

ESSENTIAL INFORMATION
FOR ENTREPRENEURS

profits\$

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BACK FROM THE BRINK HOW I SAVED MY BUSINESS

LEARN TO RECOGNIZE
THE WARNING SIGNS

OVERCOMING RESISTANCE

RALLY SUPPORT FOR
YOUR TECH PROJECT

MUSICAL ODYSSEY

A COMPANY'S MISSION
TO HELP CANADIAN ARTISTS



ROBERT STEGMEIER
PRESIDENT
KAYMOR MACHINING AND WELDING

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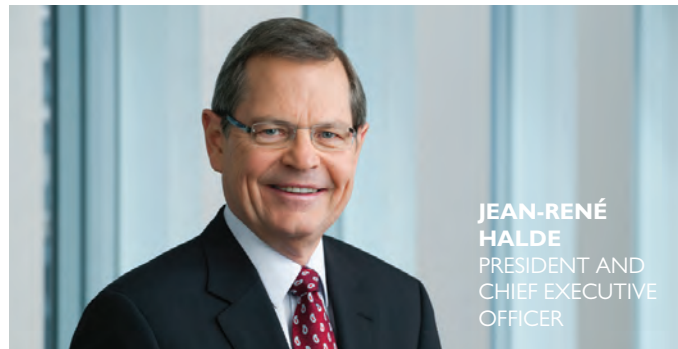
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PRESIDENT'S MESSAGE

SUPPORT FOR THE AMBITIOUS



JEAN-RENÉ HALDE
PRESIDENT AND
CHIEF EXECUTIVE
OFFICER

I regularly meet ambitious entrepreneurs across Canada who have all the qualities necessary to succeed in these challenging times—ingenuity, determination and resilience in the face of setbacks.

They have built world-class businesses through their commitment to seizing opportunities both here and abroad. The problem is that Canada simply needs more of them.

The reality is that Canadian businesses as a group are not performing as well as they need to, given the tough conditions that define today's economy. For example, they are not as productive as their U.S. peers, mainly because their performance is weak when it comes to innovation and the use of information and communications technology.

Yet, the need for ambition in our entrepreneurs has never been greater. Global competition is intensifying and our traditional markets in the U.S. and Europe are suffering through a protracted period of slow growth. There is opportunity in faster growing emerging countries such as China, India and Brazil, but these are among the most challenging markets in which to do business.

The stakes are high for our country's standard of living. Small and medium-sized businesses are the heart of the Canadian economy. They account for 99.7% of all businesses and provide 64% of private sector employment. If they can compete better and grow, they will contribute even more to building a robust national economy.

That's why it's so important that ambitious entrepreneurs receive coordinated support from governments, senior members of the business community, financial institutions and advisers. Canada's successful Own the Podium initiative in support of our Olympic athletes comes to mind as a model. When our companies compete and win on a world-class scale, they inspire others to follow in their footsteps.

I believe you deserve the resources and advice you need to set and achieve ambitious goals for yourself and your business. Set your sights high and then go for it. BDC is here for you—ready and willing to help at every step of the way. \$

7 KEY LEADERSHIP SKILLS FOR ENTREPRENEURS

Leadership is almost 100% about managing people. Having great ideas and a strategic vision won't get you far if your employees aren't willing to follow you. Too many entrepreneurs take leadership skills for granted. The good news is that simple things work best with people, says BDC Consulting Partner Rony Israel. Israel believes that a short definition of leadership should look like this: "The ability to lead by example while communicating, mobilizing, sharing and delegating." Here are seven key leadership skills all business owners should have.

1 Be strategic

Passion and a great business idea aren't enough to succeed in business, Israel says. You need a strategy for your company. Plan where you want your business to be in five years and how you are going to take it there.

2 Communicate

Share successes and failures with your people. Information clearly transmitted gives them context and a sense of belonging to the company. Israel, who has more than 30 years of business experience, says that plans, strategies and results should never be left on paper, collecting dust. "If you are making money,

your employees should know about it and be rewarded," he says. "This will motivate them and your company will continue to grow. The success of the company isn't yours alone; it belongs to your team." On the other hand, if the company is facing problems, your employees will be a valuable source of ideas on how to improve things.

3 Learn to spot and retain the best talent

Your business is as successful as the people working in it. Great leaders who have created successful companies have one thing

in common: they surround themselves with talented, courageous, loyal people. Once you have recruited them, invest in their development through training and coaching.

4 Delegate

Entrepreneurs by nature have a healthy ego, Israel says. "When it comes to their company, almost all entrepreneurs will say: 'Nobody can do it better than me.'" But those who are going to be successful are those who admit they can't be the CEO, the chief financial officer, the marketing director and the sales manager at the same time. They share, delegate and empower their teams.

5 Lead by example

Be honest and ethical in everything you do. Have strong values. Live what you preach.

6 Be open to advice

No matter how well you know your industry, change is reshaping business so fast that entrepreneurs develop blind spots or become uncertain about how to proceed. Israel, who created and developed seven businesses over the years, says these experiences taught him it pays to seek out impartial, professional advice. "The first line I always put in a budget was \$10,000 for a business adviser. Keep in mind that innovation never stops, and it is easy to be left behind."

7 Mentor other leaders

Leadership should start at the top of the organization, but leaders don't necessarily come from positions of power. They can be found at all levels in an organization. Identify them and help them to develop their leadership skills. The transfer of knowledge through mentoring allows you to build a strong leadership pipeline in your company. \$





MY BEST ADVICE

The best piece of advice I ever got was from businessman and philanthropist Brett Wilson, whom I met when I was a contestant on CBC-TV's "Dragons' Den" and who has become my business partner and mentor. His advice to me was "Keep a close eye on your financials."

You have to master the numbers behind your business to be able to make accurate financial plans. Be diligent and constantly monitor what's coming in and going out of your company and your financial ratios.

I always make sure my cash flow projections are done on time and constantly compare them to how the company is actually doing to see that we are on track. We do three-year cash flow projections but re-evaluate them annually, and track expenses and revenues on a daily basis.

If there is something in the financial situation of your company you don't understand, ask questions and learn about it or bring people in to help you.

This strategy is paying off. Our sales reached \$1.5 million last year, from \$100,000 in 2008. We doubled our staff to 11 employees in 2011 and we have just opened a flagship store in Regina. \$

Rachel Mielke is the founder and CEO of Regina-based Hillberg & Berk, a maker of designer jewellery. Mielke won financing on "Dragons' Den" and had her designer pieces showcased at the 2008 Academy Awards. She was a winner of a BDC Young Entrepreneur Award in 2011.



RACHEL MIELKE
CEO OF HILLBERG & BERK

THE HIGH COST OF LOW PRODUCTIVITY

CANADIANS \$7,500 POORER OVER LAST 20 YEARS

Productivity is fundamental to raising living standards and enhancing the competitiveness of businesses. Unfortunately, Canada's productivity performance has left much to be desired over the years.

A recent Conference Board of Canada study looked at how much—in dollars and cents—Canada has lost as a result of two decades of sluggish productivity growth. The study's authors, economists Alan Arcand and Mario Lefebvre, found that workers, businesses and the federal government would have been much richer today if Canada's productivity

growth had matched that of the United States over the past 20 years.

The study concluded that real gross domestic product per capita would have been \$8,500 higher in 2008; personal disposable income would have been \$7,500 higher; corporate profits would have been 40% higher; and federal government revenues would have been 31% higher.

"If Canada continues on its current path of sluggish productivity growth, it will continue to fall behind the United States, threatening our prosperity in an increasingly competitive world," the study states. "Conversely, if Canada eschews

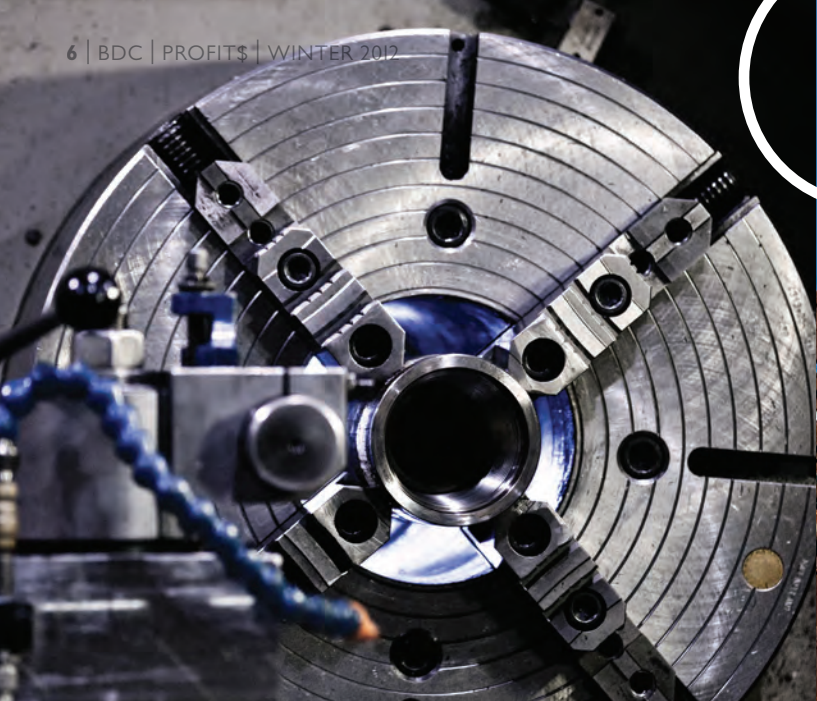
complacency and takes the necessary steps to boost its labour productivity growth, the results of our simulation clearly show that all Canadians will be collectively wealthier." \$



Percentage of SMEs citing improved customer service as the main reason for using ERP, CRM or supply chain management software packages



SOURCE: NETPME 2011—A NATIONAL SURVEY OF MORE THAN 2,000 LEADERS OF CANADIAN SMEs CONDUCTED BY CEFRIQ AND SPONSORED BY BDC.



ROBERT STEGMEIER
PRESIDENT
KAYMOR MACHINING AND WELDING

SURVIVAL LESSONS

**FROM NEAR DEATH
TO RENEWED GROWTH**

BY ALEX ROSLIN



PHOTOGRAPHY:
CURTIS COMEAU

ROBERT STEGMEIER ADMITS HE BECAME USED TO GOOD times and fast growth at his machining and welding business in Alberta's oil patch. So when boom times suddenly went bust in 2008, he was caught unprepared. It took Stegmeier many painful months to realize that drastic action was needed for Kaymor Machining and Welding to survive.

“It was about as close as you can get before you give up. But I wasn't ready to give up.”
— Robert Stegmeier

“I kept hoping things would turn around,” says Stegmeier from his office in Clairmont, Alberta, a town in the picturesque Peace River Country, 450 kilometres northwest of Edmonton.

By the time he decided to cut costs and streamline operations, it was too late. Kaymor went into arrears on payments to some creditors, including BDC.

Stegmeier, beset with sleepless nights, came agonizingly close to losing a company he had spent years building into an industry leader. “It was about as close as you can get before you give up,” he says. “But I wasn't ready to give up.”

Even the best entrepreneurs can hit a bad patch that threatens the very survival of their business. Recognizing the warning signs of trouble and taking decisive action to turn the situation around can make the difference between disaster and embarking on a new growth phase.

In fact, hard as it may be to stomach, facing and overcoming serious financial difficulties can actually provide valuable lessons that will strengthen you and your business in both good times and bad.

Inevitable Cycles

“Economic cycles are inevitable. Businesses have to be ready for them,” says René Leduc, BDC's Vice-President, Business Restructuring.

Eric Bisson agrees. “The good businesses learn from their mistakes,” says Bisson, Director of BDC's Business Restructuring Unit for Western Canada.

He has worked closely with Stegmeier to help turn Kaymor around. The company makes and repairs specialized equipment for the oil, gas and other resource industries. The end of the commodity boom hit it hard. Gone was the growth that saw Kaymor shoot to 42 employees in 2008 from just two when the company started in 2001.

Sales began drying up at a time when the firm was \$3 million in debt, largely because of a new 1,700-square-metre (18,000-square-foot) building it had moved into just before the downturn.

Stegmeier was loath to lay off highly skilled workers because he worried it would be hard to get them back when sales picked up. Yet, wages accounted for 45% of expenses—another heavy burden for Kaymor to carry.

“I kept on employees longer than I should have. We didn't realize how severe the downturn was,” Stegmeier says.

By mid-2008, Stegmeier realized he risked losing his business. He slashed his workforce to 25, but even that wasn't enough. He eventually approached BDC for help to save his company.

Bisson remembers being impressed with Stegmeier's determination to keep going and his willingness to do what was needed to turn his business around.

Stegmeier proposed a comprehensive plan to cut costs and make Kaymor more efficient. He found ways to make operations leaner and reduced fixed costs by 25% by finding cheaper suppliers and savings on utilities, office supplies and other non-operational expenses.

Made Cuts

“We went through every single aspect and made cuts,” Stegmeier says. “We found less expensive ways of doing things. We went to vendors and said, ‘What can we do to reduce costs?’”

They were all changes Kaymor could have made to boost cash flow before the downturn but did not, he says. “When we were expanding, we didn't worry about these things.” Later, he had no choice.

Recognizing Stegmeier's efforts, Bisson agreed to allow Kaymor to postpone principal payments on its debt to BDC. Stegmeier kept Bisson informed of his progress with

monthly reports, a process Stegmeier found helpful because of the feedback Bisson was able to provide.

Stegmeier also used the opportunity to create something he now realizes he should have had in place before the crisis struck—a contingency plan, a kind of business first-aid kit.

Kaymor's contingency plan spells out the revenues needed to sustain various staffing levels and a strategic forecast for the next three to five years. Stegmeier updates it every six months.

"There are a lot of good businesses that run into difficult times," Bisson says. "What often

separates the successful ones from those that fail is a proper plan."

A contingency plan should include red flags to watch out for—for example, the loss of a key customer or an unexpected jump in expenses.

The plan should also include the steps to take in various scenarios. Your first step should be to identify why the problem occurred. If sales are falling because your competition has a new product, your response will be different than if there's a broad economic downturn.

And it's important to implement your contingency plan quickly when storm clouds loom, Bisson says—"the sooner, the better."

Leduc agrees. "Entrepreneurs often wait too long before speaking with their bankers and other advisers who can help them."

The reasons vary. For one thing, Leduc says, "entrepreneurs tend to expect growth. They believe they have the magic touch and sales will return. They also may be worried about their bankers' reaction."

Preventive Measures

Some basic preventive measures are also worth implementing while times are still good. First, a business should focus on maintaining a healthy balance sheet. "If your equity is already down to a minimum, it will be even harder when there is a downturn," Leduc says.

A second key to surviving trouble, Bisson says, is working at making your operations as efficient as possible and having a flexible cost structure. The latter means being able to scale down expenses to match a sales decline. You should also focus on the revenue side by working diligently on sales and marketing plans, as well as developing an innovation strategy to keep your business competitive.

At Kaymor these days, Stegmeier is glad he sought help and is now seeing the payoff from his hard work. His company is profitable again; revenues are back at their 2008 levels and growing.

As evidence of how lean Kaymor has become, the company now makes do with only 32 employees—25% fewer than in 2008.

"It shows you really need to watch what you're doing and run a tight ship," Stegmeier says. "Now we'll be more prepared for next time." \$

BUSINESS SURVIVAL 101

PREVENTION

A little prevention in good times goes a long way when the going gets tough. Review your costs and get as lean as possible, even when you're not facing a cash crunch. Also, keep an eye on your balance sheet. If you're carrying heavy debt when business is good, you could face trouble when your industry or the economy hits a wall.

"You should have good management practices and avoid carrying employees or assets that aren't fully productive," says BDC's René Leduc. "You have to always be working to increase your productivity."

Also, strive to keep on top of technological and market changes, Leduc says, so you are better placed than competitors to weather economic storms.

CONTINGENCY PLANNING

Planning before the crunch could save you a lot of hardship if you're hit by a sales slump. Prepare a contingency plan that covers red flags to watch out for, such as the loss of an important client or a sudden increase in costs. It should also discuss how you would deal with the various hypothetical scenarios.

QUICK ACTION

Don't delay in taking decisive action if trouble looms. And don't be shy about seeking outside advice if needed. "Be proactive in asking for help," Leduc says. "Get a second or third opinion from an outside, objective expert."



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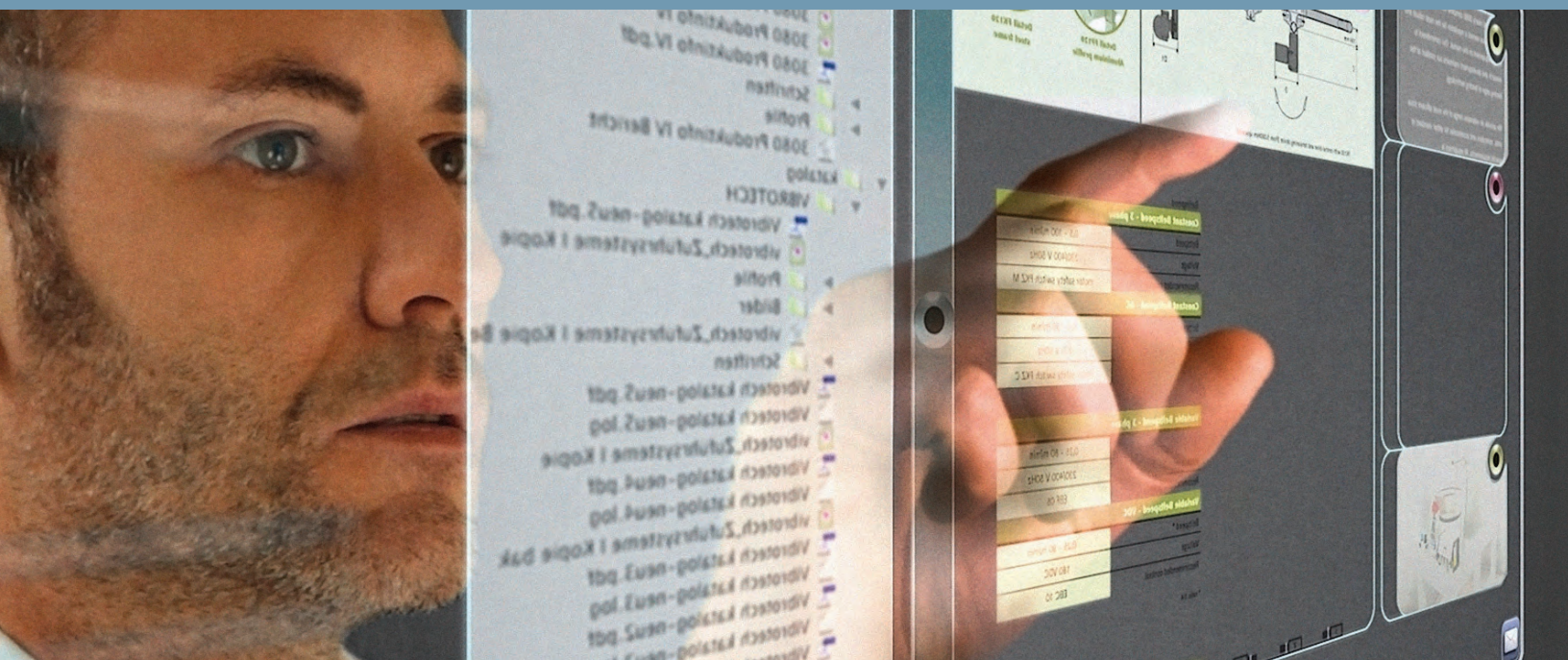


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FULL BUY-IN

HOW TO RALLY EMPLOYEES TO YOUR TECH PROJECT

BY DON MACDONALD

LOUIS CARPENTIER KNEW the stakes were high when it became clear his company's main computer system had to be replaced. Fast growth at Innotex Inc., a manufacturer of fire-retardant protective apparel, meant that its old computer system was nearing its limits by 2008. There were no illusions about how challenging or important the project would be for the company, located in Richmond, Quebec, southeast of Montreal.

LOUIS CARPENTIER
PRESIDENT AND CO-OWNER
INNOTEX

PHOTOGRAPHY: YVES LACOMBE

"We knew from the get-go that it had the potential to make us or destroy us," says Carpentier, Innotex's President and co-owner. "We didn't take it lightly."

Innotex needed a new enterprise resource planning (ERP) system. The task of selecting and implementing it would be fraught with expense, complexity and risk because it would touch every corner of the company and the work of many of its 120 employees.

From sales to purchasing, manufacturing to finance, the new system would control 800 different processes. A smooth transition was essential for a company that has averaged 25 to 30% annual revenue growth over the last decade, selling protective suits to fire departments and other users around the world.

Innotex management not only had to choose the right system, but also navigate through a long and arduous implementation phase. To be successful, it was crucial to win the support and participation of employees for the challenges and changes ahead.

Crucial Support

"You need the employees' full buy-in and confidence because, even with that, it's not easy," Carpentier, 44, says.

Carpentier faced a challenge that's common for entrepreneurs when it comes to information and communications technology (ICT). ICT can transform a business by boosting growth, productivity and innovative capacity. At the same time, it is one of the biggest sources of change in today's workplace.

Overcoming employee resistance to new initiatives and winning their active support is a big challenge for any business. That's especially true for new technology, which has caused turbulence in the workplace since the dawn of the industrial revolution.

At Innotex, Carpentier has been careful to involve employees throughout the ERP project. That was important not only to encourage

support for the project, but also to tap employees' knowledge and expertise, he says.

"I strongly feel that the people who best know exactly how something should work are those closest to the job, and not me in an office as president."

With the help of BDC ICT Solutions Consultant Lawrence Young, Innotex followed a detailed purchase plan that included the participation of employees at each step of the way, from system selection through implementation.

During the search for a supplier, key staff from various departments participated in identifying system requirements. These were compiled in a comprehensive request for proposals sent to a long list of potential suppliers. The employees then sat in on two rounds of system demonstrations, narrowing the field and eventually selecting a winner in February 2010.

During the implementation phase, "champions" from each department helped oversee the project, says René-Frédéric Roy, Innotex's Chief Financial Officer, who led the project. Employees were also

involved in testing various modules. As the company marched toward the "go-live" date in the summer of 2011, users received training on the new

system. Now they are providing feedback on how it's operating and what can be improved.

Worthwhile Work

Throughout the process, workers who were not directly involved in using the system were kept abreast of developments during quarterly town hall meetings.

The results have made all this work worthwhile. There have been glitches, but the transition has been as smooth as could be expected and was brought in on budget,

Carpentier says. Innotex is now beginning to reap the rewards of a far more robust, user-friendly and scalable ERP system.

It will be the foundation for ambitious growth plans at Innotex, a company that Carpentier and two partners acquired in 1999.

They have since refashioned it from a producer of snowmobile apparel and sports equipment into a manufacturer of fire-retardant protective gear with about \$15 million in sales to fire departments, industrial users and the military in 35 countries. Principal markets are North America, Latin America and the Middle East.

Total Commitment

Young, the BDC Consultant who advised Innotex on the project, says a successful technology implementation starts with the whole-hearted commitment of the president. The top person has to be clear on why the project is necessary and beneficial for the company.

Young says Carpentier, Roy and other Innotex executives have cultivated an open culture at the company and brought the same attitude to the technology project.

"They set realistic targets and made sure that the people who had to be involved in the various aspects of change were

given the time to devote to it and the opportunity to express themselves," says Young, who specializes in ICT system selection at BDC.

From his perspective, Carpentier says it's important to manage employee expectations from the outset. That means reminding employees how they will benefit from the new system and the larger goal of building a stronger, more competitive company, but also resisting the temptation to soft-sell potential difficulties.

"You need the employees' full buy-in and confidence because, even with that, it's not easy."
— Louis Carpentier



“We explained: ‘Hey, we’re going to do our best, but there’s no perfect system out there. There are going to be drawbacks. But the overall objective is to have something that will perform better for the entire company.’”

Diane Bazire, a BDC Consultant who specializes in human resources, agrees with this approach. Managing technological change is, first and foremost, about communicating early and often with employees, she says.

Upsetting Change

“You can’t show up one day and say to people: ‘Up until now you’ve been doing A-B-C, and now you will be doing X-Y-Z,’” Bazire says. “Managers have a tendency to underestimate how upsetting this type of change can be.”

Newsletters, town hall meetings and e-mail updates are a few of the tactics entrepreneurs can use to make sure employees are

well informed and the rumour mill doesn’t take over, she says. And don’t forget to seek employee feedback. “You have to try to understand what’s worrying them about the change and then respond to those concerns,” Bazire says.

Back at Innotex, Carpentier says the company purposely “didn’t set the bar too high” for the new system’s initial roll-out. The objective was for it to do what the old system was doing. Now, the company is looking ahead to using more sophisticated applications, including customer relationship management and financial reporting analytics.

“We told our people it won’t be perfect, but it’s going to take us to a much better place over the next 10 years,” Carpentier says. “I think the people ended up believing and expecting that. And it’s happening right now.” \$

OVERCOMING EMPLOYEE RESISTANCE TO YOUR TECH PROJECT

COMMUNICATE EARLY AND OFTEN

Begin preparing employees for a major technology change months in advance, not when it’s happening. Change is difficult for employees, especially when it involves areas of their expertise. Be sure to communicate regularly and seek employee feedback.

EXPLAIN WHAT’S IN IT FOR THEM

Focus on how the changes will improve the company’s performance and help employees perform their work. At the same time, don’t shy away from talking about potential glitches and negative impacts. If a system will make things more difficult for certain employees, consider offering incentives or additional support.

ENSURE MANAGEMENT BUY-IN

Success depends on strong leadership. The company president should be clear on why the project is necessary and beneficial. Then make sure your top people are all pulling in the same direction and delivering the same message to employees.

GET THEM INVOLVED

Seek the participation of key employees in system selection, implementation and testing. You will benefit from their expertise and bring them onside with the project. They may even become champions, helping and encouraging other employees to become comfortable with the new technology.

PROVIDE ADEQUATE TRAINING

Keep in mind that many employees are not savvy about new technology and may be intimidated by it. High-quality training is a must for ensuring employees cope well with the changes and make a smooth transition.

HITTING THE RIGHT NOTES

COALITION MUSIC FINDS SUCCESS IN A TURBULENT INDUSTRY

BY ALINA PAHONCIA

ERIC LAWRENCE AND ROB LANNI
VICE PRESIDENT AND PRESIDENT
COALITION MUSIC

PHOTOGRAPHY: YVES LACOMBE



IT'S NEVER BEEN EASY FOR YOUNG MUSICIANS to make it in the entertainment industry. But the torrid pace of change brought on by digital technologies has made it all the more difficult.

“Artists have to be entrepreneurs these days. We have the tools to help them.”
— Rob Lanni

Those technologies offer new opportunities for ambitious musicians but also demand they master a wide range of skills if they want to succeed. Industry veterans Eric Lawrence and Rob Lanni have made it their mission to help Canadian musicians navigate these turbulent times.

“Artists have to be entrepreneurs these days,” says Lanni, who began Toronto’s Coalition Music with Lawrence in 1992. “They have to be familiar with publishing, touring, accounting, public relations and social media. We have the tools to help them.”

The entrepreneurs certainly have the experience and successful track record to guide a new generation of Canadian artists. Over the last two decades, they have launched and managed the careers of dozens of Canadian acts, including such international success stories as Our Lady Peace, Simple Plan and Finger Eleven.

They have also developed their own music label—Coalition Records—in partnership with Warner Music Canada. Since its inception, Coalition has been involved in the commercial release of more than 30 albums with combined worldwide sales exceeding 12 million units.

With change sweeping the industry, Lawrence and Lanni decided last year to diversify the company with the addition of a new recording studio, rehearsal spaces and an artist development school.

For their strategy to succeed, they needed expanded premises. With the support of BDC Financing, they bought a 1,100-square-metre (12,000-square-foot) building in Toronto’s Scarborough district. Inside the imposing brick building, they have created a hothouse for growing Canadian music talent and touched off a growth surge at Coalition.

Coalition has now evolved into a 13-employee, full-service music development company with several million dollars in sales. At the new building, musicians benefit from state-of-the-art facilities and access to professional help and advice. For example, artists who rent rehearsal rooms are given an opportunity once a month to ask any person on Coalition's management team questions about their career development. Those sessions pay off for both sides, Lawrence says.

"It gives us the chance to keep an eye on young promising artists," Lawrence says. "We have created our own talent incubator."

One of Coalition's most ambitious new ventures is the artist development school. One course the school will be offering in 2012 is the Music Artist Entrepreneur Program, in which Coalition aims to teach young Canadian artists the nuts and bolts of the music industry.

Lawrence and Lanni have built one of Canada's strongest musical brands, and one of the few companies that has enjoyed international success through the recording and touring achievements of the acts it manages.

They attribute their success to close relationships with their clients and an ability to manage change in a volatile industry.

"The smartest way we know to do business is to collaborate with the artists," Lawrence says. "When things go well, we hug each other. When things go badly, we collectively admit we may have made a mistake and carry on as trusted partners."

"We work in a people business," Lanni says. "It's putting the artist in the centre of our business that has kept us successful for all these years." \$

LESSONS LEARNED

Develop close relationships with your clients. Happy clients equal a healthy business.

A passion for your business will inspire you to innovate and grow.

Surround yourself with good, competent people. Don't take your employees for granted.

Be good to people. Treat your business associates with respect and generosity. This will pay off many times over the long run.

Diversify to benefit from multiple revenue streams and ride out ups and downs in your industry and the economy.

You've lived the dream of owning and managing your own business. Now you feel it's time to move on, either to retirement or to your next project.

BDC has many years of successful experience in helping entrepreneurs to transfer, sell or buy a business. Our transition program is a complete solution that combines financing and consulting. At BDC, it's entrepreneurs first.



MOVE ON WITH CONFIDENCE BUSINESS TRANSITION



A RISING TIDE

MIKE BREAU'S
VOYAGE TO
SUCCESS



MIKE BREAU
PRESIDENT
OCEAN PIER

PHOTOGRAPHY: DAN CALLIS

EVEN AS A YOUNG BOY GROWING

up in Dieppe, New Brunswick, Mike Breau showed signs of the ambition and leadership that would one day make him an outstanding entrepreneur.

When his small size prevented him from becoming a professional hockey player, he set his sights on running his own business. At the age of 25, he made that dream a reality when he opened a small fish plant in Scoudouc, New Brunswick. The collapse of the Atlantic cod fishery slashed supply to the plant, but that didn't stop Breau. He moved into making frozen entrées and appetizers for sale in grocery stores.

Today, his company, Ocean Pier, supplies mostly private label brands to North American giants such as Loblaw's, Sobeys and Costco. The 465-square-metre (5,000-square-foot) plant where Breau got his start, filleting fish with his own hands, alongside his mother and a few other workers, has grown into a 3,250-square-metre (35,000-square-foot) facility with sophisticated technology, equipment and food safety controls. Ocean Pier now employs 85, preparing a long list of frozen appetizers and entrées made from shrimp, crab, scallops and other seafood, as well as pork, chicken, beef and pasta.

It's hasn't always been smooth sailing for Breau, 50, a client of BDC Financing and Subordinate Financing. But with strong consumer trends benefitting Ocean Pier's products, it looks like the winds are favourable for many more years of growth ahead.

One of my teachers told me in Grade 6 that I'd be a businessman one day because I had the drive. *At the age of 25, I started my own business.*

I have always been a person who will not accept "no." *I always achieve what I want to achieve. When I have a goal and believe in something, I strive for that. That's been my strength. I never quit.*

That came from my mom, I would say, plus my discipline in hockey. *I was smaller than the other hockey players, so if you're not disciplined, especially when you get to the junior level and university, then you're really going to get hurt.*

I played with Chicoutimi in the Quebec junior league. At the age of 16, I had hopes for the NHL. *But I realized that as a defenceman at 5-foot-7, I was not going to make it to play pro hockey. The university coach approached me and so, at 19 years old, I was playing with the University of Moncton. And we did well. We won two national championships.*

From the first day I came into the university, I decided I would own a business one day. *I didn't know what, but it was going to be something. I like the leadership role. Maybe that's what drives me. I was always a leader in whatever I did.*

After university, I started in the wheeling-dealing part of the fish business. *Buying lobster and selling it to the plant. I lived in Cape Breton, chasing fishermen to get their lobster and crab. That was a wild experience.*

I didn't see any long-term future in that. It was all seasonal work. *So I started a little fish plant, cutting fish. It had 15 or 20 employees taking some flounder, some cod, cutting it and shipping it to the fresh markets in Montreal, Boston and Toronto. But when they cut the cod quota, we had no more fish.*

Now, when the cod crashed, that's when I started my lasagna operation. *That's what saved us, in a sense. I was doing both. I was doing fish in the summer and then in the winter I would do my lasagna. We started with a seafood lasagna and then started building it up. Slowly, slowly, but nothing was easy—learning the process, how to make a plant make money.*

From there, we started doing some appetizers. *Bacon-wrapped scallops was one of the first ones. Crab Rangoon. And we've kept growing since then.*

We put out a product that is as good as homemade at the house or restaurant, and it's affordable. *I think that's the key. This is where the economy has helped us in the last three years. The crash, as much as it hurt all the food business, helped us because people, instead of going to a restaurant and eating finger foods or appetizers, are now going to the grocery store and saying, "Wow. I can get the same quality here."*

It took years in the market to get to where we are now—soliciting customers, proving that you're worthy of their business, that you have the size, the financial stability, to be their supplier. Because it's big business. They want to make sure they get their supply and that the quality is there.

This is a fashion business, the appetizer business. *Times change, people change. Why do people design dresses a different way every year, right? The appetizer business is the same thing. You have to be innovative. I travel. I listen to customers. I go to restaurants all over and I taste. I talk to the chefs. At the same time, we run a tight ship. Our customers know that with us there's no extra profit being left on the table. The cost is the cost. The price is the price. We do our best to keep them competitive in the market, as much as we try to maintain our profitability, too.*

Continued on next page

We have a costing system that we developed over the years that's pretty accurate. You buy containers of product and it comes out in containers at the other end. But can you make money with it? That's the big thing. We watch our overhead very closely. I'm the owner operator. I'm here 60 hours a week, watching all the time.

I'm just making sure people [the employees] are doing their work. People need to stay focused. They're all good. They know their job. But the key is to keep focused and get the results.

I've always been like this. I strive for better all the time. I don't accept failure too well. I believe you have to improve yourself. But you have to be reasonable with people, too. You can't demand always—push, push, push. There has to be a comfort level.

You really have to make sure you have good people around you—who complement you instead of dragging you down. If people are falling off the boat, let them go because they take too much energy. We don't have time for that. Bring people who want to continue growing. That's the key. As the business grows, everybody grows.

BDC has been there to support the growth of the company. It was a challenge at the start and BDC was behind us and created a good, stable environment for the other banks. That was very important.

“When I have a goal and believe in something, I strive for that. That's been my strength. I never quit.” — Mike Breau



We had problems a couple, three years ago. The business was doing good sales but couldn't make money because of the overhead. We thought we were efficient, but we were not that efficient. It taught us a great lesson. We were structured too big for the sales level.

For the last three years, we've been spending a lot of money on improving our technology. We have a great system, a manufacturing system, complete from recipe to purchasing to inventory control, everything. It gives us the control and the efficiencies we need.

I'm self-made and maybe that was the hardest, because I had no family to tell me don't do this, don't do that. So there were a lot of mistakes when I was young. I was fortunate to have some people who helped along the way, but at the same time, it took a lot of years to get this operation moving in the right direction.

I like the way we're going, the way we're operating. The ship is heading in the right direction. \$

AS TOLD TO DON MACDONALD



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Opportunities are plentiful for food and beverage businesses, but it's still a challenging, competitive industry.

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Ask a Pro



Q I'M STARTING TO THINK ABOUT RETIRING. WHAT DO I DO WITH MY BUSINESS?

A As with any strategy planning, exit strategy planning follows a predictable pattern. First, you must identify a vision for your business—and for yourself—through some personal soul searching and information gathering. Then, you must begin planning and executing what it will take to achieve that exit. Usually, advisers suggest one should start implementing an exit strategy at least two years before the exit.

These are some common business exit methods.

■ **Pass the business to another family member.** This requires identifying likely candidates and then training them to manage the business successfully.

■ **Sell the business.** Simply making cosmetic changes to a business at the last minute and putting it on the market for sale often results in reduced returns. Usually a sale requires a long strategic management process that produces evidence of growth potential and makes the business more attractive to potential buyers. In addition, likely buyers should be identified ahead of time.

■ **Management or employee buyouts.** Often, this is the first option for owners if they do not have a candidate for succession and are concerned with continuing the corporate culture. Usually in these cases there are legal processes, such as an arrangement of shares, that must be taken care of first.

■ **Takeover or phased exit.** This often occurs when an owner wants to leave a business but not completely exit. It is a way to transfer a business slowly to a new owner who is still being trained. The owner sells a stake in the business to a partner, and the stake grows as the partner takes on increasing managerial responsibility.

Q HOW CAN A PERSON REWARD AND COMPENSATE THE BEST EMPLOYEES WHILE ENSURING THAT THESE REWARDS OR BONUSES DON'T GO TO THEIR HEADS?

A Rewards are an important part of employee satisfaction in the workplace. The rewards also have to make good business sense for the company. Salaries and wages are how a company pays people for the work they have performed. If an employee exceeds normal expectations, additional compensation would reward this behaviour and hopefully encourage the employee to continue to excel.

Design an incentive program that ties rewards to company performance. It can be segmented to allow for overall employee rewards and specific individual rewards for performance. You may consider either lump-sum amounts or salary percentages that are paid to all employees based on the company reaching a profitability threshold. Review specific objectives to recognize individual performance as part of the incentive program. A set amount of the net profit can be earmarked for a merit pool, which can be awarded to employees who achieve agreed-upon goals and contribute to the company's success. \$

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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