide range of information and communication technology (ICT) to make their operations more productive and profitable.

Experts say it's worth breaking down your business into its main functions and finding ICT that can help in each area. Here are some examples.

INVENTORY MANAGEMENT

Managing inventory is a critical function for many businesses. Inventory control software and tools such as bar codes and scanners allow companies to track and analyze inventories in relation to sales. This permits them to better forecast demand and adjust inventory levels to have just enough stock to fill orders on time.

FINANCES

Improve your cash flow with accounting software that provides information to help monitor sales, control expenses and collect on invoices faster. Speed up payments even more with online billing and mobile solutions that allow clients to pay you on the spot.

GENERAL MANAGEMENT

As your company grows, you might wish to consider acquiring an enterprise resource planning (ERP) system. It integrates information from all areas of your business—sales, inventory, operations, distribution, accounting and human resources management. Among other things, this allows companies to coordinate customer orders with inventory purchasing, production scheduling and delivery.

in demand. And the software allows for better planning of purchases, saving the company time and money through bulk orders.

Similarly, the clock-in software is boosting efficiency. Instead of punching in at the office, workers are now clocked in at the work site by their foreman who is equipped with a smart phone. They are also clocked in and out at lunchtime. Savings on unproductive time and overtime are huge, O'Donohue says.

As companies grow, some find themselves struggling to manage a mishmash of ICT tools in various areas of their business. There's a comprehensive solution for these companies: enterprise resource planning (ERP) software. It integrates management information across different functions in an organization.

Sitka Surfboard is one fast-growing company that has made a major investment in an ERP system to streamline its operations and support future growth. Sitka, with its 40 employees, is a West Coast manufacturer, wholesaler and retailer of surfboards, skateboards and clothing, with stores in Victoria, Vancouver and Auckland, New Zealand, as well as an online store.

The company is currently customizing web-based ERP software to replace an inefficient patchwork of systems in various parts of the company. As part of the project, Sitka is also adding new point-of-sale and e-commerce technology that will feed information into the ERP software.

Sitka President Andrew Paine says the new system will allow Sitka to improve its sales forecasting and more efficiently manage purchasing and inventory across the brick-and-mortar stores and its online and wholesale operations.

"This really tracks the products all the way down the line and gives us a lot of information back," Paine says. "We see this as a key part of our growth strategy. Improving our efficiency now will pay off 10-fold as we scale up in the future."

Before embarking on an ICT investment, BDC Consultant Rodger Morrison advises entrepreneurs to keep a few things in mind: companies should already be following designed, disciplined business processes and have a clear understanding of their strategy and how ICT will help.

"If your company wasn't disciplined and following proper processes before, then an ICT system won't fix those problems," Morrison says.

It's also important to seek unbiased advice when identifying and selecting the technology that best responds to your company's needs.

"Where are you taking the company? What will it need to get there? How will ICT produce value each step of the way?" asks Morrison, who advises companies in the western provinces. "That should be a big driver in what systems you select."

At Great Canadian Landscaping, O'Donohue says he's satisfied the work that went into the strategic plan and selecting the systems his company is using will continue to pay off in the future and pave the way for other ICT investments.

"Technology makes us more competitive, more effective and more efficient," he says. "If you don't improve your technology, how are you going to grow?" \$

Innovation is the key to improving your ability to compete. It sets your business apart and forces competitors to react to you.

Our consulting and financing experts have the skills, experience and knowledge to ensure your innovations translate into more revenue and profits. Put us on your innovation team. At BDC, it's entrepreneurs first.

SHARPEN YOUR COMPETITIVE EDGE INNOVATION



BDC News

BDC RECOGNIZES OUTSTANDING YOUNG ENTREPRENEURS FROM ACROSS CANADA

BDC's Young Entrepreneur Awards recognize the achievements of remarkable young business owners, ages 19 to 35, from across Canada.

The winners were selected for their business success, as well as their creativity, innovative spirit and community involvement. At a gala on May 3 in Saskatoon, eleven awards were presented to winners. In addition, the Deloitte Corporate Social Responsibility Award and the Cisco Innovation Excellence Award were presented to two YEA winners. We congratulate the winners and thank the candidates, judges and sponsors who made BDC's 2011 Young Entrepreneur Awards such a success. Here are the winners.



YUKON

Cole Hodinski, Horizon Helicopters Ltd.
Whitehorse



BRITISH COLUMBIA

Arnold Leung, Appnovation Technologies Inc.
Vancouver



ALBERTA

Jason Parks, Profab Welding Ltd.
Grande Prairie



SASKATCHEWAN

Rachel Mielke, Hillberg & Berk—Regina



MANITOBA

Peter Chudley, Todd Jenkyns, Mark Kohaykewych, Jenkyns Electric (2008) Ltd.
Winnipeg



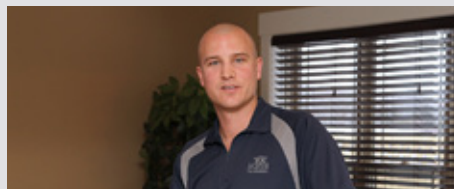
ONTARIO

Jeremy Gutsche, Trend Hunter Inc.—Toronto
Also the winner of the Cisco Innovation Excellence Award



QUEBEC

Steve Couture, Frima Studio—Quebec City



NEW BRUNSWICK

Pierre Martell, Martell Home Builders Inc.—Moncton. Also the winner of the Deloitte Corporate Social Responsibility Award



NOVA SCOTIA

Anaïs Guimond, Atlantic Cirque Agency and School—Dartmouth



PRINCE EDWARD ISLAND

Rachelle Wood, Rachelle Wood Nutrition Inc.
Charlottetown



NEWFOUNDLAND AND LABRADOR

Greg Hanley, Hanley Construction & Renovation Inc.—St. John's

FERTILE GROUND FOR INNOVATION

PREMIER TECH FOCUSES ON
LISTENING TO CUSTOMERS

PHOTOGRAPHY:
YVES LACOMBE

BERNARD BÉLANGER
CEO AND CHAIRMAN
PREMIER TECH

Bernard Bélanger thrives on watching the beehive of activity outside the expanse of windows in his office. Employees are loading five trucks with products from his company, Premier Tech, destined for U.S. customers. Forklifts are whirring around the loading area.

And off to one side is Bélanger's pride and joy—Premier Tech's innovation, research and development (IR&D) centre. The ultra-modern, 2,000-square-metre building is the reason a humble peat moss harvesting concern in Rivière-du-Loup, 200 kilometres northeast of Quebec City, has grown into a \$500-million conglomerate that is considered one of the most innovative businesses in Canada.

The IR&D team accounts for 200 of Premier Tech's 2,000 employees, including 10 PhDs. It eats up 3% of the company's revenues each year.

Premier Tech gets a big bang for all that effort. The company has averaged an amazing 11% growth rate per year over the past quarter century. More than one third of the company's annual sales comes from new



or significantly modified products that the company didn't have five years ago.

Premier Tech makes a huge array of products—peat moss-based soil conditioning products used by gardeners, microbial inoculants for agriculture, waste-water treatment equipment, industrial packaging machinery and recycling systems.

It has also innovated in its core field. The world's leading technology for peat moss extraction was once European. Today, Bélanger says proudly, it is Canadian and based largely on Premier Tech's innovations.

Bélanger, 76, Premier Tech's CEO and chairman (his son Jean is president), got the innovation bug in the 1960s when he realized the company had to do something different to stand out from the herd in a very conservative industry. "If you want to grow, you absolutely have to have new products," he says.

At the time, the business, founded in 1923, collected peat moss, screened it and sold it in bags to professional gardeners and farmers, who spread it on soil to improve its quality. Canada has one quarter of the world's peat land.



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.



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The company's first stab at innovation had mixed results. It partnered with researchers at Cornell University in Ithaca, New York, to develop a product called Pro-Mix, a soil additive for gardeners based on peat moss.

Pro-Mix would eventually become a big seller for Premier Tech, but it took 15 years of effort for the pioneering product to break into a very old-fashioned market that didn't take kindly to anything new.

The experience taught Bélanger that innovation needs to be married with marketing from the start. This realization led him to found Premier Tech's IR&D centre in 1983. Its mission: to bridge the gap between fundamental research in universities and government institutes, on one hand, and applied science needed in industry, on the other.

"We can't spend 15 years marketing a product. It's too slow," Bélanger says.

"My thesis is we can be faster and more efficient if universities and industry work more closely together. If we don't, a new product may already be obsolete by the time it's ready for the market."

Bélanger's other realization was that it was vital to listen to the market. So he started to send employees to conventions, expos and county fairs to harvest ideas for new products from his customers, whom he calls "the real heart of business."

"You are the expert. We want to develop products for you," customers are told.

"In your craziest dreams, what kind of equipment would you like to see?"

Premier Tech, a client of BDC Financing, especially targets what Bélanger calls "very curious clients"—those ahead of their industry. They may do some research themselves and "dream of having extraordinary products," he says.

More than half of Premier Tech's new products come from these kinds of customers. Other product ideas come

BERNARD BÉLANGER'S INNOVATION TIPS

Premier Tech's Bernard Bélanger believes companies must create what he calls "a culture of efficient innovation." Among his principles is an insistence that customers' needs remain the focus throughout the innovation, research and development process, not just at the point of sale.

Bélanger says companies must

- > dedicate enough resources to innovation;
- > motivate employees by offering competitive wages, and by cultivating pride in products and a will to be leaders in their industry;
- > work to ensure efficient business processes and structures; and
- > build on knowledge and earlier innovations, a task that includes working closely with the academic and institutional worlds.

from Premier Tech's employees (known internally as "team members" to highlight the company's participative culture) and university researchers. Shelved ideas also get a second look periodically.

The next step is to run an idea by other customers, who act as a sounding board and give feedback on its market potential.

The idea then goes to the IR&D team, which decides whether to develop it further. Accepted ideas are then reviewed by an independent scientific committee, which

checks on the research every few months to decide whether it's still worth pursuing.

The IR&D team takes on 40 to 50 new product ideas each year, of which 10 to 20 typically become products that make it to the market. The benefits are obvious in Premier Tech's bottom line, says Bélanger.

In fact, he says, such intense innovation is no less than the key to survival for Canadian industry as it competes against low-wage economies.

"If we know how to innovate, we can protect ourselves." \$





A CLEAN SWEEP

**AMBITION AND HARD
WORK HAVE LED TO
ENTREPRENEUR'S
SUCCESS**

BOB NEWMAN
PRESIDENT
NEWMAN'S CLEANING LTD., SCOPE
AND R.A. NEWMAN HOLDINGS LTD.

PHOTOGRAPHY:
NED PRATT

Bob Newman grew up in Boyd's Cove, a secluded outport of 300 residents on the northeastern coast of Newfoundland. With rafting on the ocean in summer, snowmobiling in winter, and nine brothers and sisters to play with, he found it to be an idyllic place to grow up. But it was not such a good place for a young man to find work.

So Newman left his hometown to seek his fortune. He went to a vocational school and then tried a variety of jobs, one of which involved cleaning stores in St. John's. He learned there's money to be made in polished floors if you're willing to work hard, listen to your customers and treat your employees with respect. He started his first cleaning business at 25 with a \$5,000 down payment on a floor polisher, some mops and a van. Twenty-two years later, he employs 45 people as the owner of Newman's Cleaning Ltd., a commercial cleaning company, Janitorial Sales and Support Ltd., an industrial supply company, and R.A. Newman Holdings, a real-estate holding company.

Now Newman, 47, has embarked on a new chapter in his business career by positioning himself to profit from Newfoundland and Labrador's booming economy. With the help of BDC Consulting, he has rebranded the supply company as SCOPE and broadened its offerings from cleaning supplies to just about anything customers in the province's industrial and resource sectors might need.

I cleaned 40,000-square-foot supermarkets and you'd probably have to walk every inch of that a half a dozen times. I'd do two or three in a night. It was hard work. But I saw an opportunity to do a good job within that cleaning industry, with better quality and better customer service.

I was encouraged by my older brother, Angus, to try something on my own. We invested \$5,000 in a propane burnisher—a floor-cleaning machine—and some mopping equipment and a van. And away we went.

I went door to door, campaigning to get more contracts. I'd look at the floors to see what kind of shine they had. I'd look at the edges and the corners to see if they were getting a thorough job done. Then I'd go to management and say, "You know, I can do better than this for you."

I found it a little bit scary because I'm not an outspoken person; I'm fairly reserved. But at the same time, I was very confident in what I could do.

The business grew in a relatively short time, at a rate of probably 30% to 50% a year, for a number of years. I was doing most of the Sobeyes stores on the island, with the exception of three or four.

"My advice to other entrepreneurs: build a good team of people..."

My father operated a general store that sold everything from confectionery and dry goods to clothing. And he operated his own freight company as well. He had to—there were no roads when he started. So he had to bring in his own freight by boat.

When I was 24, I moved to St. John's, and I worked two jobs. I worked for a courier company from 9 to 5, and then I'd get a couple hours of sleep and do commercial cleaning for a contractor, working from 10 p.m. until 3 or 4 in the morning. I worked very hard, pretty much seven days a week and who knows how many hours. At one point, I would take off only Saturday nights. By the time I got off work, I simply went to sleep.

I think I was driven to do well. My parents were hard-working people. My mother was a schoolteacher, which was a very highly educated position back in those days, and she also raised a family of 10. And my father was a businessman.

I guess early on in life, I decided I wanted to make something of myself. I wasn't driven to get a university degree, but I was very resourceful. I think you need to be resourceful in business. If I see something I need to do, I pretty much do it. I'll find ways.

My philosophy on customer service is that we don't ever promise a customer or potential customer that we won't make mistakes. But we do promise that when there is one, we're all over it. We fix the problem.

What makes a quality job? It's pride in workmanship. Attention to detail was probably one of the biggest reasons for my success. Attention to detail, which is the sides of a floor, the edges, the corners, behind displays and so on.

There are lots of contract cleaners who will drop the price just to get in the front door. That's not my philosophy. My philosophy is to charge a fair price to the customer. Give the customer a quality job and a quality management company to deal with. Lots of clients opt to go with my philosophy. They pay a little more, but they get more.

The most challenging part is finding and managing human resources. Everybody has their own nuances. So it's a matter of finding how you handle each individual.

Continued on next page

I feel that I have a great respect for people and employees.

I think I have a knack for treating people properly. They respect me and work well for me. And vice versa. I work well for them and provide opportunities for them.

Janitorial Sales and Support Ltd. started in 1999. We would sell cleaning equipment and supplies to the cleaning industry, as well as to retailers, and the education and health care sectors. Recently, we decided to rebrand it as SCOPE, because of the economic activity that's coming to Newfoundland and Labrador.

We identified a need for an industrial supplier that would be the go-to company for any industry that's looking for who knows what. So they don't have to call half a dozen places wondering where they might get such-and-such a thing.

It could be anything from fencing, to truck tires, to a generator, sandbags, tarpaulins, garbage bags, paper towels.



...Instill in them your confidence and your philosophies."

I would say the toughest time for my business was within the last two years. We recognized there was a recession and we needed to cut our spending. But the companies don't have a huge debt. So we were in a good position to structure our expenses and, at the same time, work on our ISO 9001 and our marketing. We were investing the whole time, even though business was down.

I've always reinvested in the company. I've been doing that forever and I'm still doing so. It's important for growth and to be able to keep on top of the new technology. That's how you keep a company's operation at its peak.

When the going gets tough, that's when I really dig in my heels and that's when I enjoy it. Whereas a lot of people may say, "Too tough, I'm going to bail." I don't bail. I like to position my company so we can survive through the tough times and excel in the good times.

My advice to other entrepreneurs: build a good team of people.

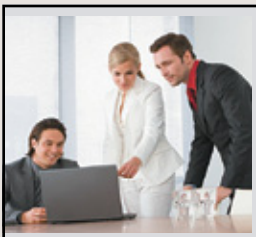
Instill in them your confidence and your philosophies.

BDC came to the table with financing when I built my first building. They are proactive, and they will work with you. It seems as though they're interested in seeing you succeed. I'm customer service oriented; I get customer service from my people at BDC.

I have three businesses but I manage my time very well. We have quite a bit of family time. My wife, Theresa, and 11-year-old daughter, Ashley, and I do a lot of boating in the summertime. I have a small cabin cruiser; we go out in the Atlantic in Notre Dame Bay, near Boyd's Cove.

That's the raft these days. The raft has grown. \$

AS TOLD TO DON MACDONALD



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Ask a Pro



Q How do I protect my ideas from competitors and even from the people financing me?

A Prospective entrepreneurs often expend too much energy protecting their ideas. There are very few truly new ideas in the world, except in the advanced sciences, which play a role in life science and high-technology companies.

Otherwise, most business concepts are in fact mere tweaks of existing ideas—newer ways to do old things, essentially. Simple market research and competitive analysis will indicate whether you have a truly new or breakthrough idea.

Usually, the best protection for a business idea is success, which creates its own barrier to entry or competition. However, if you have done some research and still really believe you have something new under the sun, you could patent it. You can patent a process or a product, but to gain that patent, you must prove that your process or product is unique.

On BDC's website (bdc.ca), you will find information about the patenting process. You can also visit the Canada Business website (www.canadabusiness.com) for an overview. Alternatively, you can talk to your local BDC office about consultants who specialize in this area.



Q What are the top 10 tips for managing working capital for new businesses?

A Here are some tips:

- 1 Always bear in mind the desired balance between inflow and outflow of funds.
- 2 Match significant cash outlays with similar cash inflows.
- 3 Whenever possible, reach agreements with suppliers to stagger major cash outlays.
- 4 Obtain a reasonable line of credit based on the net value of the business.
- 5 Maintain a good relationship with your banker; never hide information that could compromise the trust you have established.
- 6 Pay particular attention to your inventory levels. Despite the fact that a balanced inventory is often difficult to identify, avoid excess stock, which ties up cash flow.
- 7 Collect amounts due from customers as quickly as possible, and do not hesitate to offer discounts for fast payment.
- 8 Do not hesitate to ask for deposits from certain customers or for certain types of contracts.
- 9 Obtain better conditions, such as longer payment terms, from suppliers.
- 10 Finance long-term assets with term financing equal to the life of the assets. \$

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.



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