GET LEAN
BUILD A MORE EFFICIENT, PROFITABLE BUSINESS

READY FOR SALE
HOW TO GET THE BEST PRICE FOR YOUR COMPANY

A BRACING SUCCESS
FROM GREAT IDEA TO PRODUCT LAUNCH
08
COVER STORY
HOW LEAN IS YOUR BUSINESS?
You may be surprised by how much waste is lurking in your business and how much profit you’re leaving on the table. ALAIN DUCLOS was shocked when an operational efficiency drive boosted output at his company by 15%.

04
UP FRONT
GROWING YOUR BUSINESS: 4 WINNING STRATEGIES
HOW TO LOWER YOUR FOREIGN CONTRACT RISK
MANAGEMENT TIP

12
FEATURE STORY
THE RIGHT PRICE
BARRY WOOD looked at more than 60 companies before buying Ontario Excavac. Selling your business and getting a good price is harder than many entrepreneurs realize. Here’s what you need to know.

16
ENTREPRENEUR FIRST
THE AMAZING BRACE
CHRIS COWPER-SMITH and his team have succeeded in developing a unique bionic knee brace thanks to a great idea, years of hard work and an unstinting focus on customer needs. His company’s plan for a full commercial launch won him the 2015 BDC Young Entrepreneur Award.

19
IN HER OWN WORDS
TURNING POINTS
Top women entrepreneurs from across Canada speak about the biggest risk they ever took in their business and why it was worth it.
THE WILL TO GROW

MOST ENTREPRENEURS WANT TO GROW THEIR BUSINESSES. BUT MANAGING A GROWING BUSINESS DEMANDS A LOT FROM YOU. THE GOOD NEWS? YOU’RE NOT ALONE.

Since joining BDC a few months ago, I have spent a lot of time travelling the country, meeting employees and visiting many of the business owners we serve.

These entrepreneurs talked to me about how rewarding it is to run a business, but also how challenging it can be. Competition, changing technology, financial pressure—you have difficult waters to navigate.

Those conversations have driven home to me just how important BDC’s mission is and why I believe in it so strongly.

BDC is a different kind of bank. We are here to help you improve your business and grow, and we provide this help through money and advice. The question for me and each of our employees is: How can we do a better job of supporting you in achieving your goals?

To help us figure that out, we recently did a study on the challenges of growth. It found that a large majority of business leaders want to expand, regardless of whether they are currently growing or not.

These leaders identified several important benefits of growth, including a better financial situation for themselves, more stimulating work for their employees and the ability to compete more successfully against other companies.

We fully agree. We know that a growing, vibrant company is good for you, your employees and your community.

At the same time, the business leaders we surveyed also identified a series of challenges that make it hard to grow, including pressure on working capital, increased demands on employees, and the need to keep up with new technology and market trends. These are areas where we can help.

BDC has the expertise and the resources to help you solve your business issues and tackle your growth projects. Our goal as a development bank is to see your business become the best at what it does.

I am excited to get on with the job of serving you even better. With your ambition and our support, there is no limit to how far you can go.

Read more about our study, SMEs and Growth: Challenges and Winning Strategies, on the following pages.
GROWING YOUR BUSINESS: 4 WINNING STRATEGIES

A new BDC study looks at key challenges entrepreneurs face in growing their businesses and presents four key strategies to overcome them.

BDC surveyed more than 1,000 managers of small and medium-sized businesses across Canada to get their views on growth. The results were quite eye-opening.

A large majority of the business managers have the desire to grow, regardless of whether they are currently growing or not. When asked how important growth was for a business, respondents to our survey gave an average rating of 7.1 out of 10. What’s more, 38% of respondents gave 10 out of 10.

THE CHALLENGES TO GROWTH
While there are many benefits to growth, the business managers also identified challenges in achieving it. These included financial pressure, pressure on human resources, difficulty in overcoming fierce competition, and a lack of familiarity with new technology, market trends and competitors.

BDC asked the managers of small and medium-sized businesses to identify strategies to overcome these challenges. We also asked BDC business consultants to offer tips on how to carry out each of these strategies.

STRATEGY No. 1

BE A CLIENT-CENTRIC BUSINESS
A whopping 99% of the managers said having a good grasp of client needs and satisfying them is a decisive factor in ensuring their company’s growth. To help you, BDC consultants offered these tips:

- First, you need to know your customers better. Where are they? Who are they? What are their values, interests and lifestyles? How do they want to do business with you?
- To get to know them better, conduct research using secondary sources, such as reports or surveys, or conduct your own direct research based on interviews, focus groups and surveys.
- A good rule of thumb is that 80% of your sales will come from 20% of your customers. Develop an especially deep understanding of your best customers and cultivate their loyalty.
- Invest in a customer relationship management system to provide centralized access for your team to information on existing and potential customers.
FALL 2015

STRATEGY NO. 2

BUILD YOUR TALENT POOL

Our survey indicates that managers of growing businesses pay special attention to managing HR. For 85% of them, this means providing better training to their employees, while 72% say hiring better qualified labour is a priority. To put this strategy into action, our business consultants suggest doing the following:

■ Develop an HR management plan that forecasts your staffing needs and covers such matters as how you’re going to retain and motivate employees.
■ Assess your current employees’ skills to see where there are gaps, and develop training and recruitment strategies to fill them.
■ Prepare clear job descriptions, performance objectives and appraisals to ensure your employees are productive and focused on giving their best every day.

STRATEGY NO. 3

STAY ON TOP OF YOUR GAME, INNOVATE

Our survey found eight out of 10 managers identified innovation as a key to their growth. Just like understanding and satisfying clients’ needs, innovation is one of the growth strategies used by respondents to our survey regardless of their level of growth, size or location. To boost your company’s ability to innovate, our consultants have these tips:

■ Ask for ideas and feedback from suppliers, clients and other stakeholders. You should also harness your employees’ creativity. They have intimate knowledge of your business and industry, and are often your best source of ideas.
■ Develop an innovation strategy with the help of your team. It should cover improvements to your products and services, processes, marketing strategy, business model and supply chain. Remember to keep it up to date.
■ Keep in mind that innovation doesn’t necessarily mean inventions or radical departures from your way of doing things. It also encompasses gradual improvements in products, processes and market approaches.

INVEST TO BE THE BEST

In many cases, growth depends on the resources invested in the business. So it’s not surprising that three out of four managers said they’ve focused on increasing production capacity by investing in facility expansions or new equipment and technology. To get the most benefit from your investments, our business consultants recommend that you do the following:

■ Carry out in-depth research on what’s available in the marketplace before you make a major investment.
■ When investing in technology, opt for turnkey solutions rather than customized business applications. Custom-made solutions tend to be more expensive in the long run and lead to a degree of dependence on the supplier.
■ Minimize the impact on your cash flow by using business loans rather than your everyday money to finance your growth investments. Opt for loans with suitable repayment terms that match the asset’s expected term of service.

For more information on growth and how to achieve it in your business, download the full report, SMEs and Growth: Challenges and Winning Strategies at www.bdc.ca/growth.
HOW TO LOWER YOUR FOREIGN CONTRACT RISK

HERE ARE SIX STRATEGIES FOR WRITING SOLID CONTRACTS THAT WILL HELP YOU AVOID PROBLEMS WITH FOREIGN CUSTOMERS AND GOVERNMENTS.

01 GET THE LANGUAGE RIGHT
Make sure you and your customer agree on the language to be used in the contract and the meaning of each clause.

02 CHECK FOR COMPLIANCE WITH LAWS AND TAXES
Be sure to get competent legal advice on local taxes, laws and regulations before you finalize your contract, and include clauses that will protect you.

03 DON’T LITIGATE—ARBITRATE
Do your utmost to avoid litigation in a local court. You’ll be much safer if your contract specifies that disputes will be sorted out through arbitration in a neutral country.

04 DON’T DELIVER TO THE DOOR
In most overseas markets, you should deliver your goods to the port of entry and no farther. Your customer should accept responsibility for getting your goods across the border, including dealing with customs, import licences, and all taxes and duties.

05 NAIL DOWN “ACCEPTANCE”
When customer acceptance depends on a product’s specifications or performance, put a “deemed acceptance” clause into your contract. This should tie acceptance to specific conditions or events, never something as vague as “customer satisfaction.”

06 PROTECT YOURSELF FROM CONTRACT RISKS
What if a customer cancels your contract without just cause? Or a buyer goes bankrupt? Or your key import permits are revoked? To protect yourself from foreign contract risks such as these and many others, you can use export insurance products, such as those offered by Export Development Canada (EDC).

This article was adapted from EDC’s ExportWise website at exportwise.ca. For more information on managing export risks, visit edc.ca, where you can download the publication, The ABCs of International Trade Contracts.

MANAGEMENT TIP

PASSION COUNTS WHEN YOU’RE HIRING

Elizabeth Bernier and her husband, Joel St. Onge, have grown their company, St. Onge Logging, from a small lumber operation into a diversified supplier of forest products to North American customers. ■ The company in Sioux Lookout, Ontario, reinvented itself after the recession by investing to expand into making wood chips for pulp. The growth required a change of mindset when hiring, Bernier says. ■ “Like other small, rural enterprises, we were used to working with a group of local men we knew and trusted like family,” Bernier says. “However, we needed to hire people with new and different skills. Now, with more than three dozen workers, plus contractors, I’ve learned that you don’t have to know everyone’s personal background to assemble a great team.” ■ When choosing “unknown” workers who’ll be committed to the company, Bernier has learned not to judge a book by its cover. She believes that a potentially great employee may not have a polished application. ■ “I look beyond the paper and interview people personally to see if they have a real interest in forestry work,” she says. “I’ll train them if they show they’re passionate about it. Giving people a chance unifies the team and keeps your business moving forward.”
Looking to put a stop to your losses, boost your profits or meet increased demand? Our tested approach to operational efficiency could be the answer.

Our operational efficiency experts can help you:

> Solve critical production issues and prevent them from happening again
> Boost your capacity to respond to client and market needs
> Implement a culture of continuous improvement
> Foster employee engagement and improve collaboration
> Pave the way for sustained growth and productivity

Give us a call to find out how we can help you turn things around.
Call 1-888-463-6232 or visit bdc.ca
HOW LEAN IS YOUR BUSINESS?
INEFFICIENCY MAY BE COSTING YOU MORE THAN YOU IMAGINE

by Alex Roslin

Cover Story
Alain Duclos had his doubts about how much benefit an operational efficiency drive could bring to his company. But after watching output shoot 15% higher, he was sold. How much could your company gain?

It’s not surprising Alain Duclos was skeptical when a consultant claimed his company was missing out on huge productivity gains and the accompanying profits.

After all, Duclos is an industrial engineer who has built a solid business cutting large coils of steel and aluminum into specific sizes for manufacturing clients.

Despite his doubts, Duclos decided to give the efficiency consultant a shot. Even if his Montreal business, CR Slitters, achieved half the promised gains, it would still be worth it.

Duclos knew he had to make some kind of change. His customers were demanding quicker delivery times. Due to high shipping costs, he couldn’t expand much beyond his existing clientele in Quebec, Ontario and the Maritimes. Getting leaner seemed like a smart way to maintain profits.

The operational efficiency consultant started by analyzing the business and then proposed a few simple ways to eliminate waste and increase productivity. These included cleaning up and standardizing work stations, creating performance dashboards, and streamlining pre-production steps.

Amazing results
The results amazed Duclos. Idle time fell up to 30%, while output shot up 15% without any increase in hours for his 45 employees. The company broke its production record in June.

“It was shocking,” Duclos says. “I always knew there were things we could improve, but I never thought we could make that much progress.”

Most small and medium-sized businesses can make significant productivity improvements at a relatively small cost, says BDC Business Consultant Stéphane Chrusten. He specializes in helping entrepreneurs boost operational efficiency and was the consultant who worked with Duclos.

Only 15 to 20% of an employee’s workday is spent on purely productive activities in the average Canadian small and medium-sized business, according to BDC’s experience.

“So much unproductive time can be eliminated through efficiency improvements,” Chrusten says.

A matter of survival
Inefficient, unproductive companies don’t just leave profits on the table, he adds. They’re vulnerable to better-run competitors.

“It’s a matter of survival, in many cases.”

The first step in getting leaner is usually to carefully assess your company’s current operational efficiency. At this stage, it’s important to compare yourself to the rest of your industry to get a better idea of how you’re performing. (It’s often difficult to benchmark your performance accurately and objectively, so getting the help of an expert is a good idea.)

An operational efficiency assessment will show you and your employees priority areas where you can achieve quick wins and set yourself up to create a culture of continuous improvement.

Following a standardized BDC methodology, Chrusten first sat with Duclos and his senior managers to learn about the company. He asked about operational bottlenecks (points where employees or machines fell idle) and other issues. Together, they explored reasons for the problems and ways to address them.
Second, he toured the business and rated 25 key operational factors on a 0-to-5 scale. The factors included inventory management, workplace organization, quality control, production planning and equipment maintenance. “It’s important to look for all potential sources of problems and dig to find root causes,” Chrusten says.

PREPARED AN ACTION PLAN

Using his assessment, Chrusten prepared a report for Duclos that included several priority changes and an action plan for implementing them.

Chrusten typically suggests three to five changes that can be done by the business on its own or with the help of an outside consultant. These include standard projects to address issues that crop up at most companies and customized projects to address more specific problems.

Often, one of his first suggestions is to clean and standardize operational workspaces, using the 5S methodology introduced by Toyota. “This can be very motivating for employees,” Chrusten says. “It lets them breathe.”

He also strongly advises companies to identify key performance indicators, and train managers and employees to monitor them on dashboards.

DASHBOARDS PRODUCE GAINS

“By using dashboards, you can compare your performance from day to day and see the impact of efficiency efforts,” Chrusten says. “It becomes natural to start every day by looking at what you did yesterday and think about how you can get better today.

“You challenge yourself. It’s human nature.”

Two common customized projects are rearranging equipment in the plant to make production more efficient, and streamlining the order-taking and pre-production processes to reduce errors and save time.

Operational efficiency projects are equally valuable for manufacturing and service businesses, Chrusten says. “Almost any sector can benefit, as long as the business has a process that involves people.”

At Duclos’s company, cleaning up work stations was a simple but useful step. “Before, people lost time because the workplace wasn’t nice and clean,” Duclos says.

AN ESSENTIAL TOOL

He was less convinced about the need for a dashboard to monitor efficiency, but Chrusten insisted and Duclos went along with the idea. He now agrees the tool is essential.

“I look forward to seeing the dashboard every day,” he says. “It’s very interesting and useful. Everyone can see where the problems are and how to improve.”

Duclos also implemented Chrusten’s advice to improve the coordination of pre-production tasks as a way to reduce machinery idle time. The steps cut the average set-up time for a job from 18 to 12 minutes—a huge gain that boosted the profitability of each order.

Duclos figures he will recoup the cost of the projects in less than a year. He is already talking with Chrusten about another efficiency exercise.

“I ALWAYS KNEW THERE WERE THINGS WE COULD IMPROVE, BUT I NEVER THOUGHT WE COULD MAKE THAT MUCH PROGRESS.”

After his company’s record month in June, Duclos organized a small celebration to thank employees. “They were very proud,” he says of the tight-knit staff, which he describes as “very motivated and hard-working, with almost no turnover.”

“They already had a good team spirit,” Duclos says. “I don’t want them to work harder, just work better.”

I ALWAYS KNEW THERE WERE THINGS WE COULD IMPROVE, BUT I NEVER THOUGHT WE COULD MAKE THAT MUCH PROGRESS.
3 TIPS TO BOOST EFFICIENCY

HERE ARE THREE STEPS FOR IMPROVING YOUR COMPANY’S EFFICIENCY

**ASSESS** — Start with an efficiency assessment. How does your efficiency compare with competitors? Where are the bottlenecks that cause lost time for employees or machines? What stands in the way of achieving better results? How can you improve your processes? Look at specific areas throughout your operation. For example, if you have a high rate of equipment breakdowns, figure out why and look for ways to improve it.

**KEEP MONITORING** — Create a system for continuously monitoring how you’re doing in various areas. Start by identifying some key performance indicators and then create a dashboard that lets you and your employees follow them. Make regular monitoring part of your company’s culture for all supervisors and employees.

**CLEAN UP, STANDARDIZE AND REORGANIZE** — Cleaning up and standardizing work stations is a great place to start. It can help employees find what they need more quickly, leading to time savings. A cleaner workspace will also improve morale. Also, look for ways to reorganize workspaces and equipment to streamline production.
THE RIGHT PRICE
HOW TO PREPARE YOUR BUSINESS FOR SALE
A SUDDEN HEALTH SCARE LED PHIL LAFLECHE TO SELL HIS COMPANY TO A GROUP HEADED BY BARRY WOOD. HE WAS DOING ALL THE RIGHT THINGS WITH HIS BUSINESS TO ATTRACT A GOOD PRICE. ARE YOU?

Phil Lafleche was in his early 60s when a sudden health scare made him start thinking about selling his business. It wasn’t an easy decision.

Lafleche had lovingly nurtured Ontario Excavac for more than 15 years. When he bought the Mississauga, Ontario, excavation and utility service company in 1998, it had four employees and two hydrovac trucks. They use pressurized water to excavate near sensitive utility lines, extracting the slurry with a powerful vacuum.

By 2013, Lafleche had built the company up to 50 employees and 21 trucks. He also had a strong management team, lean operations and high customer satisfaction ratings.

The company was booming, but Lafleche knew it was time to let his baby go.

CHANCE MEETING
Fortunately, he didn’t have much to do to get his company ready to attract bidders. With its solid profits and operations, it was already a highly desirable candidate for sale at a good price.

Lafleche didn’t have to look long or far for a buyer. At a business event, he had a chance meeting with Barry Wood, a chartered accountant who headed a group of investors in the market for an acquisition.

The two men quickly agreed on a valuation, and six months after that first meeting, the sale was completed.

Many Canadian entrepreneurs are in the same position that Lafleche was when he decided to sell. As the baby boom generation heads for the exit, Canada will see a major shift in business ownership in the coming years.

MANY HAVE NO PLAN
However, many entrepreneurs aren’t as well positioned as Lafleche to attract buyers and a good selling price. Just over half of business owners who plan to leave their company don’t have any kind of succession plan, a 2011 survey by the Canadian Federation of Independent Business found.

The consequences can be dire. Poor planning can mean a suboptimal sale price and unfavourable conditions, or even losing your company if you’re forced to sell in a hurry but no one wants to buy. That, in turn, can have a drastic impact on your retirement.

Ensuring your company fetches the best possible price can take several years of preparation, says Angelo Zeni, a director at BDC’s Growth & Transition Capital.

“Entrepreneurs should have a five-year plan so they don’t have to scramble to get their company ready for sale,” says Zeni, whose group provides mezzanine financing for business transitions. “Otherwise, shareholder value won’t be maximized when the company is sold.”

POSITIONED FOR SALE
A good first step is to put yourself in a potential buyer’s shoes. Think about who may want to buy your company and what they’d like to see in an acquisition target. That can help you position your company to make it more valuable.

You may want to hire outside consultants to help prepare your business for sale. They can give you expert advice on such matters as strategic planning, financial management, operational efficiency, and sales and marketing.

Buyers tend to look for companies that are profitable, have good prospects and are lean, Zeni says.
Buyers are especially on the lookout for growth. “A buyer is not looking to see the status quo. They want to see top-line and bottom-line growth,” Zeni says.

They also want to see strong management, repeatable processes and solid financial information. “You want a potential buyer to be confident the business will flourish when you’re gone,” Zeni says.

**SOLID PROSPECTS**

Barry Wood saw all of these traits at Ontario Excavac. He had led five previous business acquisitions, so he knew exactly what type of company he wanted to buy. For his latest acquisition, he considered 60 to 70 different businesses before finally finding Lafleche’s company.

It satisfied his main criterion: solid growth potential. He also liked the company’s close relationships with customers. “I saw Ontario Excavac as having great business opportunities and great customer relationships in a growing market, with more prospects for growth,” says Wood, who turned to BDC’s Growth & Transition Capital to help finance the transaction.

Another plus: Lafleche kept detailed, up-to-date records about finances, personnel and customers, which Wood reviewed carefully before completing the deal.

**UNDER A MICROSCOPE**

“Sellers need to understand that there will be due diligence,” Wood says. “Their business is going to be put under a microscope, as if someone was doing an audit but also with operational questioning.”

Wood also typically checks out a company’s culture and working relationships. “Does it feel inspiring, creative and fun—or is it drudgery and animosity?” he asks. “Financial people often don’t give enough attention to the people side.”

Wood is willing to overlook some problems if a company has good business prospects. In fact, he says, such a company could present “a great opportunity” because improvements in internal processes could quickly boost performance.

Wood’s belief in Ontario Excavac’s prospects proved spot-on. After the purchase, which took place in early 2014, he made a few changes, including doing more truck maintenance in-house, which led to a 50% drop in unscheduled downtime due to mechanical problems.

**COMPANY HAS GROWN**

Wood also hired an HR manager, improving recruitment as the company added 20 employees and 10 new hydrovac trucks. Annual revenue is up over 25%, while EBITDA (earnings before interest, taxes, depreciation and amortization) is up by nearly 40%, Wood says.

Phil Lafleche, who retains a minority stake in the business and a seat on its board, is happy the company he built is now in good hands. Wood is satisfied, too.

“I’ve just tried to take the best that’s there and polish it.”
Valuation is obviously a key issue for entrepreneurs seeking to exit a business. Establishing a fair value for a company isn’t easy, but the sale price you come up with will be an important focal point of your transition plan. Many entrepreneurs have an unrealistic idea of how much their company is worth. A professional business valuator can help you set a selling price and determine whether a buyer’s offer is reasonable.

EARNINGS ARE KEY TO VALUATION
The most common method used to determine a fair sale price for a business is calculating a multiple of EBITDA (earnings before interest, taxes, depreciation and amortization), which is a measure of a company’s ability to generate operating earnings. The multiples vary by industry and could be in the range of three to six times EBITDA for a small to medium-sized business, depending on market conditions, says Catherine Tremblay, a board member at the Canadian Institute of Chartered Business Valuators.

Many other factors can influence which multiple is used, including goodwill, intellectual property and the company’s location, Tremblay says. After arriving at the EBITDA-based figure, a valuator typically seeks to confirm it by applying other valuation approaches—first, calculating the value of the company’s tangible and intangible assets and, second, checking what comparable businesses sold for, says Tremblay, who is also a Montreal-based partner and National Leader of Valuations at accounting firm MNP.

If the three valuation approaches yield different numbers, the valuator investigates why and may adjust the EBITDA multiple, if appropriate. “A lot of judgement and estimates are involved,” Tremblay says. “It’s part science, part art.”

ASSETS MAY BE ATTRACTIVE
Your business may also be more valuable in pieces than as a whole. For example, a buyer may find your real estate holdings more attractive as an asset than the entire business.

Finally, keep in mind that the price you get for your company may differ from the appraised market value and can be affected by unexpected factors. For example, a company may be willing to pay a premium for your business because it’s a good fit.
THE AMAZING BRACE
A RELENTLESS FOCUS ON CUSTOMER NEEDS
BY LEO VALIQUETTE

CHRIS COWPER-SMITH AND BOB GARRISH HAVE DEVELOPED A REVOLUTIONARY BIONIC KNEE BRACE. NOW, WITH THE 2015 BDC YOUNG ENTREPRENEUR AWARD’S $100,000 GRAND PRIZE, THEY’RE SCALING UP TO GO TO MARKET.

When the founders of Halifax’s Spring Loaded Technology first met, they had something important in common—problem knees.

At the time, Chris Cowper-Smith was doing his PhD work on motor control and movement in the human body. His co-founder, Bob Garrish, had a background in mechanical engineering.

“We intuitively understood how big of a problem the human knee poses and we wanted to explore that further,” says Cowper-Smith, the company’s President and CEO. Cowper-Smith met Garrish in Dalhousie University’s Starting Lean program.

The two men decided to build a better knee brace—a “bionic” knee brace.
A DAUNTING CHALLENGE
It was an engineering challenge that had stymied others for decades. Existing products on the market only provided joint stability and were typically bulky and expensive.

The two entrepreneurs wanted to develop a more affordable device that could also restore mobility and enhance athletic performance, with a compact design that could fit under clothing.

Three years later, after 15 design iterations, Spring Loaded Technology is poised to bring to market the world’s first bionic knee brace technology. The company takes its name from the unique spring mechanism in the brace, which was inspired by an aircraft’s landing gear.

The next step is mass commercialization. To maintain quality control and protect the company’s trade secrets, Spring Loaded Technology is keeping manufacturing and assembly in-house. However, this requires a new investment in manufacturing equipment and processes.

READY TO RAMP UP
Spring Loaded’s launch plan received a boost in June, when Cowper-Smith, 31, claimed the $100,000 Grand Prize in BDC’s Young Entrepreneur Award contest.

Ten finalists from across the country took part in this year’s contest. The winners were determined by the combination of a BDC national committee evaluation and a public vote.

Melissa Butler, owner of the Real Food Market in St. John’s, claimed the runner-up prize of $25,000 in BDC consulting services. She will use the prize to help create a sustainable food system in Newfoundland.

Spring Loaded will use its prize to invest in new systems for rapid fibre and composites manufacturing. In this way, the company can increase production output by a factor of six and drive economies of scale that will reduce production costs per unit. These savings will be passed on to customers.

R&D DRIVEN BY MARKET NEED
Few of us give much thought to our knees until something goes wrong, but this vital joint takes a lot of punishment. Up to 60% of sports-related injuries involve the knee and 45% of us can expect to develop knee osteoarthritis. With an aging and increasingly obese population, mobility issues involving the knee will only increase.

Such statistics might inspire some entrepreneurs to head straight to the drawing board, but Spring Loaded’s founders knew better. Dalhousie University’s Starting Lean program draws on the methodology espoused by author Eric Ries in his book The Lean Startup.

Here, the first question to answer is not whether a product can be built, but instead, whether it should be built. Is there sufficient market interest to support a sustainable business?

TALKED TO CUSTOMERS
“We spent four months in the Starting Lean program, talking to potential customers,” Cowper-Smith says. “When you are a hardware start-up, and you don’t have a product that works yet and can’t prototype at a low cost, you have to spend a lot of time talking to customers and validating the market to find out if there would be a demand for what you want to build.”

That effort has paid off.

“The first pitch we made outside of the class got us an offer of investment,” says Cowper-Smith. “That was remarkable. We took that investor on board and consider him an honorary founder.”

From there, Spring Loaded secured other financing and seed funding from high-net-worth individuals. The team kept a tight focus on product development, driven by the feedback of pilot testers and health care professionals.

A TIGHT OPERATION
About $2 million was spent over three years to develop the bionic knee brace. Cowper-Smith says he’s seen more established companies spend 10 times that on comparable products.

“We kept our cash burn quite responsible with very limited resources, which was attractive to investors.”

But that focus on market fit has created some challenges. It seems that just about everyone wants a bionic knee brace.

“One of our biggest risks as a company is focus,” Cowper-Smith says. “We have a lot of different types of customers reaching out to us. We have to make sure we don’t spread ourselves too thin. We need to hit it out of the park in the first market we go after.”

FOCUSED ON NICHE
Spring Loaded has decided to go after the skiing market, where its brace can be used to enhance performance for healthy individuals who may have minor knee complaints. Success there will be parlayed into other markets for active people, as a precursor to moving into the health care market.

A knee brace for active people is a simpler device to manufacture and market than one for clinical applications. To address chronic conditions that impact mobility, the device requires more features and must comply with the requirements of regulators and health insurers.

Cowper-Smith and his team have learned the best way to overcome barriers and unearth new opportunities is to just get out there and talk to people. If he has any advice for other young entrepreneurs, it starts with that.

SEEKS FEEDBACK
“Be courageous,” he says. “Don’t be afraid of sharing your thoughts and your ideas.

“And don’t be afraid of negative responses, whether that’s on investments or on the idea itself, because each one of those negative moments is an opportunity to improve your business.”
CHRIS COWPER-SMITH’S LESSONS LEARNED

01 BRAINSTORM AND RESEARCH. UNDERSTAND THE COMPETITIVE LANDSCAPE FOR THE PRODUCT YOU WANT TO BRING TO MARKET. 02 DETERMINE HOW YOUR PRODUCT CAN SURPASS COMPETING OPTIONS BY A DECISIVE MARGIN. INCREMENTAL IMPROVEMENTS OVER EXISTING TECHNOLOGIES ARE NOT ENOUGH. 03 ASSESS THE MARKET OPPORTUNITY. TALK TO POTENTIAL CUSTOMERS. THE FIRST QUESTION SHOULDN’T BE “CAN WE BUILD THIS?” BUT “SHOULD WE?” 04 BUILD AND TEST A PROTOTYPE BY ENGAGIND PILOT TESTERS. BUILD ON THEIR FEEDBACK AND USER EXPERIENCES. REPEAT. 05 CONSIDER THE PROS AND CONS OF IN-HOUSE MANUFACTURING AND ASSEMBLY VERSUS OUTSOURCING TO THIRD PARTIES. IF YOU HAVE CONCERNS ABOUT QUALITY CONTROL AND TRADE SECRETS CRUCIAL TO YOUR COMPANY’S COMPETITIVE EDGE, OUTSOURCING MAY NOT BE YOUR BEST OPTION.

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> Identify the root cause of persistent problems
> Build a plan to treat underlying issues instead of symptoms
> Manage your company more effectively and profitably
> Reduce waste caused by inefficiencies
> Grow your business and make more money in the long term

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AT A TURNING POINT

THE BIGGEST RISK I EVER TOOK IN MY BUSINESS AND WHY IT WAS WORTH IT

IN HER OWN WORDS
WHEN YOU’RE MANAGING A BUSINESS, YOUR DECISIONS CAN MAKE OR BREAK THE COMPANY. BUT TAKING RISKS IS WHAT SETS GREAT BUSINESS OWNERS APART FROM GOOD ONES. FOUR TOP WOMEN ENTREPRENEURS FROM ACROSS CANADA SPEAK ABOUT THE DECISIONS THEY HAD TO MAKE AND HOW THIS HELPED THEM TAKE THEIR BUSINESSES FURTHER.

AS TOLD TO ALINA PAHONCIA

MY STORY

We started off in 2002 selling uniforms for spa professionals. Eventually, we successfully marketed our brand in North America and abroad in the spa and hotel sectors. Business was going great and sales were growing by 25% a year.

Then, a few years ago, my husband and I built a home with a barn where we keep our horses. I was looking for a good coat to wear when I was riding and I couldn’t find anything I liked. So, I started designing my own equestrian wear and that led to the launch of Asmar Equestrian in 2011.

We had to start from scratch to build this new brand. We used revenues from the existing businesses to fund it. We invested around $175,000 at the outset for marketing and advertising. This put a lot of stress on the cash flow of our existing businesses.

We broke even midway through the fourth year. Now, Asmar Equestrian represents 30% of our sales.

We’re not stopping there. We’re now growing beyond equestrian wear to soon launch our fashion label, including leather handbags, belts and other accessories. It’s another major division with its own sales and marketing plan requiring major investments.

IF YOU DON’T TRY, YOU DON’T KNOW WHAT’S BEHIND THE NEXT DOOR.

NOEL ASMAR
PRESIDENT AND CEO / NOEL ASMAR GROUP

MY ADVICE

You have to have a strong belief in yourself. That becomes the driving force behind all the decisions you make. You have to believe your idea is viable and commit to your decision.

If you don’t try, you don’t know what’s behind the next door.

It’s your passion that’s going to set you on the right course and pull you through when things are tough.

I have three children and making decisions is not just about financial risk. I look to see what impact that decision will have on my whole life.

As entrepreneurs, there’s no putting one foot into it. You have both feet in the game or you don’t play at all.
ISABELLE BETTEZ
PRESIDENT AND CEO / BD TECHNOLOGIES

MY STORY  The business situation was difficult in the early 2000s. We had moved the company from delivering professional services to providing products and solutions. The tech bubble had just burst, and we couldn’t land a contract for the innovative software platform my brother, who is also my partner, and I had developed. Financial institutions wouldn’t work with us. Practically nobody wanted to touch tech companies at the time. And, as a bonus, I was pregnant—the twins were born in 2002. There’s no such thing as good timing when you want children and have a business, so you just make it work.

To turn the company around, my brother and I decided we needed to demonstrate the power of our software platform. We created a 100% solar-powered, real-time wireless payment solution for parking. And that’s how we got our first contract in Montreal.

We are now focused on designing, developing and deploying point-of-sale systems, mainly bike-sharing systems, equipment and software, based on the core platform we developed in the early 2000s—our secret weapon. We have more than 60 employees and 4,000 parking and bike-sharing systems deployed worldwide, including in Abu Dhabi, Melbourne, London, New York, Washington, D.C., Seattle, Minneapolis, Boston, Montreal and Toronto.

MY ADVICE  Risk is part of everybody’s life, regardless of what you do. It’s part of the process, not the end of it. At certain moments, we’re all scared of change and the unknown. But we have just one life to live. If there’s something I feel I want to do, I tell myself I can do it. And I go for it.

We’ve been through some tough situations with the company, but every time we would just calm down and find a way around it. There’s always a way. If you don’t find it, it’s because you haven’t looked hard enough. But it’s there somewhere.

JUDITH BOBBITT
PRESIDENT / OCEANS LIMITED

MY STORY  We are an oceanographic research company providing services vital to operations on the high seas—marine weather forecasting, wind and wave analysis, iceberg profiling, and route forecasting for shipping.

As part of a government project, I was studying seaweed and found it quickly re-established itself after storms. That led me to look at the wound-healing properties of seaweed extract. This, in turn, created a whole new project for us.

It was very different from what we did before. Everybody said, “This is not what you do. You’re an oceanography company. A university should be doing this. This is not you.”

But we were persistent. We have just filed a patent on the structure of a molecule that stops the growth of breast cancer. The molecule can be synthesized in the lab, so we don’t need the seaweed anymore. It is a potential breakthrough.

We started five years ago and we invested a couple of million dollars in this. Three people are now working full time on it, but the rest of the team helps, too.

MY ADVICE  Just do what you need to do to accomplish what you’re looking for. I mean, there are always people who say: “No, you can’t do this.”

I’m too conservative to make decisions that could potentially make or break the company. I take risks to a certain extent, but I don’t put the company at risk. You have to be responsible for your employees when you make decisions. You are not alone in this.

But breakthroughs are made by individuals. It’s always the knowledge and the willpower of individuals. It’s a matter of choices. We’ve gotten further than we dreamed of when we started out.
NEVER MAKE LARGE FINANCIAL DECISIONS ON YOUR OWN.

MARION WITZ
PRESIDENT
ELIZABETH GRANT INTERNATIONAL

MY STORY  The biggest risk I ever took was buying a building that was five times the size of the previous one. We were growing rapidly and we’d entered our first international market—Germany. We were at a turning point—either we take a leap of faith or we don’t.

We could have said, “I’m doing very well and we’ll carry on doing what we’re doing.” But I just knew it was the right thing to do to manage the projected growth.

I had total confidence in my product, had researched the German market and had a good team around me. I was ready.

It was one of the best business decisions, because it helped us grow. It took our business from being a small Canadian company to selling in Europe, Britain and Australia. Exports now make up 70% of our sales and we’ve experienced revenue growth of 100% in the last few years.

MY ADVICE  Never make large financial decisions on your own because you run the risk of making emotional decisions.

When making a decision that involves huge capital funding, you should have a team around you who can challenge you and guide you—preferably a team of financial people, because they usually have a more conservative, logical mindset. Just as importantly, take the time to research all angles.

As entrepreneurs, we are all risk-takers, but at the same time, we have to be aware of the risks. Be aware that the risk you are taking doesn’t only affect you—it impacts all your employees. When taking risk—it should never be about what “I” want. Rather, is this right for the company? If there is doubt, spend more time researching.

BDC is striving to better serve women entrepreneurs. We will provide greater financing support by increasing our term lending to women-owned businesses to at least $700 million over the next three years. We have also created a team of BDC development bankers and consulting managers from across Canada who have expertise and experience in supporting women entrepreneurs.
Most business owners want to grow their companies and research indicates investing is crucial to achieving that goal. So why aren’t more entrepreneurs spending on their companies?

Despite modest economic growth over the last few years, many entrepreneurs have succeeded in growing their businesses.

According to our latest economic research, 12% of Canadian small and medium-sized businesses have achieved strong growth (over 20% annually) over the last three years and 29% have experienced sustained growth (between 5 and 19%). This means 41% of small and medium-sized businesses grew much faster than the economy. What’s their secret?

Important for growth

Our research indicates that investment is one of the key factors in the growth of these companies. Three out of four entrepreneurs with growing businesses reported they’d increased production capacity by investing in facility expansions or new equipment.

The same proportion of those entrepreneurs say using advanced technologies, such as automated management systems, has enabled them to become more efficient, helping sustain their company’s growth.

That’s not surprising, since research indicates a direct correlation between investment in machinery and equipment (M&E) and productivity. In other words, companies that invest more become more competitive and grow more rapidly. The conclusion? Investing is essential to your company’s growth and success.

Lacklustre spending

So why aren’t more entrepreneurs doing it? Business investment has shown only modest growth in Canada since the end of the recession.

This is especially the case for M&E investment. The graph below shows the progression of M&E investment in Canada and the U.S. since 2010. The pattern is similar in both countries, but the pace is quite different.

U.S. leads the way

U.S. businesses have increased their investments significantly since the end of the recession, much more than Canadian businesses. Actually, Canadian business investments in sectors other than energy have barely increased since 2010.

This is a concern, especially at a time when rapidly changing technology means businesses need to invest more to keep up and remain competitive.

A good time to invest

The good news is that now is a great time to invest. The cost of borrowing is at a historic low and will stay low for a while. At the same time, there’s an abundance of credit available to businesses. Lastly, despite all the turbulence in the world economy, Canadian economic fundamentals remain strong.

Our survey found that a large majority of entrepreneurs see lots of potential benefits from growth, but many haven’t been able to achieve it in their company. If this is your case, a good place to start is by investing.

Where could you invest to improve productivity and fuel growth?

The gap is widening between U.S. and Canadian business investment in M&E

Index: (Q1 2010 = 100)

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2010 2011 2012 2013 2014 2015

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1
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