



BDC STUDY

THE FIVE DO'S AND FIVE DON'TS OF SUCCESSFUL BUSINESSES

BDC Small Business Week 2014



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EXECUTIVE SUMMARY

What do Canada's most successful businesses do differently than other firms?

And why do successful firms run into financial difficulty that, if uncorrected, can lead to their failure?

This study set out to answer these questions.

THE FIVE DO'S

To understand what factors are the key predictors of business success, a BDC/Nielsen survey was conducted of 1,139 small and medium-sized enterprises (SMEs) across Canada. Businesses from a cross-section of industries were selected to remove any industry bias (e.g., high tech versus manufacturing). Respondents were then divided into two groups.

The "most successful" group contained the top 20% of firms from each industry, based on their total revenue, as well as growth in revenue, profit and employment over the preceding three years. The remaining 80% were classified as "all others."

After comparing the two groups' responses on questions related to business practices and competitive positions, a statistical correlation was found between the success of a business and these five do's.

- > Do #1: Innovate—don't rest on your laurels.
- > Do #2: Ask for outside advice.
- > Do #3: Have a solid plan and measure your progress.
- > Do #4: Hire the best and keep them engaged—it takes more than money.
- > Do #5: Build strong relationships with your key suppliers.

THE FIVE DON'TS

Many firms master the day-to-day essentials of running their businesses but ultimately encounter financial difficulty. To understand why, we closely examined 118 well established companies in BDC's portfolio that had run into financial difficulty. On average, they had annual revenues of \$7.8 million and 56 employees, and had been in business for over 20 years.

The following five common don'ts emerged.

- > Don't #1: Don't rely on too few customers—diversify.
- > Don't #2: Don't underestimate the importance of effective financial management.
- > Don't #3: Don't leave contingency planning until it's too late.
- > Don't #4: Don't ignore what's happening in your market.
- > Don't #5: Don't wait too long to get help.

Each "do" and "don't" is illustrated with a case study of a successful Canadian company. Each also contains suggested strategies for SMEs, developed with BDC's consulting group.

Our findings echo, in part, those published by Statistics Canada 20 years ago, which revealed innovation to be the single most important factor that led to business success. While the business landscape has changed over time, the need to innovate has remained a constant.

The do's and don'ts we have highlighted are within reach of all entrepreneurs. However, as with any goal, success requires a conscious effort and frequent monitoring of progress. Succeeding in business is not a sprint; it's a journey. By practising the five do's and avoiding the five don'ts, entrepreneurs can move forward, one step at a time.

INTRODUCTION

What factors make Canada's most successful businesses stand out from other firms? What do they do differently? Do they have unique qualities that allow them to gain market share and increase profitability?

This report seeks to answer these questions by building on existing research and by comparing the practices adopted by a group of industry-leading firms with those of their less successful counterparts. It also examines some of the most common factors that have led firms, often successful in the past, to encounter financial difficulties.

Research for this report was done in two ways. To determine the factors that separate industry-leading firms from their less successful counterparts, a BDC/Nielsen survey was conducted¹ of 1,139 small and medium-sized enterprises (SMEs) across Canada. Questions related primarily to the business practices adopted by respondent firms and the extent to which they carried out certain activities. In several cases, respondents were asked to rate their firm's position relative to that of its main competitors (for example, on factors such as employee compensation practices). Respondents were also asked several questions about their firm's financial performance over the preceding three years.

To identify which success factors applied across industries, respondents were divided into two groups. The "most successful" group included the top 20% of firms in each industry, based on a general success score comprising the firm's total revenue, as well as growth in revenue, profit and employment over the preceding three years.² The remaining 80% were classified as "all others." We then compared the responses from both groups on questions related to business practices and competitive positions, and grouped most of the statistically significant results³ into five generally applicable "do's" (success factors).

In addition to comparing the top 20% of firms from each industry with the bottom 80%, we compared the responses from the bottom 20% in each industry to those from the top 20% and middle 60%. As expected, the bottom 20% of firms either scored the lowest on all of our do's or gave responses that were not statistically different from those of the middle 60% of firms. This report presents only the results for the top 20% of firms compared to all others. However, our results for the bottom 20% of firms reinforce the hypothesis that each of the five do's goes some way toward explaining business success across industries.

1 Survey questions were based on a review of relevant business and economics literature, as well as over two dozen detailed interviews of entrepreneurs and business professionals, which led to an improved understanding of some of the factors that contribute to business success.

2 This research considered just two measures of a firm's success: employment growth and financial performance (in particular, market share and market share growth). It did not consider qualitative characteristics that might also reasonably be associated with firm success. However, financial performance is an easily identifiable and quantifiable measure of success; it is also the measure used most often in the literature (e.g., Baldwin *et al.* 1994 and Nohria *et al.* 2003).

3 By "statistically significant," we mean at no less than the 5% level, based on a two-tailed t-test or Pearson's chi-squared test (depending on whether the question was quantitative or qualitative).

The firms examined were mostly well established, with average annual revenues of

\$7.8M

The five generally applicable “don’ts” were derived from a detailed review of the circumstances that led 118 firms into financial difficulties and that prompted BDC to refer these companies—temporarily, in some cases—to BDC’s special accounts department or business restructuring unit. Previous research⁴ has focused on the most common management characteristics that have led to firm failure. This research aimed to identify the most common factors and events that have led businesses to encounter—at least temporarily—financial difficulty. The firms examined were mostly well established, with average annual revenues of \$7.8 million, an average of 56 employees and an average year of firm establishment of 1990.

The findings of this research are organized in two parts. Part I presents the five do’s of successful businesses that emerged from the survey. Each do includes a case study of a successful Canadian SME and suggested strategies for SMEs to follow, developed with BDC’s consulting group.

Part II presents the five don’ts of successful businesses. Each don’t also includes a case study of a successful firm and recommended strategies for avoiding these pitfalls.



**BDC/NIELSEN
SURVEY**
was conducted of
1,139 SMEs
across Canada.

⁴ For example, Baldwin *et al* 1997.

Do #1

The most successful businesses were far more likely to offer the latest products and services, using the newest technology.

They also spent more time and resources on trying to identify areas in which their business could get ahead of the competition.

INNOVATE—DON'T REST ON YOUR LAURELS

Innovation matters. In fact, when identifying what separates the most successful businesses from all others (regardless of business sector), the BDC/Nielsen survey results suggest that a wide variety of factors relating to innovation are important.

Equally interesting is that these survey results mirror the findings of the last comparable research into Canadian SME performance, which used business data from the 1980s.⁵ Combined, the results of these two studies suggest that even if the global business environment has changed dramatically in the past generation, the positive relationship between innovation and the financial performance of businesses has been a constant.

Precisely what types of innovation matter most to business performance? Three significant results emerged across all sectors.

- > The most successful businesses offered new products and services more often.
- > They adopted new technology more quickly.
- > They reported that innovative practices—ranging from improving internal processes and enhancing internal efficiency to adapting their business model—were more important to their firm's success than did their counterparts.

New products and services

One-third of the most successful firms reported that over 20% of the products and services they offered did not exist five years ago, while only 1 in 10 offered no new products or services whatsoever.

In contrast, only one in five of all others reported that over 20% of the products and services they offered did not exist five years ago, while a corresponding number reported that they offered no new products or services whatsoever (see Chart 1).

⁵ See Baldwin 1995.

7/10

of the most successful businesses reported that they were either first adopters or early adopters of new technology.

New technology

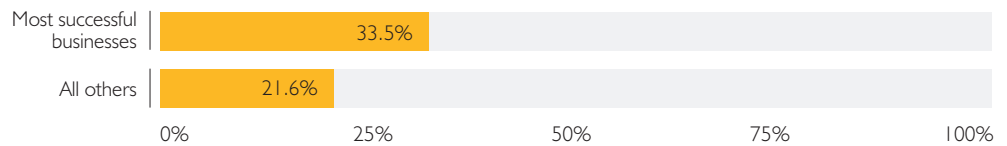
Seven out of 10 of the most successful businesses reported that they were either first adopters or early adopters of new technology, compared to only half of all others (see Chart 2). Interestingly, recent research from the United Kingdom has found that willingness to adopt new technology was associated with having a business plan, which itself was associated with a range of innovative business characteristics.⁶

Innovate frequently

When asked specifically about the types of innovation they undertook, the most successful businesses reported that they innovated more than their counterparts when it came to making internal processes more efficient, developing new products and services, adapting their business model (e.g., developing new billing structures) and finding new marketing channels (see Chart 3).

In short, the most successful businesses were far more likely to offer the latest products and services, using the newest technology. They also spent more time and resources on trying to identify areas in which their business could get ahead of the competition.

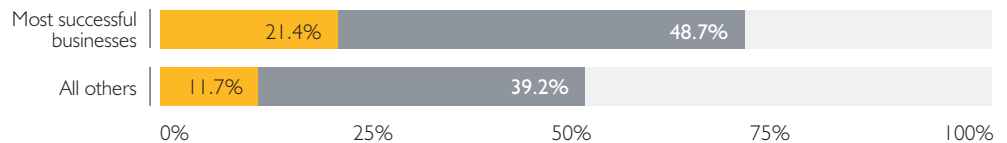
Chart 1: Propensity* of businesses to offer new products and services



■ Proportion of group for which at least 20% of products and services offered were new

* Numbers rounded to nearest decimal place in all charts

Chart 2: Percentage of businesses that are first or early adopters of new technology



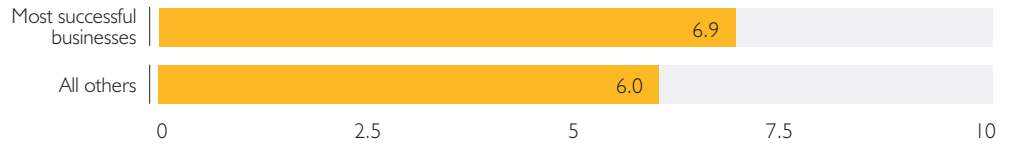
■ First adopters of new technology

■ Early adopters of new technology

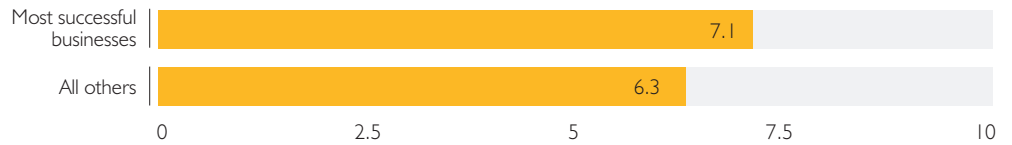
⁶ See Blackburn et al 2013.

Chart 3: Differences in types of innovation undertaken by businesses

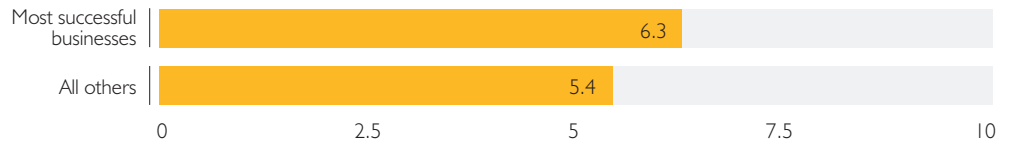
Process innovation (e.g., new or improved distribution method)



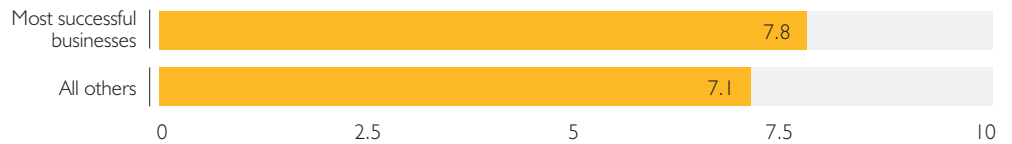
Marketing innovation (e.g., new or improved marketing channels)



Business model innovation (e.g., new or improved billing structure)



Product or service innovation (e.g., new or improved product or service)



■ Level of importance on a scale of 0 to 10 (mean response)

Continuous innovation at Cinespace Studios

While innovation is a feature of many industries, it is everywhere in film and television. To be successful over the longer term, businesses must continually push the bounds of creativity. No one knows this better than Jim Mirkopoulos, Vice President of Toronto's Cinespace Studios, which supplies studio space and services to a wide range of Canadian and U.S. film and television productions. In fact, many of the products and services offered at Cinespace have been adapted and improved in recent years, either to serve clients better or because of technological and industry changes.

"Continually innovating is critically important to us," says Mirkopoulos. "This is an industry that is highly competitive, and the landscape is constantly shifting." To take just one example of the firm's continuous, incremental innovation, a few years ago Cinespace developed special pricing models for domestic film and television productions. The result? By designing pricing models that save on upfront costs for smaller film and television producers, successful long-term business relationships have been created. "It allows them to put more quality on the screen and become more globally competitive from the get-go, increasing their export potential and financial strength," says Mirkopoulos. "In exchange, we benefit from the loyalty of those clients when they become successful, and they return to us with either renewal seasons or new projects."

Mirkopoulos describes his firm's innovation strategy as twofold. The first part is client engagement. "Our business continues to innovate in relevant ways by knowing our client base and the efficiencies they are seeking," says Mirkopoulos. The second key part entails partnering with local universities and technical colleges. "These partnerships have led to innovations at Cinespace in a couple of ways. First, they have helped us to develop the next generation of our workforce. Second, they have been hugely beneficial in research and development initiatives. It's a model that has worked really well for us."

For more information about Cinespace Film Studios, visit www.cinespace.com.

Strategies for SMEs

Innovation is best described as a mindset. When developing an innovation strategy for your business, consider the following.

- > **Innovation requires leadership, human resources and capital.** You need to be a champion of doing things better within your company. You should also consider putting aside a financial reserve to fund new ideas. Remember—your competition isn't standing still, so the cost of doing nothing is actually higher than the cost of implementing an innovation strategy.
- > **Tap the creativity of your employees, suppliers, customers and stakeholders.** They have intimate knowledge of your business and industry, and will often be your best source of ideas. It could be as simple as changing a process, adapting a product to a new market or exploring new ways of reaching customers.
- > **Don't look for the big invention.** Focus on continuous incremental improvements.

Do #2

The most successful group of businesses used formal advisory mechanisms, such as advisory boards,

34%

more than their counterparts.

ASK FOR OUTSIDE ADVICE

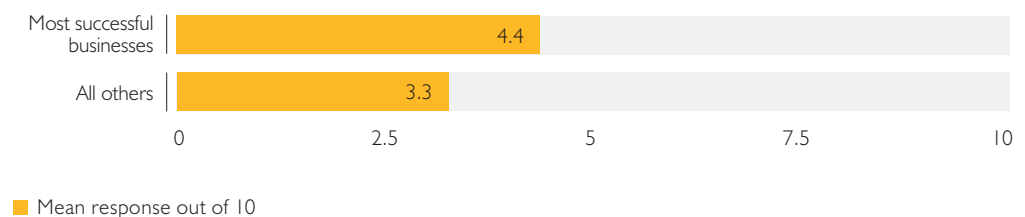
Should entrepreneurs obtain outside advice if they want to maximize their chances of success? After all, creating a successful business requires a lasting vision, especially when it comes to overcoming obstacles. Yet, it can be difficult for a single person (or even a group of people within a single company) to always make the right strategic decisions for long-term business prosperity. Simply put, it is virtually impossible for any one person or group of managers to have the best knowledge in every situation.

Recent research⁷ on advisory boards found that SMEs with advisory boards were significantly more successful than those without advisory boards, with 18% higher sales per worker on average. Advisory boards were also associated with increased growth in market share: average total sales growth was nearly three times higher following the creation of an advisory board.

The BDC/Nielsen survey included two questions designed to explore the relationship between the type of outside advice sought by businesses and their financial performance over the past three years. The first question asked the extent to which firms used **formal** advisory mechanisms, such as advisory boards or external consultants. The second question focused on the extent to which firms used **informal** advisory mechanisms, such as networking.

The most successful businesses were more likely to report seeking outside advice through both formal and informal advisory mechanisms. However, use of a formal advisory mechanism appeared to have the greatest impact on a firm's success. On a scale of 0 to 10, the most successful group of businesses used formal advisory mechanisms, such as advisory boards, roughly 34% more than their counterparts (see Chart 4); however, they were only 12% more likely to use informal mechanisms, such as networking. Moreover, less than 20% of the most successful businesses reported that they never used formal advisory mechanisms, in contrast to almost one-third of their counterparts.

Chart 4: Businesses' use of formal advisory mechanisms



⁷ See BDC 2014a.

Advisory boards: an “enormous” success factor for International Yacht Training Worldwide

International Yacht Training Worldwide (IYT), based in Kelowna, British Columbia, is a global industry leader that specializes in providing internationally recognized maritime certification through 200 partner schools in 47 countries. IYT’s Managing Director, Capt. Mark Fry (a retired sea captain), attributes a significant part of his firm’s success to its advisory board, which includes a former Canadian admiral, a former diplomat, and a former marketing and brand strategist with over 30 years’ experience.

“You get a lifetime’s worth of experience from each member of your advisory board,” says Fry, noting that the knowledge and networks of contacts offered by an advisory board far exceed what any single entrepreneur could hope to obtain on his or her own. In IYT’s case, the advisory board has been especially useful in terms of facilitating its international expansion. “When you look to expand internationally, you can run around in circles trying to find the right person to talk to. An advisory board with the right knowledge and experience can eliminate an awful lot of wasted time and energy,” says Fry.

The benefits of advisory boards can include not only advice and contacts, but also creative input—in IYT’s case, marketing and branding input in particular. “At IYT, we have our company slogan: *‘IYT operates more boating courses, with more government approvals, through more schools, in more countries, and in more languages than any other organization in the world,’*” Fry notes. “It was our marketing guy who came up with that, who said, ‘Let’s come up with something that’s truly unique to who and what we are.’”

Fry believes that SMEs looking to create an advisory board should ensure that board members have varied backgrounds that cover all core aspects of the business. “We picked the three people that we thought were best able to drive our business in the right direction.”

For more information about International Yacht Training Worldwide, visit www.iytworld.com.

Strategies for SMEs

Consider setting up an advisory board, taking the following into account.

- > **Advisory board members need to be independent.** They should feel free to offer a different perspective or challenge management views, strategies and decisions.
- > **Advisory board members should have varied business backgrounds, ideally complementary to your background.** The competencies most often sought in advisory board members are accounting and finance, marketing and sales, human resources, and operations—key competencies needed in the management of every firm. Strong industry sector knowledge is also valuable. You or an external consultant can seek potential members among business associates or retired executives. They are often willing to mentor others and bring a wealth of varied business experience with them.
- > **Boards should meet regularly—at least quarterly—and in a structured way.** Agendas and material should be prepared and sent in advance, and minutes should be taken. You should be held accountable for implementing the agreed-upon goals and report back on the progress you have made.

Do #3

Having a concrete medium-term plan and multiple business performance metrics are essential to building a successful business.

HAVE A SOLID PLAN AND MEASURE YOUR PROGRESS

Where do entrepreneurs want their business to be in five years? Although the question is simple, answering it and achieving that goal are not. Having a concrete medium-term plan and multiple business performance metrics are essential to building a successful business, according to the results of the survey. Compared with their counterparts, the most successful businesses were far more likely to report that they had thought carefully about where they wanted to go, devised a plan and actively monitored their progress.

The survey included two questions related to business planning and monitoring of business performance. First, businesses were asked whether they had developed a medium-term business plan that included specific targets. Over 70% of the most successful businesses had some sort of medium-term business plan, and roughly a third of these had a detailed roadmap for future growth (see Chart 5). In contrast, less than half of their counterparts had a high-level medium-term business plan in place, while only 13% had a detailed roadmap.

A clear difference also emerged regarding business performance monitoring. Most businesses reported that they had at least one or two performance metrics in place. However, 65% of the most successful businesses reported that they had **three or more** such metrics in place, compared with just over 40% of their counterparts. Successful businesses were also twice as likely to report that they had **six or more** performance metrics in place, and half as likely to report that they had none (see Chart 6).

Chart 5: Percentage of businesses with a roadmap for future growth

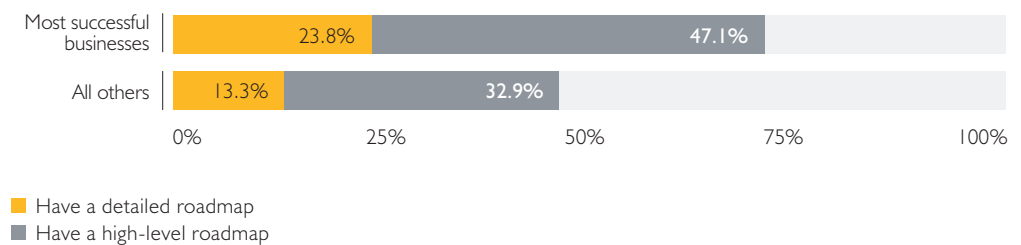
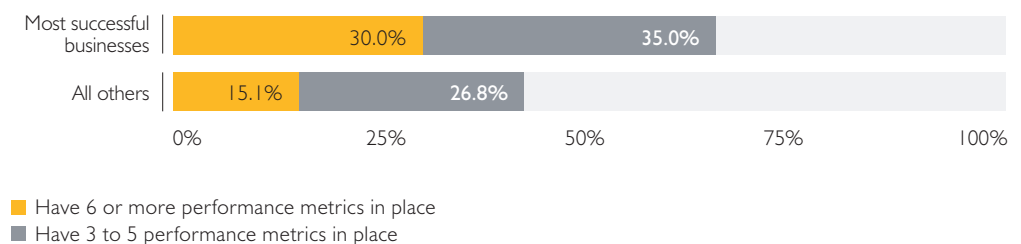


Chart 6: Percentage of businesses with at least three performance metrics in place



Long-term strategic planning at Lamcom

Effective long-term planning can be one of the most difficult things for a business to accomplish. If an entrepreneur is able to find a “sweet spot” in his or her market and develop a business growth plan accordingly, the future can be a little more certain. This is what happened to Lamcom, a company based in Montreal, Quebec, which offers large-scale printing, signage production and other services to a wide variety of clients. By investing more than its competitors in the most technologically advanced machinery and actively seeking out clients looking for high-end products, Lamcom has been able to achieve continued success.

“Lamcom was able to grow successfully in its market thanks to solid short-, medium- and long-term planning,” says Daniel Lefebvre, President of Lamcom. “Short-term planning in our case relates simply to what we need to get done every week and every month. Medium-term planning is done once every two months or so, and it’s where we take a look at what’s happening in the market and try to understand and adapt to new trends. Long-term planning is where we define our vision for the company and how we plan to achieve it.” When it comes to long-term planning, Lefebvre believes that the wider Canadian economy and more gradual consumer trends are important factors to take into consideration.

To assess Lamcom’s performance relative to its business plan, Lefebvre looks at several metrics that are mostly financial in nature. “I look at a number of different factors,” he says, “but the adequacy of our working capital and upcoming investment needs are the two things I pay closest attention to.”

For more information about Lamcom, visit www.lamcom.ca.

Strategies for SMEs

Have a roadmap

If you haven’t already done so, prepare a medium-term plan that includes the following items.

- > **A vision for the future and a concrete plan to achieve it.** Where do you want to go and how will you get there?
- > **A SWOT analysis.** Analyze your business’s strengths, weaknesses, opportunities and threats over the next two to five years. Look at external factors and your company’s internal environment.
- > **Targets that indicate if your business is on track.** What measurable outcomes will validate that your business is achieving the desired objectives?

Have multiple performance metrics

If you don’t measure it, how will you know whether it is improving? Performance metrics will help you standardize processes, detect problems and develop solutions—in short, they will facilitate productive efficiency. Metrics can go beyond the obvious ones, such as costs; other key indicators are also vital. Think about carrying out the following points.

- > **Think carefully about what you want to measure and determine an appropriate benchmark.** Consider things like quality, delivery deadlines, safety, environmental impact, and client and employee satisfaction.
- > **Collect up-to-date data.** Performance metrics must include the most recent data possible.
- > **Present the data in an easy-to-understand format.** Use graphs, pie charts and other visual elements so that you can communicate your message effectively to all stakeholders.

Do #4

The most successful firms felt their biggest competitive edge came from offering a stimulating work environment and a positive company culture.

HIRE THE BEST AND KEEP THEM ENGAGED—IT TAKES MORE THAN MONEY

Attracting and retaining the best employees is top of mind for all entrepreneurs, yet they must balance their desire to find and hire only the strongest candidates with the need to fill positions as quickly as possible. While having the best employees can make a tremendous difference, running a business with less than a full workforce may be difficult (depending on the skills and expertise of the business's remaining employees).

Over 60% of the most successful firms were willing to take **several months or longer** to find and hire only very strong candidates for key roles and positions, compared to just over 40% of their counterparts (see Chart 7). Moreover, over one-third of the most successful firms took as much time as needed to hire only the best, compared to slightly less than a quarter of their counterparts (see Appendix B for complete questionnaire).

The survey included a number of questions on human resources practices, including the position of respondent firms relative to their competitors on factors such as pay and benefits, and having a positive workplace culture. The most successful firms felt that they offered superior pay and benefits, a more stimulating work environment, and a more positive company culture than did their competitors (see Chart 8). While the biggest difference between the two groups related to pay and benefits, in absolute terms, the most successful firms felt their biggest competitive edge came from offering a stimulating work environment and a positive company culture.

Chart 7: Percentage of businesses willing to take at least several months to hire only strong candidates

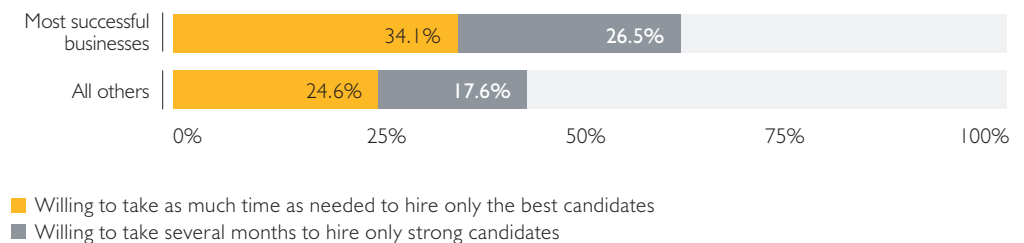
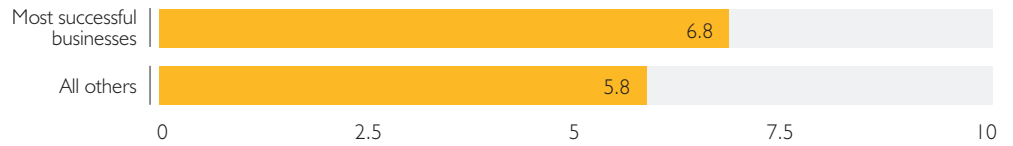
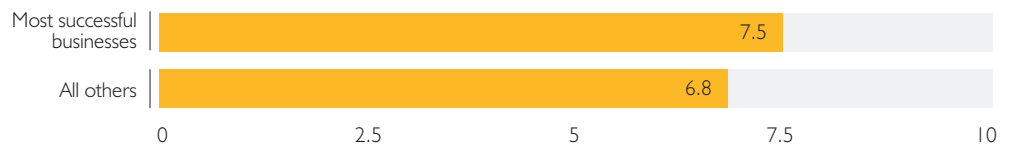


Chart 8: Businesses' assessment of their competitive position with respect to employment-related factors

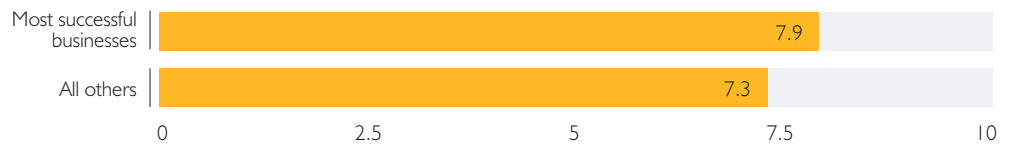
Pay and benefits



Stimulating work environment



Positive company culture



■ Level of importance on a scale of 0 to 10 (mean response)

Building a leading workplace culture at Frima Studio

Founded in 2003 in Quebec City, Frima Studio develops videogames and digital entertainment, with leading Hollywood names such as Harry Potter, Teenage Mutant Ninja Turtles and Family Guy in its portfolio. Like other high-tech firms, Frima's success depends on its ability to attract and retain highly skilled employees—workers who could easily find employment with leading multinationals. How does the medium-sized Quebec firm compete against its deeper-pocketed rivals for top talent? It capitalizes on its smaller size and greater managerial flexibility, turning what might seem like disadvantages into advantages.

“We decided we needed to be different from our competitors when it came to human resources,” says Nathalie McLaughlin, Director of Human Resources at Frima, “so we focused on our work culture and our work environment.” Recognizing that its employees' creative ideas bring considerable value, Frima has made it easy for managers to seriously consider proposed employee projects. “If an employee has a good idea that he wants to pursue, our ‘Frimaginations’ program allows him to have access to senior management and the resources necessary to make it a reality,” says McLaughlin. “And if the idea is successful, the employee retains an ownership interest in the final product.” The result? One of the largest projects currently being developed at Frima came from an employee and will be launched internationally in the coming months.

Frima has also gone to considerable lengths to offer a work environment often associated only with leading Silicon Valley firms. It provides an in-house hair stylist, gives employees bus passes and memberships in a car-sharing service, and rewards employee performance with “Frimachievements” and “Frima Points”. These points can be used towards shopping, travel and restaurants, to name just a few of the benefits. Not to be outdone by Silicon Valley in challenging conventional office norms, first-time visitors are often surprised when employees arrive in the lobby via a giant slide from the second floor.

For more information about Frima Studio, visit www.frimastudio.com/en.

Strategies for SMEs

- > **Assess your company's culture.** To recruit the best people, you need to know what your company needs. What is its mission? What are its values? What type of individuals fit in? What mindset are you looking for? Look at potential candidates with this bigger picture in mind and see how they rate.
- > **Put time and effort into finding the right people.** Ultimately, time and effort spent in finding and attracting the best employees is time and effort saved in the long run. Publicize job openings and include detailed job descriptions. Prepare well-structured interviews that include testing candidates' knowledge and their ability to perform job-related tasks. Ask candidates about their outside interests to find the person who will be the best fit for your business. Lastly, ask for references.
- > **Bring new employees on board.** Long-standing research indicates that a solid orientation program can cause early turnover rates to decrease by as much as 40%.⁸ Besides training, you should consider pairing new employees with someone who has been with your company for a long time and who can help integrate the new employee with mentoring and coaching.
- > **Be innovative with compensation and rewards.** Give loyal, productive employees an incentive to stay, such as extra vacation or other job perks. Consider profit-sharing programs and find ways to reward employees who refer new hires to your organization. Provide good work/life balance through flexible work arrangements and leaves for family or educational reasons, and consider helping your employees become healthier and more productive by offering things like gym memberships.

⁸ See McGarrell 1983.

Do #5

While good customer relationships are crucial, strong relationships with suppliers can provide an important competitive edge.

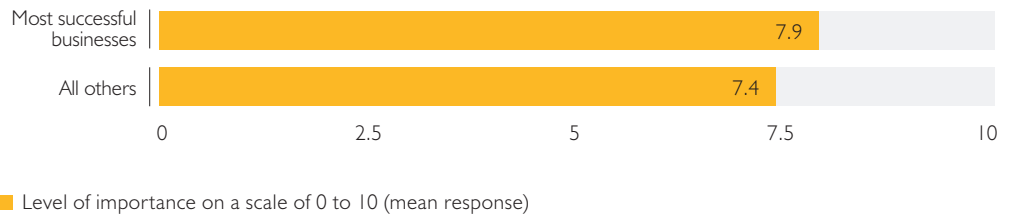
BUILD STRONG RELATIONSHIPS WITH YOUR KEY SUPPLIERS

Much of the business literature, not to mention conventional business wisdom, focuses on the importance of understanding and developing relationships with customers. While the demand side of a business is vital (see Don't #4: Don't ignore what's happening in your market), the survey results highlight the importance of building strong relationships with key suppliers.

The survey asked questions about the importance of ongoing relationships with suppliers, educational institutions and competitors to the firm's success. While the most successful firms reported that all types of relationships were more important to their business's success than did their counterparts, they ranked supplier relationships as by far the most important (see Chart 9).

In fact, nearly one-third of the most successful firms felt supplier relationships were vital to their success, in contrast to less than one-quarter of their counterparts. Similarly, the most successful companies were only half as likely to believe that supplier relationships were totally unimportant to their firm's success. So while good customer relationships are crucial, strong relationships with suppliers can provide an important competitive edge.

Chart 9: Businesses' assessment of the importance of supplier relationships



Strong supplier relationships: an important edge for ET Group

“The only way to make a small company really grow is through strategic partnerships,” says Dirk Propfe, Principal at ET Group, a leading videoconferencing and audio-visual integration firm. With offices in Toronto, Ottawa and Montreal, it manages more than 750 systems nationwide. “Finding those key relationships and partnerships has been absolutely critical for us.”

Founded in 1976, ET Group specializes in helping companies select and integrate the right mix of technologies—a process that entails not only being familiar with leading-edge technology but also maintaining close relationships with key technology suppliers. How important have supplier relationships been to ET Group’s success? “Immensely,” says Propfe. “Having a close relationship with suppliers is incredibly important when it comes to addressing curve balls. Whether it’s working together to resolve a specific issue, getting over a hump or even just brainstorming how to approach different marketplaces, having those really strong relationships really helps give you an edge over the competition.”

When it comes to building effective supplier relationships, Propfe thinks that, first and foremost, businesses need to be clear about their strategies. “Once you’re clear on that,” he says, “you can see which suppliers are going to be the critical ones to help you achieve your vision. Then you invest in those relationships.” For ET Group, part of investing in these relationships has included being completely transparent with suppliers. “Sometimes it means showing your cards, and sharing what your strategies are. But if you do it with the right people, they will help you to achieve that vision.”

For more information about ET Group, visit www.etgroup.ca.

Strategies for SMEs

- > **Establish strategic relationships with a few suppliers.** Identify which suppliers are key to maintaining your competitive edge and work closely with them to build strong business relationships. These can be important when bidding on large contracts or conducting research and development. The goal is to have mutually beneficial, long-term relationships with your key suppliers.
- > **Choose suppliers that are leaders in their field and sign contracts with them.** This allows you to benefit from state-of-the-art processes and technologies. Formalizing your relationship with a signed contract, often called a service level agreement (SLA), will define and secure your business relationships. SLAs should cover factors such as product and service specifications, payment terms, regulatory compliance, confidentiality, dispute resolution, and termination conditions.
- > **Review your suppliers’ performance.** Put systems in place to assess supplier performance regularly. Review factors such as flexibility, just-in-time delivery, costs and quality of service. Provide written documentation to your suppliers so they can improve their weak areas.

Don't #1

Nearly

1/6

of the firms that ran into difficulties did so (at least in part) because they lost a single major customer.

DON'T RELY ON TOO FEW
CUSTOMERS—DIVERSIFY

As start-ups, many firms have no choice but to build their business around their first, biggest customers. For small firms, in particular, having a handful of large customers can be efficient: it's easier to serve a small number of large customers than it is to serve a large number of small ones, and economies of scale can be achieved on individual projects.

Yet, while such a strategy might seem sensible, nearly one in six firms that ran into difficulties in our sample did so (at least in part) because they lost **a single** major customer. More surprising, in several cases, the businesses had existed for many years or even decades, and the lost customers were global industry leaders. The business relationships that ultimately led to financial difficulty were tried, tested and true—until they weren't any longer.

Based on the experiences of several of the firms we researched, if there is just one lesson that should be taken from the recent financial crisis, it is that no customer is too big to fail. While it may seem challenging in some sectors (e.g., highly specialized manufacturing) to develop a broad customer base, it is something that all firms should incorporate into their business development strategy (see Do #3: Have a solid plan and measure your progress). No matter how unlikely it may seem, all businesses should consider asking themselves, "If our biggest customer disappeared, would we be in danger?"

Optimizing client diversification: a key focus at Mandala Group

In more ways than one, the success of Mandala Group, a Toronto-based firm that specializes in international trade development and consultancy, depends on client diversification. Using her vast international expertise and leveraging a wide network of private sector and government contacts, Paola Saad, President of Mandala Group, helps Canadian businesses diversify their clients by expanding into the Brazilian, U.S. and European markets. At the same time, Saad is always looking to diversify Mandala's own client base.

"We work a lot in Eastern Canada, with many different agencies, but we want to expand into other provinces and eventually nationwide," says Saad of her firm's business development strategy. One of the challenges the firm has faced in trying to diversify its client base has arisen from its success: the contracts are getting bigger and bigger, making it possible—even tempting—for Mandala to expand by becoming more dependent on a small number of clients.

Instead, Mandala Group has started to diversify its client base by partnering with smaller firms to help them expand internationally. "Recently, we've developed a percentage billing model," says Saad. "We realized that there was a gap in the market, where some smaller firms lacked the capital to be able to pay upfront [consulting] fees, but they were able to pay commissions on their sales. So now we're not only looking at large companies and large government contracts for growth, but small companies with great international potential."

For more information about Mandala Group, visit www.mandalagp.com.

Strategies for SMEs

- > **Create a formal business development plan.** Look at historical trends. What has happened to your client base? What percentage of client business puts your company at risk should you lose that client? After answering questions like these, set explicit new customer acquisition goals and dedicate resources to achieve your plan. You must be unwavering in your commitment.
- > **Resist customization.** When a major client wants something customized, see whether this makes sense for your business. If it will result in a product improvement that others will want to purchase, it likely makes sense for your business. If not, you simply tie yourself even closer to that client. This type of customization should only be done at a premium, given the inherent risks.
- > **Build new products and services that target different markets.** Develop new products and services in line with your business strategy and capabilities. And remember that the goal is to sell to new, rather than existing, customers.

Don't #2

Limited financial reporting and analysis resulted in working capital shortages—ultimately derailing the company's success.

DON'T UNDERESTIMATE THE IMPORTANCE OF EFFECTIVE FINANCIAL MANAGEMENT

The lack of financial management expertise is probably the single most common factor that causes **otherwise successful** firms to run into difficulties. In some cases we studied, entrepreneurial aptitude allowed a firm to achieve impressive growth, with millions in sales and healthy profitability. However, when it came time to expand a product line or make large investments to upgrade factories, machinery or equipment, limited financial reporting and analysis resulted in working capital shortages—ultimately derailing the company's success.

To remain a going concern, all businesses realize that they must pay their employees and suppliers on time, and collect accounts receivable. Unfortunately, not all businesses are equipped to do more sophisticated financial management, which includes developing a solid understanding of the cost of the products and services they sell, and the profit associated with each. The resulting inability to accurately project future profitability can lead to underestimating cash flow.

Effective financial management requires two things: the right knowledge and the right tools. The right knowledge allows companies to use the right tools most effectively and optimize their resources. For instance, is detailed reporting of individual projects, products and services done continuously? Do the financial performance metrics clearly show whether a business is becoming more or less productive or profitable over time?

There is good news. Financial management expertise can be brought in from the outside. If a company isn't certain that its capital buffer is sufficient to get it through the troughs of a business cycle, or if it is considering a major capital investment, effective financial management can provide the information and confidence needed to make the right decisions for the business.

Effective financial management: the foundation of ToonBox Entertainment's success

Founded just seven years ago, Toronto's ToonBox Entertainment—which produces animated content for film and television—now has more than 160 employees and a global footprint. Its most recent full-length animated film, *The Nut Job*, was featured in movie theatres around the world. Ray Brooks, Director at ToonBox Entertainment, says effective financial management was instrumental in ToonBox's success.

"It was the cornerstone—without it, we could not have done what we did," he says. Brooks, who became involved with ToonBox because of his financial management expertise, believes effective financial management was vital to attracting investors to *The Nut Job*. "It's all about establishing the specific financial needs of the company within its marketplace, and then developing a financial strategy that matches the risk-return profile of the company with potential investors."

This approach proved to be the right one for ToonBox—in fact, it was so successful that the firm attracted the necessary capital for its first full-length animated film and a sequel. "We were able to demonstrate the simple fact that in the animation movie sector, sequels that follow successful films actually have an 80% probability of increased market share," says Brooks. "It's all about knowing your current risk-return profile, demonstrating financial controls that are effective, and being able to do this in a way that satisfies the investment needs of the potential investor."

ToonBox's ambitious growth plans are likely to require continued focus on effective financial management, as several new motion picture ideas are being developed. "We were very pleased with our target audience's response," says Brooks of *The Nut Job*, "but we can always improve, we can always do better. So we have three aims for future movies we produce: quality, quality and quality."

For more information about ToonBox Entertainment, visit www.toonboxent.com.

Strategies for SMEs

Master the basics of cash flow management. Recent research⁹ has found that nearly half of entrepreneurs don't compare cash flow projections for their business to actual results for a given year. Since cash shortfalls can happen even to the most profitable, fastest-growing businesses, every business should be doing this.

Do detailed financial reporting. For most businesses, the costs of the goods and services they provide change over time. Adopting detailed financial reporting practices is essential to maintaining healthy profit margins over the long term. Otherwise, you could end up focusing on products other than those that provide the best returns, or even selling at a loss.

Set targets for how much cash you need (on hand or readily available). Many businesses that failed during the financial crisis might have survived with deeper financial pockets. Cash crunches can easily strike even highly profitable firms. Set targets that you are confident will get you through the ups and downs of the business cycle without being excessive. For instance, many businesses like to have enough cash on hand (or line of credit space) to cover 90 days of operating expenses. It's also a good idea to build your financial reserves in good times, since you will then be in a better position to access financing from your banker or other investors—don't wait until you need it. And remember, getting financing can take a lot longer than you think, even in good times.

⁹ See BDC 2014b.

Don't #3

Roughly

30%

of firms that encountered difficulties were victims of circumstances initially out of their control.

DON'T LEAVE CONTINGENCY PLANNING UNTIL IT'S TOO LATE

How prepared is your business to deal with sudden production interruptions, such as the loss of one or more key employees, increases in the cost of raw materials, the loss of a unique supplier, or natural disasters such as fires or flooding? Unforeseeable events were a surprisingly common source of problems for firms that encountered financial difficulties, with roughly 30% falling victim, at least in part, to circumstances that were initially out of their control.

Contingency planning, or business continuity planning, is something that every business should do to ensure long-term success. While dealing with routine production interruptions is part and parcel of being an entrepreneur, many businesses were completely unprepared when it came to handling the unexpected loss of one or two key people or the inability to use some or all of their business facilities.

For the vast majority of businesses, fortunately, events that can cause major production interruptions are likely to be relatively few and the best contingency plans are fairly straightforward. However, too many do not take the time to plan for the unexpected; those that do have an important edge in achieving long-term success.

Business continuity planning at E5 Group: a source of efficiency gains as well as risk reduction

Few places in Canada are more aware of the need to plan for natural disasters than Calgary. The summer flood in 2013 caused as much as \$5 billion in damage to the city, and many of its businesses were unable to operate until the floodwaters had receded. Calgary's E5 Group, which specializes in ensuring that critical infrastructure (think everything from financial data centres to air traffic control systems) remains online, was affected by the flood. As specialists in helping other businesses ensure complex systems remain active even in catastrophic events, E5 must be certain that its own operations are as resilient as possible.

Before the flood, E5 did not have business continuity plans in place like it does today. "It takes a lot of work to get there," says Darrell Henigman, CEO of E5. "Two years ago, we undertook to become a paperless, mobile office, which was the first step in our continuity planning." E5's business continuity planning has also helped it significantly cut costs. "It has reduced our internal IT infrastructure and need for local IT support, as well as helped us to improve processes, find efficiencies and reduce risks. It has also helped us reduce our financial exposure, so that we no longer need to insure to the extent that we otherwise would have to."

In addition, "we are 100% mobile now," says Henigman. "So we are not reliant on IT infrastructure or physical space. All of our data is backed up onto the cloud and two other mediums, and our people carry laptops with them so that they can work from anywhere." E5 isn't even completely reliant on its employees: it has service agreements in place with international firms, whose workforces can act as an extension of its own if necessary.

For businesses looking to develop their own continuity plans, Henigman has one main piece of advice. "Start as soon as you can," he says. "It takes a lot longer than you might think to complete and you will not get a lot of cooperation from your suppliers or stakeholders. No one likes dealing with 'what if' scenarios, nor do they like to think negatively. You have to remain very diligent."

For more information about E5 Group, visit www.e5group.ca.

Strategies for SMEs

- > **Identify areas of vulnerability.** Think "what if" and identify areas that could severely threaten your business, such as the loss of one or more key employees or large clients, big increases in the cost of raw materials, the loss of a unique supplier, or natural disasters such as fires or floods. Prioritize their importance.
- > **Prepare a plan.** It could save you a lot of hardship. Prepare contingency plans that cover your areas of vulnerability.
- > **Act quickly.** Don't delay in taking decisive action if trouble strikes. And don't be shy about seeking outside advice.

Don't #4

Firms' failure to read and adapt to the fundamental changes occurring in their market was a major factor that contributed to their decline.

DON'T IGNORE WHAT'S HAPPENING IN YOUR MARKET

Businesses have always had to adapt to evolutionary change, as production techniques and consumer preferences gradually give way to newer trends and tastes over time. In recent years, rapid technological advances, such as the Internet and increasingly sophisticated machinery and equipment, have had a profound impact around the world and increased globalization. Revolutionary change has become increasingly common. Failing to adapt to market changes can cause even the most successful businesses to flounder.

Understanding the market in which your business operates is a success factor that even many big businesses (e.g., Blockbuster and Eaton's) and entire industries (e.g., newspapers) have been unable to master. And yet, while technological advances and changes in consumer behaviour are a source of risk, they also represent opportunities for businesses that are able to adapt to—and even embrace—them. Unfortunately, for a significant number of firms in our sample, failure to read and adapt to the fundamental changes occurring in their market was a major factor that contributed to their decline. Of the 118 firms we studied, significantly increased competition alone was the reason that roughly 10% were unable to remain profitable.

When trying to understand the major shifts likely to affect a given sector of the economy, entrepreneurs must ask several questions. First, what major Internet trends, from e-commerce and social media to electronic payments, are affecting the way business is conducted? Second, what major consumer trends, such as health consciousness or the desire for individually tailored products and services, are transforming the market itself? Third, how might future technological advances (such as streaming movies, in the case of Blockbuster) affect your business? Fourth, are there artificial barriers, such as tariffs or regulations, on which your market currently depends? Try to take a “30,000 foot” view of your business.

Adapting to market trends: Yannick Fromagerie's "secret to success"

“Adapting to suit consumer tastes is really the secret to our firm's success,” says Yannick Achim, cheese merchant at Yannick Fromagerie, which has six locations throughout Quebec. “The more we listen to our customers and the more we know about their preferences, the better equipped we are to respond to—and even help create—new consumer trends around particular products.”

Yannick Fromagerie, which carries more than 450 different kinds of cheese, has a clear commitment to adapt itself to its customers' tastes. Not only does Achim possess significant knowledge of a wide variety of cheeses, but each of his stores also caters to its particular clientele by offering a unique selection of fine cheeses based on local market tastes. “Being in different regions across Quebec, each one of our locations is in a market with its own specific demand and its own tastes,” he says. “So each one of our stores isn't simply a 'copy and paste' of existing locations; each one has to be plugged into local tastes and offer a range of cheeses that differs from one location to the next.”

Like other retailers, globalization has had a profound impact on Yannick Fromagerie: the products and consumer trends in the world of fine cheese often come from abroad. What's the best way to stay informed? In the case of Yannick Fromagerie, by becoming a jury member for some of the biggest cheese competitions in the world. “It has helped us to create a network of people from around the world with the same know-how as us, and who also have access to a wide range of fine cheeses,” says Achim. “It has allowed us to become plugged into what is happening in a wide range of markets in real time.”

For more information about Yannick Fromagerie, visit www.yannickfromagerie.ca.

Strategies for SMEs

- > **Listen to your customers and understand their needs.** What do your customers actually want, need and expect from you? Knowing and understanding customer needs is at the centre of every successful business. “Who are they?” “What do they buy?” and “Why do they buy it?” are key questions when you are designing and producing successful products or services. Listening closely and understanding customer needs leads to saleable products.
- > **Know your competition.** Firms often get too focused on their own business and fail to pay enough attention to what they can learn from the competition.
 - Look at your competitors' websites, product documents, brochures and catalogues. Understand how they are branding and positioning their company.
 - Evaluate their products or services and compare them to your own, ideally by purchasing them and trying them out. What is the quality? How are they priced? What features do you like or dislike? Who are their suppliers?
- > **Understand the factors reshaping your market.** Changing consumer needs, societal shifts, new technologies, emerging distribution channels or innovative production capabilities could profoundly change your market. For SMEs, it's important to understand these new trends and figure out how to adapt to these changes. It may help to visit other countries to understand where the market is headed.

Don't #5

Getting help before the worst has happened (i.e., before the business's finances have deteriorated significantly) is vital.

DON'T WAIT TOO LONG TO GET HELP

No matter how capable the entrepreneur, financial difficulties can happen. In most companies, early action can lead to a successful turnaround. Getting help before the worst has happened (i.e., before the business's finances have deteriorated significantly) is vital. In our sample, businesses that waited had much lower chances of success than those that were proactive in getting outside help to deal with their problems.

Being transparent with stakeholders, including bankers and other lenders, can help firms find solutions. After all, stakeholders want to see the business remain successful almost as much as the entrepreneur does and are generally willing to use their knowledge, networks and contacts to help. While success is never guaranteed for any business, entrepreneurs can stack the chips in their favour by not trying to manage everything on their own until almost all options are off the table.

Superior Cabinets' successful restructuring during the last recession

“We looked at what could happen, not what we hoped would happen. Getting your partners involved early on gets you much more prepared.”

Scott Hodson
President and CEO,
Superior Cabinets

Few sectors of the global economy were hit as hard by the Great Recession as manufacturing. In the U.S., nearly 36,000 manufacturing firms vanished between 2007 and 2012, and while the figures were not quite as bleak north of the border, Canadian manufacturing employment declined by over 15% between 2007 and 2009, and over 5% of manufacturing businesses closed. By the end of 2009, Saskatoon's Superior Cabinets, a manufacturer of kitchen cabinets, was one of the many Canadian manufacturers close to the point of no return, with falling sales and negative profits.

“The longer you leave it, the harder the change,” says Scott Hodson, Superior's President and CEO, of business restructuring, which successfully transformed the company's fate and prevented Superior from becoming a casualty of the crisis. Thanks to a turnaround plan that included spending \$1 million to map out the company's processes and invest in new technologies in order to reduce costs, sales in 2014 are projected to be 60% higher than they were before the turnaround. To what does Hodson attribute Superior's recent success? “One of the things we did really well with our partners—which included our banks, shareholders and board—was scenario planning. We looked at what could happen, not what we hoped would happen,” says Hodson. “Getting your partners involved early on gets you much more prepared.”

Since the turnaround, engaging with those closest to the company to share financial results and discuss business strategy has become routine at Superior. “We try to meet with our lenders, employees, key customers and supply chain at least twice a year,” says Hodson. “One, I want to share results; but two, we spend a lot of time sharing our operational and three-year strategic plans, and I want their input and questions. To me, when running a company, you want your partners on your side.”

For more information about Superior Cabinets, visit www.superiorcabinets.ca.

Strategies for SMEs

Reach out regularly to people interested in the success of your business. You may not be aware that a large network of people exists that is interested (financially or otherwise) in seeing your business succeed. They range from key suppliers (see Do #5: Build strong relationships with your key suppliers) to those with a direct stake in your business's success, such as bankers and other lenders. Meeting with these individuals regularly to discuss business performance and growth plans can help you to refine your business strategies.

Don't rely on best-case scenarios. In our sample of firms that ran into financial difficulties, excessive optimism posed a risk to successful restructuring. When forecasting a turnaround, you should be financially conservative.

Understand the value of being honest and transparent with your stakeholders. Business restructuring often entails seeking financial assistance (e.g., payment postponements) from stakeholders, including your bankers. The best way to maximize your chances of a successful turnaround is to be up front and transparent, so that those best able to help you with the restructuring feel like they have a full picture of your business's financial situation and trust that you will live up to the terms of any financial assistance they provide.

CONCLUSION

We set out to determine whether there are key factors that separate Canada's industry-leading businesses from all others. We also wanted to know whether there are avoidable common pitfalls that can lead successful businesses into financial difficulties.

The resulting five do's and five don'ts provide a good checklist for all businesses. Even the best entrepreneurs should take a step back and ask themselves whether they are truly practising the do's and avoiding the don'ts. Others, who have neither the experience nor the necessary resources that the best entrepreneurs do, will need some help in adopting these best practices, since the day-to-day challenges of running a business can be all-consuming.

Our findings echo, in part, those of a major Statistics Canada study published 20 years ago which found innovation to be the single most important factor that led to business success. While the business landscape has changed over time, the need to innovate has remained a constant.

The good news is that the do's and don'ts we have highlighted are within reach of all entrepreneurs. However, as with any goal, carrying them out requires a conscious effort and frequent monitoring of progress. Succeeding in business is not a sprint; it's a journey. By practising the five do's and avoiding the five don'ts, companies will move forward, one step at a time.

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APPENDIX A

METHODOLOGY

To develop a better understanding of the existing research concerning business success factors and factors that contribute to business failure, a review of relevant business and economics literature was undertaken in spring 2014. Based on this, a number of factors were identified as possible do and don't candidates, and then explored in detail during two dozen in-depth interviews with a mix of entrepreneurs and experienced SME professionals (e.g., consultants and specialists in finance and accounting). The results of the literature review and in-depth interviews were used to create the survey that forms the basis of Part I of this report (see Appendix B), and they contributed to the research into factors that can lead to firm failure (Part II).

The survey was conducted online using two business survey panels, one belonging to BDC and the other to Nielsen, between May 20 and June 1, 2014. The proportion of respondents from each region was representative of the population as a whole. The BDC ViewPoints panel produced 618 complete survey responses while the Nielsen panel produced 521, for a total of 1,139. Before merging the data, the two groups of responses were compared to look for any significant differences. It was found that the BDC ViewPoints and Nielsen panels were complementary in terms of employee size, industry composition and total revenue, such that the merged data reflected the overall Canadian economy better than either sample on its own. Importantly, however, both samples were responsible for nearly identical proportions of our most successful group of firms; as a result, differences between the two samples did not affect business performance.

Statistical tests used in this research consisted primarily of Pearson chi-squared tests and t-tests of means, depending on whether responses were qualitative or quantitative in nature. All of the results presented in this report are significant at the 5% level (and generally the 1% level), with the caveat that some of the questions asked do not produce results that are normally distributed. Accordingly, it cannot be asserted that all of the p-values resulting from the t-tests are valid. On the other hand, given the large size of our sample and generally marked differences in responses between the two groups, it is clear that substantial differences exist between the business practices adopted by Canada's industry-leading firms, and those adopted by their less successful peers.

The review of the circumstances that led 118 firms in BDC's portfolio to encounter financial difficulties took place over several weeks, in consultation with BDC executives from the special accounts department and business restructuring unit. Based in part on the initial list of factors that were identified as contributing to firm failure, the five most frequent sources of problems for formerly successful businesses were identified. These are presented as the five don'ts of successful businesses.

APPENDIX B

SURVEY QUESTIONNAIRE

ONLINE SURVEY

Small Business Week: Do's and Don'ts for Business Success – BDC ViewPoints entrepreneur panellists, May 20 to June 1, 2014

BUSINESS PROFILE

Q.1 In which province / territory is your company's head office located?

- | | | |
|---|---|------------------------------------|
| <input type="radio"/> Alberta | <input type="radio"/> Northwest Territories | <input type="radio"/> Quebec |
| <input type="radio"/> British Columbia | <input type="radio"/> Nova Scotia | <input type="radio"/> Saskatchewan |
| <input type="radio"/> Manitoba | <input type="radio"/> Nunavut | <input type="radio"/> Yukon |
| <input type="radio"/> New Brunswick | <input type="radio"/> Ontario | |
| <input type="radio"/> Newfoundland and Labrador | <input type="radio"/> Prince Edward Island | |

Q.2 How many years has your company been in operation?

- | | | |
|---|--------------------------------------|--|
| <input type="radio"/> Less than 3 years | <input type="radio"/> 6 to 10 years | <input type="radio"/> More than 20 years |
| <input type="radio"/> 3 to 5 years | <input type="radio"/> 11 to 20 years | |

Q.3 How many employees does your company have?

- | | | |
|---|--|---|
| <input type="radio"/> None | <input type="radio"/> 20 to 49 employees | <input type="radio"/> 500 or more employees |
| <input type="radio"/> 1 to 4 employees | <input type="radio"/> 50 to 99 employees | |
| <input type="radio"/> 5 to 19 employees | <input type="radio"/> 100 to 499 employees | |

Q.4 Which of the following best describes **your role** when it comes to making strategic decisions at your company, including making long-term decisions? Would you say you:

- Are the **primary decision maker** who authorizes strategic decisions at your company
- Are a **direct influencer** when it comes to making these types of decisions
- Have **some influence** on the decisions made
- Have **little to no influence** on making these types of decisions

Q.5 What is your company's sector of activity?

- Accommodation and food services
- Agriculture, forestry, fishing and hunting
- Construction
- Finance, insurance, real estate and leasing
- Health care and social assistance
- Information and communication technologies (ICT) services
- Manufacturing
- Mining, oil and gas
- Professional, scientific and technical services
- Retail trade
- Transportation and warehousing
- Wholesale trade
- Other, please specify:

Q.6 What was your company's average annual revenue growth over the past three years?

- | | | |
|----------------------------------|------------------------------------|------------------------------------|
| <input type="radio"/> Negative | <input type="radio"/> 5% to 9.9% | <input type="radio"/> 15% to 19.9% |
| <input type="radio"/> 0% to 4.9% | <input type="radio"/> 10% to 14.9% | <input type="radio"/> 20% or more |

Q.7 What was your company's total revenue for the last financial year?

- | | | |
|--|--|--|
| <input type="radio"/> Less than \$500,000 | <input type="radio"/> \$2 million to \$4,999,999 | <input type="radio"/> \$10 million to \$19,999,999 |
| <input type="radio"/> \$500,000 to \$1,999,999 | <input type="radio"/> \$5 million to \$9,999,999 | <input type="radio"/> \$20 million or more |

Q.8 What was your company's average annual profit growth over the past three years?

- | | | |
|----------------------------------|------------------------------------|------------------------------------|
| <input type="radio"/> Negative | <input type="radio"/> 5% to 9.9% | <input type="radio"/> 15% to 19.9% |
| <input type="radio"/> 0% to 4.9% | <input type="radio"/> 10% to 14.9% | <input type="radio"/> 20% or more |

Q.9 What was your company's average annual employee growth over the past three years?

- | | | |
|----------------------------------|------------------------------------|------------------------------------|
| <input type="radio"/> Negative | <input type="radio"/> 5% to 9.9% | <input type="radio"/> 15% to 19.9% |
| <input type="radio"/> 0% to 4.9% | <input type="radio"/> 10% to 14.9% | <input type="radio"/> 20% or more |

Q.10 Are you a client of the Business Development Bank of Canada (BDC)?

- Yes
- No, but I used to be
- No, I have never been a BDC client

Q.11 On a scale of 0 to 10, to what extent do you actively seek external advice or input for your business in formal settings (e.g., advisory board, hiring consultants) and in informal settings (e.g., networking)?												
	0 - Never	1	2	3	4	5	6	7	8	9	10 - Continuously	Not sure / Prefer not to answer
a) Formal setting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Informal setting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.12 Have you employed, on at least a part-time basis, in-house expertise for core functions including finance, marketing, human resources, technology and operations?				
	Yes	No	Not sure / Prefer not to answer	Not applicable
a) Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Human resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.13 Has your company developed any performance metrics, whether financial or non-financial (e.g., customer satisfaction) , to monitor projects, products or services?
<input type="radio"/> Yes, we have multiple performance metrics in place (6 or more)
<input type="radio"/> Yes, we have a few performance metrics in place (3 to 5)
<input type="radio"/> Yes, we have a couple of performance metrics in place (1 or 2)
<input type="radio"/> No, we have zero performance metrics in place
<input type="radio"/> I prefer not to answer

Q.14 How frequently does your company track its performance metrics?		
<input type="radio"/> Weekly	<input type="radio"/> Quarterly	<input type="radio"/> It depends, please elaborate:
<input type="radio"/> Monthly	<input type="radio"/> Annually	<input type="radio"/> I prefer not to answer

Q.15 What proportion of your employees could clearly state your company's long-term vision ?		
<input type="radio"/> All of them	<input type="radio"/> A few of them	<input type="radio"/> I'm not sure
<input type="radio"/> Most of them	<input type="radio"/> None of them	<input type="radio"/> I prefer not to answer

Q.16 On a scale of 0 to 10, with regards to non-management employees , how important are the following variable benefits to the success of your business?													
	Not important at all 0	1	2	3	4	5	6	7	8	9	Very important 10	We do not offer this type of incentive	Not sure / Prefer not to answer
a) Financial incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Non-financial incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.17 Has your company **developed a roadmap** that describes its future growth or development (e.g., a medium-term business plan that includes targets)?

- Yes, we have a detailed roadmap
- Yes, we have a high-level roadmap
- No, we do not have a roadmap
- I prefer not to answer

Q.18 Complete the following sentence: “*The company’s interests...*”

- Always** come before management’s lifestyle interests
- Almost always** come before management’s lifestyle interests
- Very often** come before management’s lifestyle interests
- Often** come before management’s lifestyle interests
- Seldom** come before management’s lifestyle interests
- I prefer not to answer

Q.19 What proportion of your company’s total revenue stems from sales in Canada, in the United States and outside Canada and the U.S.? **(Total must equal 100%: Sum of A +B +C)**

- A** Percentage of revenue from Canada:
- B** Percentage of revenue from the United States:
- C** Percentage of revenue from outside Canada and the United States:
- I prefer not to answer

Q.20 What proportion of your company’s sales are of new products or services (i.e. products or services that either did not exist until recently, or have evolved significantly in the past five years)?

- 0%
- Less than 5%
- Between 5% and 10%
- Between 11% and 20%
- More than 20%
- I prefer not to answer

Q.21 On a scale of 0 to 10, where 0 means far below your competitors, 5 means on par with your competitors, and 10 means far superior to your competitors, how would you rate your company’s **brand recognition, reputation and customer service?**

	0 - Far below competitors	1	2	3	4	5 - On par with competitors	6	7	8	9	10 - Far superior to competitors	Not sure / Prefer not to answer
a) Brand recognition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Customer service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.22 What scenario best captures your company's mindset and behaviour regarding new technology?

- We tend to be **first adopters** of new technology
- We tend to be **early adopters** of new technology
- We tend to **wait and see** so that we can **adopt proven new technology**
- We tend to adopt new technology **only when needed**
- I prefer not to answer

Q.23 To what extent do you agree with the following statement:
 "My company invests in machinery and equipment (including technology) in order to stay ahead of the competition."

- Strongly agree
- Somewhat agree
- Somewhat disagree
- Disagree
- Strongly disagree
- I prefer not to answer

Q.24 Which of the following is your company geographically close to?
 Please select all that apply.

- Customers
- Suppliers
- Competitors
- Technical colleges, universities or any other relevant institution **with which you have an ongoing relationship**
- Abundant labour pool
- I prefer not to answer

Q.25 How important are **ongoing relationships** with the following to the success of your business?

	Not important at all 0	1	2	3	4	5	6	7	8	9	Very important 10	Not sure / Prefer not to answer	Not applicable
Competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technical colleges, universities or any other relevant institution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.26 On a scale of 0 to 10, how important are the following four types of innovation to your company?

	Not important at all 0	1	2	3	4	5	6	7	8	9	Very important 10	Not sure / Prefer not to answer	Not applicable
a) Product or service innovation (e.g., new or improved product or service)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Process innovation (e.g., new or improved distribution method)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Marketing innovation (e.g., new or improved marketing channels)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Business model innovation (e.g., new or improved billing structure)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.27 To what extent do you agree with the following statement: "My company actively invests in employee training to enhance productivity."

- Strongly agree Somewhat disagree I prefer not to answer
 Agree Disagree
 Somewhat agree Strongly disagree

Q.28 On a scale of 0 to 10, how important are the following to your company's development and/or growth strategy?

	Not important at all 0	1	2	3	4	5	6	7	8	9	Very important 10	Not sure / Prefer not to answer	Not applicable
a) Maintaining current products or service in present markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Introducing new products/services in present markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Introducing current products/services in new markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Introducing new products/services in new markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.29 With regards to shifts in the market and consumer trends, would you say that your company is:

- Reactive Somewhat proactive I prefer not to answer
 Somewhat reactive Proactive

Q.30 What proportion of your time and energy is spent on
(Total must equal 100%)

- A Immediate or short-term company needs:
- B Medium-term or long-term company needs:
- C I prefer not to answer

Q.31 Which of the following best describes your hiring philosophy for key roles and positions?

- A We take **as much time as needed** to hire only the best candidates
- B We are **willing to take several months** to hire only strong candidates
- C We are **willing to take a few weeks** to hire only qualified candidates
- D We hire employees as necessary/when positions become available
- E It depends. Please elaborate:
- F I prefer not to answer

Q.32 On a scale of 0 to 10, how would you assess your company's competitive position in relation to your main competitors with respect to the following:

	0 - Far below competitors	1	2	3	4	5 - On par with competitors	6	7	8	9	10 - Far superior to competitors	Not sure / Prefer not to answer
a) Pay and benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Stimulating work environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Positive company culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q.33 Generally speaking, how frequently are you or someone from your company in contact with your banker(s) or lender(s) other than for lending requirement purposes?

- A A few times a month
- B Monthly
- C Quarterly
- D Yearly
- E **We are not in contact** with our banker(s)/lender(s) other than for lending requirement purposes
- F I prefer not to answer

Q.34 To conclude, do you have any comments or suggestions about this survey?

- A I do not have anything to add
- B Please write your comments below:

THANK YOU!

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