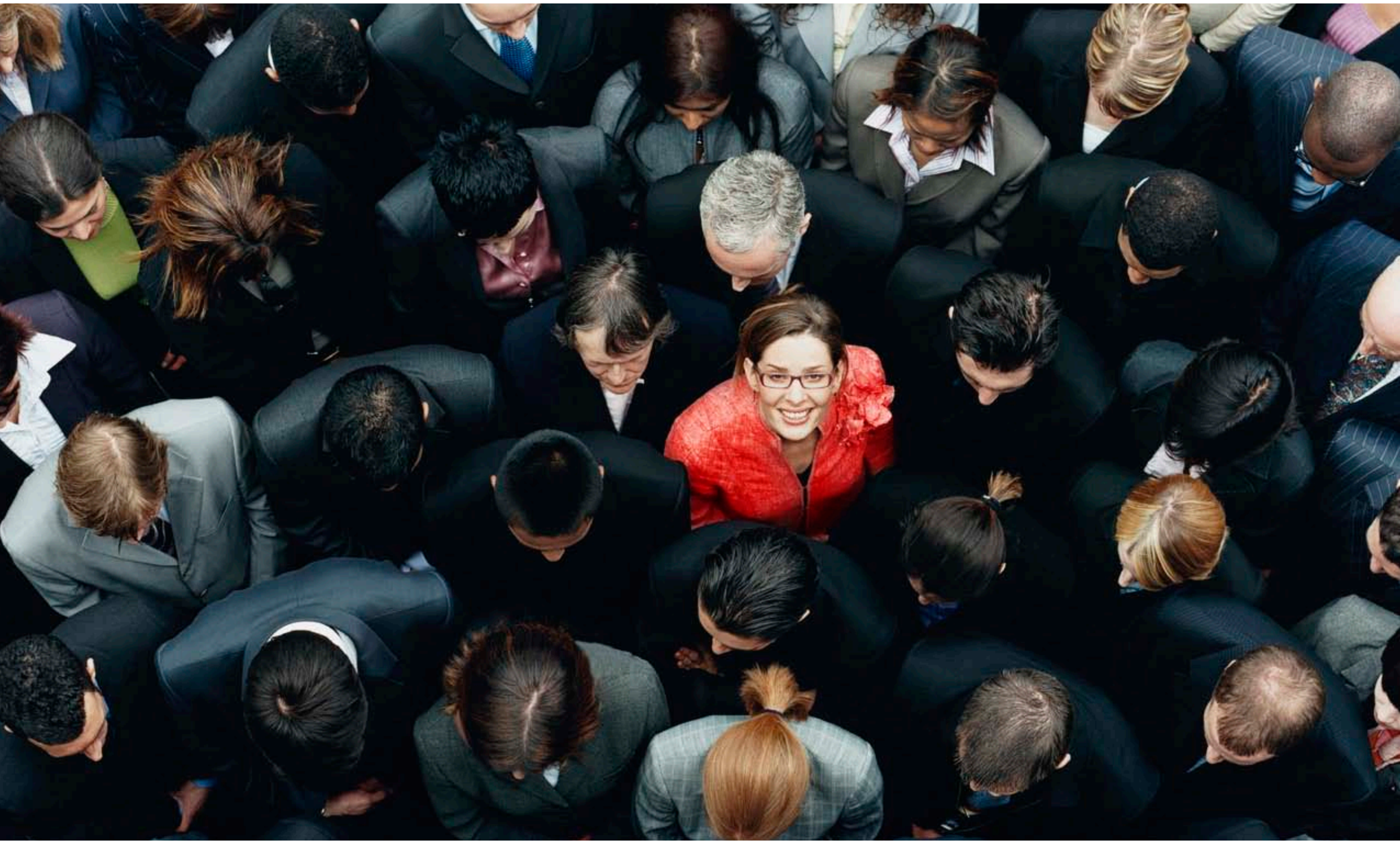
EXPANDING CUSTOMER BASES
ONTARIO'S HIGH-GROWTH FIRMS ARE LEADING THE WAY



Leading Growth Firm Series
REPORT 20

Ontario

EXPANDING CUSTOMER BASES
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In this issue

Expanding Customer Bases

In a new era of business, Ontario's innovative high-growth firms continue to build momentum, advance their businesses, increase revenues, create the majority of new jobs and win in competitive global markets. This raises the question: **How do Ontario's high-growth firms continue to leap ahead and lead the way?**

Over the years, Ontario business leaders have faced a wide variety of tough challenges: increasing global competition, recessions, talent shortages and the steady rise of the Canadian dollar. Together, these forces have reshaped Ontario industry and the global economy. These changing times have also created exciting new challenges and opportunities for businesses to grow. New doors have opened for growth-minded entrepreneurs as innovation, exporting and commercialization have become more than concepts: they are now three pillars of business and economic development that are leading advancements in every sector of commerce and transforming the way business is done.

In the last report in the Leading Growth Firm Series, (i.e., Report 19: *Measures of Success*, released in August 2011), the Ministry of Economic Development and Innovation examined and benchmarked the contributions that Ontario's small and medium-sized enterprises (SMEs) make in areas such as innovation and exporting. CEOs, presidents and owners of Ontario's high-performing SMEs were asked the following questions: "What are your main challenges to doing business?" and "What opportunities are you pursuing or do you intend to pursue?" Of the respondents, 98 per cent offered the same answer to both questions: "Expanding our customer base."

Even in peak economic times, every company will eventually reach a point in its business cycle when growth becomes more difficult—perhaps they hit a brick wall or their sales and markets decline as they seek new ways to grow. In today's changing business environment, there are many answers to the "big question" of how to expand customer bases, depending on your market, your industry and the unique character and capabilities of your business.

In this report, many high-growth Ontario firms offer proof that for businesses in the 21st century that have a clear focus, truly understand market needs and can solve client problems in creative, aggressive ways, there are more than enough customers to go around. The flip side of the global economy is that border-spanning enterprises are looking for new solutions, better ideas and more efficient suppliers. The opportunities to expand your customer base are all around you.

Many companies that are expanding their customer bases today share some common attributes. The challenges facing these companies are well known and ever-increasing: re-evaluating strategies, out-hustling foreign competition, building stronger customer relationships, developing new products and new markets, finding and retaining talented qualified employees, skills development, accessing capital, managing cash flow and using technology for growth, from digital production tools to social media.

Here are just a few of the strategies, tools and best practices put forth by the CEOs, presidents, owners and topic experts who shared their experiences, and insights for this report.

Knowing your customer

This isn't exactly a new approach, but at a time when all customers are trying to cut costs and better serve their own clients, it is becoming increasingly important to understand your customer's needs and be able to provide solutions. In Peterborough, Paschal McCloskey, of McCloskey International Ltd. (MIL), is producing some of the world's most sought-after crushing and conveying equipment (see page 6). He has managed to keep ahead of such giant competitors as TEREX and Sandvik by constantly staying in touch with customers, to the point where he can often articulate their changing needs faster than they can themselves. MIL's equipment can be custom-built, and many have features that the competition doesn't offer. McCloskey says the secret of his success is no secret at all: "I've never lost touch with a customer. A lot of small operations have given me advice on how to be successful."

Rapid-release innovation

When McCloskey wanted to produce a more efficient, customer-friendly conveyor, he wasted no time. "I redesigned the product in a week." He did the same thing when a garden-centre client wanted a more efficient screening machine for separating rocks from soil. Again, he had a prototype ready in a week. That may be absurdly easy for McCloskey, who never outgrew his passion for welding and has a team devoted to solving the customer's problem, but it is also sound business strategy.

The goal of innovative software companies today is to master agile production to get usable versions of their products to market fast. The same "iterate fast, release often" philosophy can work in any organization. Last year, MetalCraft Marine Inc. (MCM) of Kingston (see page 10) was given 150 days to produce a 22-foot rigid-hull inflatable pursuit boat for the U.S. Coast Guard, hoping to win a contract to sell 101 more. The contract called for the pursuit boat to achieve speeds of 40 knots, but MetalCraft was aiming for 42. When the newly designed prototype had trouble reaching that goal, MetalCraft tweaked the design and produced a second prototype that did 41.5 knots thanks to its commitment to quality and fast iteration.

Leveraging relationships

A proven way to expand innovation is to leverage client relationships. Nordion Inc. of Ottawa is a longtime player in the health science business that is tackling new markets with product innovation (see page 8). In particular, Nordion's unique liver cancer therapy, TheraSphere, has introduced the company to an international community of physicians and institutions in the emerging field of interventional oncology. With TheraSphere revenues growing 47 per cent last year, CEO Steve West is hoping that Nordion's pioneering in this new market will lead to multiple expansion opportunities through licensing or acquiring new technologies rather than by developing them in house. The fastest way to generate a stream of innovations may be to let other people develop them.

Value based marketing

In today's world of customized solutions, there is not a one-size-fits-all marketing strategy. Waterloo-based Sandvine Corporation produces high-tech systems that help broadband Internet service providers (ISPs) get the most out of their precious bandwidth (see page 14). CEO Dave Caputo credits the company's marketing success to a semi-annual report Sandvine produces for clients and prospects on how Internet usage is changing. By aggregating statistics from clients all over the world, Sandvine has created a door-opening document that is a must read for any ISP sweating over its ability to provide sufficient network capacity when its customers need it. Caputo is sure that businesses in almost any industry could come up with similarly informative editorial to build better client relationships: "Publishing about your customers is the way to get customers to read about you."

Oakville-based Javelin Technologies Inc. (see page 12), a distributor of automation software and systems, takes a similar approach. Its Web site is the epicentre of a galaxy of content—articles, chat boards, blog posts and videos, training courses, seminars and webinars—designed to make clients more competent and more satisfied users of Javelin's solutions. With industry leading products such as SolidWorks 3D computer-aided design (CAD) software, which contains more features than even hard-core engineers need skill to master, Javelin has the opportunity to keep adding value for its customers by helping them get more out of their investments. In a recent blog post, Javelin did its clients a huge service by writing about five ways that designers and their chief financial officers (CFOs) can calculate the supposedly "intangible" returns from investing in data-management solutions.

Work force retooling

In Princeton, Bruce Seeley of John G. Wilson Machine Limited (see page 16) has overhauled the company's management team and invested in coaching, skills training and continuing education to help all levels of his work force adapt to changing market needs. Seeley is transforming Wilson from a traditional metal fabricator into a designer and supplier of prototypes and components for start-ups in electronics, health care and vision systems, which means that his new clients' need for precision and consistent quality has taken a giant step forward and his staff has to keep ahead of them.

"Changing the business required a transformation of the skill base of the entire work force," notes Seeley. "Wilson used to sell to mature industrial customers. We were supplying older factories; buyers were buying a commodity. Now we sell to smaller, tech-based companies; sometimes we ship directly to their customers. Even the quality of our customer has changed; we tend to get a lot more PhDs visiting here now."

Green thinking

As more and more consumers and businesses incorporate environmental concerns into their purchasing habits, innovators see a great opportunity to differentiate their products and services. There are many ways companies can take advantage of the shift to green thinking. MIL, for instance, was one of the first to see how tighter waste-management regulation would affect its construction, mining and garden-centre customers; by designing more affordable and efficient screeners, crushers and conveyers, the company helped its clients become leaders in recycling rather than dumpers of waste and scrap into landfills.

Javelin is promoting a feature in its 3D product-design software that automatically calculates the lifetime carbon footprint of a new product, while MetalCraft has been a leader in promoting more fuel-efficient fire boats and patrol boats, producing lighter and better-designed boats that can reach top speed with lower-horsepower motors. It even equips some boats with solar panels and electric drives that can propel the craft at lower "trolling" speeds.

Creating your own services and supply chain

MIL is ramping up to do more maintenance and service for their customers. Their aim is to expand their relationship with each customer, control the quality of maintenance services and obtain a bigger portion of aftermarket revenue. MIL is also looking at producing in house more and more of the parts it currently buys from suppliers all over the world. "We have to develop our own components," says McCloskey. "If it's proprietary to us, then if they break it, they have to come to us for service. The more I sell, the bigger the replacement parts business will be and, at the same time we will be closer to our customer."

Wilson plans to provide more services to its clients. Seeley recently hired his first electronics technician so that the company can move from solely fabricating mechanical components to designing the electronics for its customers' devices. "My business model is to enable companies' technology," says Seeley. "We're moving up the value chain. The business model did include achieving UL and FDA registrations as well as being certified ISO 13485."

Clustering

Ontario has a number of established and emerging industrial clusters, where like-minded businesses are working together to create unique ecosystems that include specialized educational resources, trained bankers and other service providers, close relationships with niche customer groups and, of course, lots of skilled workers. The auto clusters in Windsor and the Greater Toronto Area are obvious examples, as are Toronto's financial-services and media sectors and the technology clusters in Ottawa and Waterloo. Seeley specifically chose to acquire a business—Wilson—close to the high-tech incubators of the University of Waterloo.

Nordion's West is co-chair of the Ottawa Life Sciences Cluster, which is designed to strengthen and expand its nearly 100 member companies by encouraging increased collaboration among businesses and with the 20-plus universities, institutes and research centres in the region. "I'm a big believer in clusters to create critical mass and attract talent," says West. "Medical technology is a sector where we can win globally."

You don't have to be a high-tech or life-sciences company to benefit from clustering. In rural Bruce and Grey Counties, in southwestern Ontario, about 30 wood manufacturers have formed their own cluster to benefit from networking, knowledge sharing, technology transfer, export research and joint market development. "There are so many things we can do together that we can't do separately," says furniture industry veteran Adam Hofmann of Walkerton, President of the one-year-old Bluewater Wood Alliance (see page 24). "Clustering is ideal for small and medium-sized companies. They are all over the place in terms of skills; they don't all have the resources they need. By sharing resources, they will all strengthen. A company with five employees could become 50."

Partnering with academe

It doesn't matter what product or service you produce; in the age of information, adding intellectual heft can separate your business from the rest of the pack. Bluewater is wasting no time tapping university-level researchers to create value for its members. It has hired a team of business students from Wilfred Laurier University to explore ways that Bluewater members can expand their current sales channels. They will also identify specific export markets beyond North America that members should begin to target. In a similar project, Bluewater is hiring a U.S. professor, an expert on solid-wood processing, to visit members' workplaces and lead a workshop on yield maximization.

MetalCraft is working with researchers at Kingston's St. Lawrence College to develop more advanced welding techniques that Bob Clark, Contracts Manager, believes will give MCM huge technical advantage.

Recruiting and retaining talent

While unemployment in the post-recession economy is declining only slowly, many Ontario growth companies say they can't find the talent they need. In an entrepreneurs' roundtable in this issue (see page 20), several growth leaders report that a shortage of skilled help—from software developers to carpenters and cabinetmakers—will actually restrain their companies' growth this year. The roundtable participants share their tactics for hiring and motivating employees, which range from hiring human resources consultants who build relationships with new college and university graduates to using Facebook and Twitter to build connections with potential recruits. "It's always a challenge," notes P.J. Ferguson, of ABL Employment Inc. in Burlington, who hires for attitude. "I've tried hiring from my competitors and I've tried bringing in more senior people, but I still have the most success with growing my own and having programs in place that will develop the skills we want."

Focus on corporate culture

When you create a company culture geared to the attitudes and values of your most successful employees and then align incentives and expectations to that culture, you create a performance machine. At Sandvine, the company's eight-point manifesto, "**The Sandvine Way**," reinforces the company's values and is a key part of monthly initiation meetings for new employees. The eight points are:

- Put the customer first ("make them successful")
- Showcase flexibility ("do whatever it takes to make Sandvine successful")
- Under-promise and over-deliver
- Amazing tool utilization (get things right by using the company's intranet, issue tracking, revision control and so on)
- Teamwork ("work hard, play hard")
- Knowledge sharing ("over-communicate")
- Zero politics
- Risk taking ("getting three decisions right out of four is better than getting two right out of two")

Thinking big

Any business that wants to win today has to attend to its weaknesses as well as develop its strengths. Eileen Fischer, director of entrepreneurship studies at the Schulich School of Business at York University, notes that many Canadian companies commit common business mistakes that could be easily rectified. Here are four easy fixes she recommends.

Focus on problem solving

"The basic idea is continuous closeness to your customers," she says, "but I don't see companies doing it very well." Her students have had great success getting client companies and their customers to fill out "audits" that compare what your customers think of you versus what you think they think of you. "There's a gaping disparity there," she says. "You have to know your customer every month and every year. This is not something you do just once." She recalls one company that went through the audit and was astounded to see how much its customers particularly valued its commitment to a continuous stream of new products. "The company should know that the money put into [innovation] was well spent," says Fischer. Use the results to fine-tune your marketing message, she adds. "You can say, 'This is what our customers say they love about us.' And you can say it with authority."

Make use of technology

"The evidence suggests Canadian companies are not using the whole gamut of Internet-based applications as well as they should," says Fischer, who last year co-authored a study for the Conference Board of Canada called *Building International Sales in a Digitized Economy: Best Practices for SMEs.* She found that roughly the same percentage of Canadian small and medium-sized enterprises (SMEs) were selling products over the Internet in 2007 as in 2002. She believes Canadian SMEs should beef up their back-office logistics so they can begin to cope with the world of e-commerce. She urges entrepreneurs to review their Web site analytics to make sure they know who is coming to their sites and then contact them directly in return. "I think this is increasingly becoming something that you have to do."

Networking

Fischer is a firm believer in peer groups. Any CEO who is not part of a networking group is probably missing an opportunity," she says. The big mistake CEOs make, she adds, is not to include their top managers in similar programs so they too can benefit from frank talk, idea sharing and a wider contact network.

Innovate faster and smarter

Overall, the best course for Ontario companies is to identify their top growth prospects and then single-mindedly pursue the tools and strategies most likely to lead those initiatives to success. Run lean, run fast and never let the customer out of your sight. Mastering these skills and attitudes is a condition for success, but it will also become a competitive edge. The harder your organization works to innovate faster, market smarter and maximize its corporate culture, the harder it will be for competitors to keep pace.

Marty Parker is CEO of Waterstone Human Capital in Toronto and the founder of Canada's first awards program for outstanding corporate culture (see page 26). He understands the power of culture and how you can begin to assess it and use it. Parker quotes the late management guru Peter Drucker as saying that when values and incentives align, "culture eats strategy for breakfast."

Creating demand with proprietary technology

MetalCraft Marine has always been a solution company. Customers with tough problems often find MCM through referrals from other companies. MCM targets its R&D efforts around the customer and developing markets where it knows technological solutions are needed and will make a difference. As MCM develops the proprietary technology to help one customer, it markets this ability to the broader market. MCM uses the proprietary development to create a market niche and works to make it the market standard, only supplied by MCM. Most government customers look to buy the latest technology in the life saving business or for security needs and the boats they buy from MCM will last for 25-plus years.

Win-win partnerships

Wilson's Seeley is marketing his company's small-batch production capabilities by developing relationships with start-ups and staffers at incubators and innovation centres in southern Ontario. No fancy marketing pitches for Seeley: "It's engineer to engineer, with me understanding their business, them understanding my vision." The other reason for going through incubators is that the companies participating in those programs have usually received some form of financing.

AT A GLANCE

IN BUSINESS SINCE	1985
ANNUAL SALES	$130 million (2011)
% EXPORT SALES	80%
EXPORT MARKETS	More than 50 countries
NUMBER OF EMPLOYEES	355
THREE-YEAR GROWTH RATE	35%

Starting out in the early days as a metalworker's apprentice, Paschal McCloskey, President of McCloskey International Ltd. and down-to-earth innovator of heavy equipment, has built a global niche by heeding his customers' needs and says his greatest achievement is fixing flat companies, and "I can weld."

Heavy-duty global niche

True grit, fast-paced innovation, quality products and strategic purchasing complement McCloskey International's no-nonsense approach to customer service as it taps into specialized markets around the world

Growing up on a farm in County Derry, Northern Ireland, Paschal McCloskey made pocket money fixing his neighbours' cars, tools and farm implements. Leaving school at 15 to become a metalworker's apprentice, he discovered the joys of welding, bending molten metal to his will. Strong-willed and eager to make a name for himself, McCloskey immigrated to Canada in 1980 at the age of 26. He was determined to start a business based on his mechanical skills.

Today, as owner and founder, McCloskey's skills and no-nonsense approach have his company, McCloskey International Ltd. (MIL), a Peterborough, Ontario manufacturer of heavy-duty construction equipment, on top. By heeding customer needs, MIL was able to stimulate product innovation and now sells its green and yellow conveyors, screeners and crushers through more than 60 dealers in North America, Europe, Japan, South America and Australia. These machines heap materials into piles (think of the soaring mounds of road sand stockpiled each winter along Ontario highways) or sift, crush and recycle concrete and rock. MIL should generate sales of $130 million this year and a projected $165 million in 2013.

Serial innovator

True to his driven nature, McCloskey intends to open more plants and keep creating new products. "I think in my lifetime it could be a billion-dollar company," he says matter-of-factly.

After working in various engineering-related jobs in Canada, McCloskey wanted to do his own manufacturing. "I wanted the stability of a product line," he says, "of doing something well and doing it often." In 1985, McCloskey took over a failing five-person manufacturer of conveyors. He quickly upgraded its products and quickened its development pace. His breakthrough came one year later when a contractor asked him to design a better conveyor to pile sand in those domes that line the highways. Existing systems required two conveyors to pile sand 10 metres high, but McCloskey designed a 13-metre conveyor that could do the job by itself. It became his flagship product, selling 700 units in the years since.

Staying close to customers and their problems, McCloskey hit on a bigger market when an Ontario garden centre expressed its need to more efficiently separate soil, compost and gravel. In a week, McCloskey designed a new type of machine with a rotating-drum screen. His trommel screener was stronger than the competition's, managed hard-to-sort commodities such as peat moss and scrap metal and had its own radial-conveying system for sorting different-sized commodities. As environmental regulations tightened and prices soared for recycled materials, demand for trommels grew; MIL now offers 16 models and has 66 per cent of the North American market. "That's what made the company," says McCloskey. "We weren't just a conveyor company any more."

More recently, the firm moved into the crusher business to help mining companies, quarry operators and construction firms shatter rock, concrete and metal on site. It is a green business with a future: armed with a mobile crusher, roadbuilders can turn old asphalt into construction material and save a fortune in landfill fees. Natural disasters also provide a market: since the Great East Japan Earthquake and subsequent tsunami in March 2011, Japan has bought three MIL crushers and a number of screeners to process debris from devastated towns.

Increasing productivity

MIL has thrived in a competitive world by finding a niche. Its heavy-duty equipment, costing $100,000 or more, represents a market that foreign manufacturers don't yet dominate. MIL also uses the latest equipment in its 300,000-square-foot Peterborough plant and innovates with new features and models at a breakneck pace. "To compete and provide global clout and economies of scale," he says, "you have to take the next step and get into volume production."

To increase that global presence, McCloskey bought a bankrupt manufacturer of vibrating screens in County Tyrone, Northern Ireland, in 2004 to give MIL a bigger foothold in Europe. With its operations in Northern Ireland, MIL has a platform to provide maintenance service to European customers. McCloskey is also looking at producing some of the components that aren't currently made in house, such as the screeners' hydraulic cylinders. This way, MIL will get more of the work when customers need new parts. Indeed, strategic purchasing is one of MIL's secret weapons. "We source the world to stay competitive," says McCloskey. Where the company once had just one buyer on staff—whose mantra was, "Can you get it here tomorrow morning?"—MIL now has 18 employees seeking out the highest-quality components and best values.

Global expansion

With a new engineering team and revitalized products, the plant staff in Peterborough has now doubled to 225. Through a $4.5-million expansion, partly funded by a $654,000 grant from the Eastern Ontario Development Fund, MIL is adding production of new crushers and screeners and plans to double production in Ontario from 14 machines a week to 30. He is also looking at new plants, possibly India and Brazil, to leverage growth in those markets.

MIL now stages its own dealer conventions, so far in Ireland and Las Vegas. This is where the company shows off new products, builds relationships and learns more about key industry trends. McCloskey is confident the company will flourish if it sticks to quality products and informed innovation: "I bought little businesses that were flat and fixed them," he says. "That is my greatest achievement."

AT A GLANCE

IN BUSINESS SINCE	1946
ANNUAL SALES	$274 MILLION (2011)
% EXPORT SALES	98%
EXPORT MARKETS	60 countries
NUMBER OF EMPLOYEES	500
THREE-YEAR GROWTH RATE	14%

To Steve West, CEO of Nordion Inc., innovation is a skill you have to master, which includes developing new products, leveraging intellectual property across the organization and managing disciplined, multifunctional teams.

Radiating new technologies

Ottawa-based Nordion is winning market leadership with its new health science technologies, through its process management and proving that an established industry leader can become an innovation ninja

Businesses today are constantly reinventing themselves, seeking to extract maximum value from their unique capabilities and market visions. One prominent company carving out a bold new path is Ottawa-based Nordion Inc., which has just completed Phase 1 of its bold transition from a multi-business health care company to a firm that commercializes new health science technologies.

Phase 2 will be the test: winning market leadership with two new global products. One is an entry-level solution for sterilizing medical instruments and consumer products; the other is a unique medical technology now revolutionizing the treatment of a common type of liver cancer. CEO Steve West says both products require Nordion to prove itself an innovation ninja. "There aren't many books or courses on innovative process management," says West, "but it's a skill you have to master."

With 500 employees and 2011 sales of $274 million, Nordion markets 30 products to more than 500 customers in 60 countries. If the name is unfamiliar, you may recognize its previous moniker: MDS Nordion. Nordion began as the radium-sales division of Eldorado Mining and Refining Limited in 1946. The unit was later transferred to Atomic Energy of Canada Limited, then to Canada Development Investment Corporation, before being bought by life-sciences conglomerate MDS Health Group Limited (MDS) in 1991.

A bold new path

With MDS under fire from institutional investors to improve its stock performance, management decided to divest its other businesses (pharmaceutical services and analytical technologies) to focus on Nordion's niche markets three years ago. With that transformation completed in 2010, it is now up to CEO West, who has been President of Nordion since 2003, to deliver results.

Nordion now has three distinct product lines. Its medical-isotope business, dating back to the dawn of Canada's nuclear industry, processes and delivers isotopes around the world for cancer and other treatments, medical imagery, and research.

With the isotope market fairly mature, it is innovation in two other markets that will drive Nordion's growth. As the world's leading supplier of cobalt-60, the isotope whose gamma radiation destroys harmful micro-organisms, Nordion's technology sterilizes approximately 40 per cent of the world's single-use medical supplies (such as bandages and syringes), as well as foods and consumer cosmetics. It has just developed a small, more flexible irradiator, called GammaFIT, an economical solution for smaller clients and food processors in emerging markets—think China, Latin America—that couldn't previously afford such technology. "It's a completely different approach to irradiation," says West, "smaller, faster, but still scalable. Each is individually tailored to the customer's needs."

Released in December 2011, GammaFIT is not expected to have an impact on revenues until 2013. It could lead to equipment sales and increased sales of cobalt-60 to new companies around the globe.

Nordion has confidence in TheraSphere, a "minimally invasive" cancer therapy developed to deliver treatment directly to a targeted tumour, with minimal effects on other tissues. Still in trials, TheraSphere is an alternative to conventional treatments, which usually involve hospitalization and unpleasant side effects. In 2011, revenues from TheraSphere rose 47 per cent, to $42.6 million, attesting to the increasing acceptance of "interventional oncology" (IO) as a fourth pillar of cancer treatment (alongside surgery, radiation therapy and chemotherapy).

West hopes the close relationships now being developed with the medical community in this "high-touch" business will give Nordion an edge. He sees IO becoming a $1-billion market and says Nordion will lead that growth by licensing or acquiring other researchers' medical technologies and commercializing them.

The art of leading innovation

Whether it develops or licenses technologies, Nordion's future depends on successful innovation. To boost its innovation quotient, Nordion hired Peter Covitz as Senior Vice President of Innovation in 2008, reporting directly to West. Covitz had been COO of the National Cancer Institute (NCI) Center for Bioinformatics, dedicated to developing a biomedical informatics infrastructure to transform cancer research and care.

To West, innovation is not just about new products; it is about leveraging intellectual property across the organization. "The art of it is in managing multifunctional and multidisciplinary teams, dedicated to transparency, velocity, ruthless execution and a very clear understanding of what the end point is," he says.

Wrestling with innovation?

West's advice for other companies wrestling with innovation:

- Establish stage gates—intervals at which you decide whether or not an innovation project should continue. "It is very important to bring projects to market quickly or kill them quickly."
- Avoid "innovation creep"—the instinct to make your innovation perfect. "You have to be conscious of the project boundaries."
- Embed the process in your organization's values and culture—"It's not a one-size-fits-all approach."
- Involve senior leadership—"The tone starts at the top."
- Include your top talent and your bench strength.
- Prepare for the worst by asking, "What are the risk factors that could derail this?"
- Leverage people's passions—"You either believe in the project or you don't. You can't sit on the fence."

AT A GLANCE

IN BUSINESS SINCE	1987
ANNUAL SALES	$4.5 million
% EXPORT SALES	98%
EXPORT MARKETS	U.S., Latin America, Middle East
NUMBER OF EMPLOYEES	100
THREE-YEAR GROWTH RATE	65%

Bob Clark, Contracts Manager (left) and Tom Wroe, MetalCraft Marine's founder (right), agree that investing in customized innovation that solves clients' problems makes it all work.

Full steam ahead

By successfully navigating through perilous waters, Kingston-based MetalCraft Marine is now expanding further into the U.S. market with aggressive innovation and a smart new partnership

At the head of the St. Lawrence River, tucked between downtown Kingston's apartment towers, parks, office buildings and the shiny dome of the K-Rock Centre, sits a drydock and shipbuilding yard that mark the last remnant of the city's working waterfront. No idle strollers or cyclists here: the two workshops echo to the hum of drills, saws and welding torches. The company that grew up around this aging drydock, MetalCraft Marine Incorporated, is one of Canada's most aggressive and creative boatbuilders.

MetalCraft began as a partnership between Kingston boatbuilders Monty Smith and Tom Wroe to produce commercial workboats and high-speed police boats made from aluminum. The company proved successful, selling rugged skiffs to the RCMP and jet-powered pursuit craft to harbour patrols and the U.S. Navy.

However, the rising Canadian dollar and the 2000 al-Qaeda attack on the USS *Cole* in Yemen, which took 17 lives, changed things. Suddenly the U.S. Navy was ordering patrol boats by the gross—a level at which then-small MetalCraft couldn't compete. Today, MetalCraft's renewed commitment to innovation and its focus on a single niche—municipal fire boats—have given the company a new lease on life.

Craft versus commodity

To understand MetalCraft's success, you have to understand the two opposing camps in the boating world: aluminum versus fibreglass. Boatbuilders such as Wroe say that aluminum boats are cut, shaped and welded individually, while fibreglass boats are mass-produced from moulds. Aluminum boats can take more of a pounding than fibreglass and offer more opportunity for customization to produce durable boats that are more craft than commodity.

MetalCraft entered the aluminum fire-boat market bristling with innovations, such as improved hull designs for lift and speed, jet propulsion, wraparound decks for rescue capability and standby electric motors for energy-efficient patrolling. "Entering the fire-boat market was hard slogging," says Wroe, "but we didn't have much competition; everyone else was focusing on patrol boats."

Solution-based innovations

MetalCraft's focus on customization paid off with its first fire-boat contract. A Washington, D.C., suburb had an impossibly long list of features it wanted on a 36-foot boat, says Bob Clark, MetalCraft's Contracts Manager, who oversees sales and marketing. "We figured out how to make it all work. To this day, not a single U.S. company has been able to copy it." By 2007, MetalCraft owned 70 per cent of the U.S. market for aluminum fire boats. Its FireStorm boats, now up to 70-foot fireboat and pumping up to 17,000 gallons per minute from Boston to San Diego, generate two-thirds of MetalCraft's sales.

Successful innovation creates its own advantages. For instance, MetalCraft tends to use a higher and stronger grade of aluminum. By investing in innovation that solves client problems, says Wroe, "it's easy to work our specs into the design for customers. We experiment with new designs and can innovate on every project," adds Wroe. "We stick out our neck and have received tax credits to support research and development [R&D]."

New horizons

With the fire-boat market nearing capacity, MetalCraft is looking in new directions. "We want to build bigger boats," says Wroe, including research boats and passenger vessels. MetalCraft is currently completing a 32-foot patrol boat for one client and it recently delivered a prototype 22-foot high-speed jet boat for testing by the U.S. Coast Guard. This next generation boat is being designed to intercept "non-compliant" shipping. A successful bid would mean orders for 101 boats from the United States.

MetalCraft has recently entered into a unique partnership with Brunswick Corporation, the world's largest powerboat manufacturer. MetalCraft is supplying aluminum hulls for patrol boats (28 to 45 feet long) to Brunswick's commercial and government products division, which mainly produces fibreglass boats. "They are great guys; they think like MetalCraft," says Clark. "We had always known of them as friendly competitors." It is a win-win deal, filling a hole in Brunswick's product line while giving MetalCraft insider access to a U.S. market.

Clark says MetalCraft is also helping Brunswick with new products for its other lines, such as aluminum wheelhouses for its FRP line of boats. He also expects the partnership will help MetalCraft sell more to export markets, particularly in South America, the Middle East and Hong Kong: "Brunswick has worked those markets for a long time."

Recently, Clark made a presentation to a local technology council on selling to protectionist-minded U.S. markets and advised, "you have to have either a lower price on the commodity side or a more innovative product on the technology side." To secure the Brunswick deal, MetalCraft is ramping up production south of the border in Cape Vincent, New York, just 15 kilometres south of Kingston. MetalCraft's design division, headed by Wroe, is housed halfway between Kingston and CapeVincent on Wolfe Island, which has ferry connections to both. MetalCraft has just moved in to a new production facility that will eventually create jobs in upstate New York, which would also boost job growth on the Ontario side and further benefit MetalCraft throughout the United States.

In November 2011, MetalCraft received a Large Business of the Year award from the Greater Kingston Chamber of Commerce, which cited the company's job-creation record, its innovation expertise and its 65 per cent sales gain in three years.

AT A GLANCE

IN BUSINESS SINCE	1997
ANNUAL SALES	$12 million
% EXPORT SALES	5%
EXPORT MARKETS	United States
NUMBER OF EMPLOYEES	50
THREE-YEAR GROWTH RATE	26%

Ted Lee (left) and John Carlan (right), Co-Managing Directors of Javelin Technologies Inc., are helping a diversified client group of manufacturers and sunrise industries produce higher-quality designs and less expensive prototypes for quick return on investment. They say "3D is just a better way to communicate."

The 3D revolution

Javelin Technologies is leading a manufacturing makeover to help companies become more innovative competitors using three dimensions to put the parts together

Four hundred kilometres above the Earth's surface is no place to lose a screwdriver, but when technicians on the International Space Station break or lose a tool, they don't have to wait months to get a new one delivered. They ask ground control to upload the computer-aided design (CAD) specs to the space station, where a 3D printer "prints out" a new one.

Just as 3D has taken over the movies, today's 3D design software and 3D printers are taking over manufacturing, producing product samples, rapid prototypes and occasionally even workable devices. (Recently, an 83-year-old woman in the Netherlands had her lower jaw replaced with a 3D printed replica in lieu of traumatic reconstructive surgery.)

John Carlan and Ted Lee are the Co-Managing Directors of Javelin Technologies Inc., of Oakville, Ontario. Launched as a reseller of one 3D CAD product in 1997, Javelin is now an ambitious supplier of software, support, training and 3D printers to manufacturers, designers and architects. Its goal is to make Canadian manufacturers stronger, more nimble competitors. "We're helping manufacturing companies upgrade their tools for developing products," says Carlan.

Carlan, who looks after sales and marketing, and Lee, who manages operations and the technology team, worked together at EDS Canada Inc. in the mid-1990s before Lee got a peek at a product that would change their lives: SolidWorks, the first Windows PC based 3D solid modeling program. "It was revolutionary as it featured a simple user interface designers were comfortable with and powerful parametric 3D modeling tools," says Lee. Acting on long-held entrepreneurial dreams, Lee and Carlan negotiated the rights to sell SolidWorks in Ontario and Atlantic Canada.

According to Carlan, Javelin has upgraded more than 2,000 companies with 3D technology. Helping others has been good for Javelin; it now has 50 employees and $12 million in sales. In 2011, the company moved into new premises that include a 3D theatre, a 3D printing room (decorated with resin prototypes of car parts and action figures) and lots of room for future growth.

Transforming manufacturing and beyond

Printing is just one way 3D technology is transforming manufacturing, a revolution every hard-pressed Ontario manufacturer should welcome. Today's CAD tools allow engineers to design parts and components in 3D so they can see photo-realistic depictions of new products long before the prototype stage. Similar tools now let electrical engineers integrate their components directly into mechanical designs, telling them exactly how every part fits together and is electrically connected. Immersive environments allow you to preview or inspect your next product—whether it is a microchip or a mansion—by "flying through" it in 3D.

From the beginning, Javelin focused on the customer, using interviews and market surveys to ensure its products met its clients' needs. Within five years, Javelin's clients ranged from small shops to Tier 1 auto-part suppliers and high-tech manufacturers. Javelin has consistently ranked as a top technical support organization for the products that they represent. To this day, Boston-based SolidWorks (now owned by French software developer Dassault Systèmes) often calls to get Javelin's input on new ideas or products.

In addition to SolidWorks software, which now accounts for 60 per cent of revenues, Javelin also sells SolidWorks training, electrical systems design software from Japan's Zuken Inc., data-management products and Objet Ltd. 3D printers, which use polymer-jetting technology and sell for up to $200,000. "We want people to bring these technologies into their businesses and incorporate them into their design processes," says Lee.

Seeing is believing

Carlan and Lee believe in the future of 3D. "It gives you faster, higher-quality designs, and they're cheaper to change," says Carlan. "3D is a universal language. When you rotate parts on screen, everyone gets it; 3D is just a better way to communicate." He says that once clients finish basic training, they earn back their investment in six to nine months and 90 per cent of clients renew their service contracts every year: "Once they get it, they're believers for life."

In Javelin's early years, 40 per cent of its clients hailed from the auto industry. Now it is just 20 per cent. Carlan and Lee say that decline is more than made up for by the rise of new start-ups serving such sunrise industries as medical devices, robotics, consumer electronics and renewable energy. "Our customers are more competitive because of what we help them do," says Carlan. Sadly, not every manufacturer has gotten the news. "There are still a lot of people out there hanging on," says Lee. "It's disappointing how they will hang onto a perceived low-cost process, probably at great cost to their business and its capabilities." Carlan notes that his team compares notes with other manufacturing jurisdictions: "We think Ontario companies could invest more in the skills of their people. Many companies are working harder instead of smarter."

Fortunately, he says, Ontario also has many companies that are "collaborative and innovative, committed to skills improvement, product development and research and development. They're out there beating the world. We just have to help get that message out." In 3D, of course.

AT A GLANCE

IN BUSINESS SINCE	2001
ANNUAL SALES	$89 million
% EXPORT SALES	97%
EXPORT MARKETS	More than 80 countries
NUMBER OF EMPLOYEES	450+
THREE-YEAR GROWTH RATE	48%

David Caputo, CEO, Sandvine, whose company has been named one of the Best Workplaces in Canada five years in a row, believes "you've got to put the customer first, take risks, have compelling solutions and a great team" to win in the marketplace.

Intelligent broadband networks

What venture capitalists saw in Sandvine's management has translated into a global leader creating products and services to help Internet service providers balance traffic on their networks

For some of Canada's most talented young entrepreneurs, the news was crushing. In April 2001, management of the video-technology division at Cisco Systems Inc. (Cisco) in Waterloo, Ontario, learned their business unit was being closed. It was only four months since Cisco had paid US$369 million for video-networking startup PixStream Inc., which became Cisco's online-video outpost.

The executive team was devastated. Having worked non-stop since PixStream's founding, some decided they deserved a beach break. In the middle of making vacation plans, Dave Caputo, a former Managing Director at Cisco, got a call from the Ottawa tech legend Terry Matthews, a PixStream investor. What, Matthews asked, was the team planning to do next? When Caputo replied, "We're going to Disneyland," Matthews advised otherwise.

A leap of faith

Despite the tech meltdown, he said, the Internet still presented vast opportunity. If Caputo and company didn't act fast, their engineering team would scatter forever. The next day, a PixStream posse decided to launch a new company. "The worst day in the world became one of the best days that ever happened to us," says Caputo, who became CEO of the new firm: Sandvine Corporation.

Sandvine started out with 40 employees (all fromPixStream/Cisco) and $19.5 million from four venture institutions (including Celtic House International Corporation, which was founded by Matthews) despite having no business plan. "You often hear about how venture capitalists invest in management, not ideas," says Caputo. "This was a perfect example."

That faith paid off. Sandvine is now a global leader in creating products and services that help Internet service providers (ISPs) manage traffic on their networks. As peak demand for bandwidth soars, ISPs can either add costly new capacity or balance that traffic more effectively. Quickly signing most of North America's top cable companies as clients, Sandvine went public in 2006. It now has annual sales of $89 million, more than 200 clients in over 80 countries and a market capitalization of $217 million.

Making the Internet better

Sandvine's switching products help ISPs manage traffic, especially wireless, by prioritizing some uses (such as gaming and live-streaming video) over others, such as e-mail or video downloads, where minor delays don't matter. Sandvine's services enable ISPs to create tiered services to sell more bandwidth at lower prices. By segmenting accounts (e.g., your teenager's cellphone might only access e-mail or Facebook), ISPs make sure everyone pays a fair rate and customers get the services they want without having to pay for full Internet access. "We've always focused on making the Internet better."

Growth hasn't always come easily. When sales are flat, Sandvine builds for the future: recruiting international resellers such as Alcatel-Lucent and Nokia Siemens Networks, signing up new clients (44 new customers in 2011) and pouring $30 million a year into research and development (R&D). Caputo says Sandvine's traffic-management market provided the early growth, but it has now matured; he believes ISP tiered services will reignite double-digit growth. "It's almost entirely our own technology," he says. "This is an emerging market from which we expect great growth."

Customer focus "job one"

Caputo says Sandvine's key marketing tool is its *Global Internet Phenomena Report*, a semi-annual study that explores user activity on broadband networks. Based on traffic statistics from Sandvine clients, the report helps ISPs plan for emerging Internet trends. For instance, the most recent report, in September 2011, notes that real-time entertainment applications now generate 60 per cent of peak downstream traffic, up from 50 per cent a year earlier. Here is another insight from the report: peak Internet use is now concentrated in a few evening hours. This should compel ISPs to seek more innovative ways to manage traffic, since expanding their networks to service short-lived peak demand is too expensive.

The report has opened doors for Sandvine. Virtually all of its new client wins have come from conversations based on the report. In fact, Caputo suggests more companies become experts in their markets: survey your customers and compile the data into can't-miss reports for your whole industry. "Everyone will be interested in the data, especially customers and prospects," he says. "Publishing about your customers is a way to get customers to read about you."

Another Sandvine specialty is having all its employees focus on their work for the customer's benefit. "We co-locate our engineers and our customer support teams so the engineers are very close to the people who are working on clients' everyday problems," says Caputo. "We make sure product managers are always talking to customers and introducing them to our engineers." Customer focus is job one in "The Sandvine Way," an eight-point policy devised in 2001 that summarizes the company's values (see page 4).

Sandvine rewards loyalty and alignment with flexible work schedules, unique benifits a workplace that is fun, employee stock ownership plans, and profit sharing. "It has everything to do with winning while having fun doing it," says Caputo.

AT A GLANCE

IN BUSINESS SINCE	1956
ANNUAL SALES	$13 million
% EXPORT SALES	31%
EXPORT MARKETS	United States, Asia, Australia
NUMBER OF EMPLOYEES	103
THREE-YEAR GROWTH RATE	61%

Bruce Seeley, CEO of John G. Wilson Machine Limited, says within five years, the company could be be a $100-million company, riding on—and nurturing—the technology wave. "I'm very optimistic about the state of tech start-ups," he says. "I think Ontario is doing an excellent job in incubating technology. I don't need to go to Boston to get these customers. It's all right here in the province."

Manufacturing enables technology

Journey inspires a new vision and a 21st-century strategy for an Ontario manufacturing expert who combines cutting-edge technology with world-class craftsmanship to produce precision parts for the high-quality tech industry

For more than a century, southwestern Ontario has been the hotbed of Canadian manufacturing. Many observers thought it would rust away, as so many industrial centres have. But Ontario is also a high-tech hub, and manufacturing expert Bruce Seeley is combining cutting-edge technology with world-class craftsmanship to turn an old-fashioned metal-fabrication company—best known for its dispensers of package strapping—into a sought-after producer of precision parts for robots, digital-vision systems, medical devices and other necessities of the new economy.

It is the challenge of a lifetime. Seeley is an accomplished manufacturing executive whose former career culminated as president of Europe, Asia and APG Canada of ATS Automation Tooling Systems Inc. (ATS), the Cambridge, Ontario, producer of custom manufacturing systems. In 2008, Seeley found himself on the street as a result of an executive shakeup following the death of ATS founder Klaus Woerner, but Seeley wasn't finished bringing 21st-century tools to Ontario manufacturing. During an 18-month sabbatical (i.e., waiting for his non-compete agreement to expire), he journeyed the world, from Switzerland to Singapore, researching a plan.

Ontario growth sector

The strategy he devised could work in only a few settings on the globe. Not far from the struggling auto-parts plants, southern Ontario is growing an energetic technology sector, springing up on university campuses and in provincially sponsored innovation centres. These spirited start-ups—creating computer-driven kiosks, diagnostic devices and environmental-research robots, among other things—face daunting challenges in product design, recruiting and financing. The last thing they need, Seeley thought, is to spend time and money figuring out how to produce prototypes and early production models. So he decided to build a manufacturing company to meet the specialized needs of high-tech start-ups.

"My business model is to enable companies' technology," says Seeley. "Most of these new tech companies don't have manufacturing expertise. They need help with design, engineering and regulatory compliance so their products can be manufactured repetitively." The business also assists young companies to obtain Underwriter Laboratories (UL) as well as Federal Drug Administration (FDA) registration and is ISO 13485 certified.

Searching the Internet for an established fabricator with a stable work force, Seeley found a likely candidate in John G. Wilson Machine Limited (Wilson), a machine shop in Princeton, Ontario, halfway between Brantford and Woodstock. Founded in 1953 to supply tools to nearby farmers, Wilson grew to produce more than 3,000 components, including parts for trucks and school buses, extend line benches and cooking woks. Wilson's business was declining as local manufacturing disappeared, but Seeley saw a base to build on—and one that already included computer numerical control (CNC), laser and robotic machinery.

Owner Randy Wilson, son of John G., the company's late founder, wasn't thinking of selling when he got Seeley's call. He suggested a partnership, but Seeley wanted a free hand to retool the company. "The business needed a new vision and a transformation of the skill base of the entire work force," Seeley says. After some weeks, the two reached a deal, and Seeley got his manufacturing platform—just as the recession struck. "The transition was harder than I thought," says Seeley. "My revenue dropped by 30 per cent in the first year after buying the business. Imagine trying to transform a culture and put in new systems while customers are dropping off."

Some employees who couldn't grasp the new philosophy had to move on, while Seeley recruited new managers, many from ATS. He hired a management coach to help his managers get better at setting goals and serving more demanding customers and sent key employees to college classes to learn technical skills. In town-hall meetings, he opened the books to his staff, explaining such concepts as transparency, accountability and financial statements. He also had to arrange recession-related refinancing, for which he thanks an unusually tolerant banker in Burlington, Ontario: "I needed working capital to grow the business. The bank stood by me."

Growing together

Seeley looks after sales and marketing himself, which mainly means combing incubators and innovation centres for promising start-ups with "disruptive" potential. "The first customer was very difficult," he says. "Getting someone from the tech sector to come into a metal shop is tough." But he convinced engineers and PhDs that Wilson could build devices to house their hard-won digital intellectual property. On any given day, you might find workers in the 100,000-square-foot factory turning out snowplow blades, wiring kiosks to connect to the Internet and assembling water-purification devices. "I do metal fabrication and CNC machining," says Seeley. "It's a unique company that can do both."

Seeley knew things were working out when one client, Matt Rendall of Kitchener-based Clearpath Robotics Inc., told a local newspaper that Wilson is "an integral part" of the Clearpath team. Wilson helped Clearpath's staff refine their drawings, educated them on metal fabrication and led them through commercialization. "You're more than just a supplier to customers," he says. "It's a very important relationship. You're linked together."

In the year ended March 31, 2011, revenues hit $13 million, ($8 million in fiscal 2009), and employment rose from 60 to 103. "The company is profitable and moving in the right direction."

Oil Sands Showcase

Success in Alberta's oil sands: A growth market for Ontario suppliers

In northeast Alberta, along the Athabasca River near Fort McMurray, lie the Athabasca oil sands, North America's largest oil reserve, amounting to an estimated 150 billion barrels of oil. Developing the dense, viscous bitumen and turning it into conventional petroleum constitutes Canada's largest construction project. Although Ontario manufacturers and service providers have traditionally been only marginally involved in Alberta's upstream oil business, today more and more Ontario companies are seeing the oil sands as a booming alternative to declining industrial markets in other parts of North America.

Photo courtesy of Automatic Coating Limited

Automatic Coating Limited

Promoting green innovation

Toronto-based Automatic Coating Limited (ACL) specializes in anti-corrosion coatings for pipes and pipelines. Originally, it worked closely with local fabricators in the manufacturing sector, but as that industry faded, ACL had to adapt or diminish. Coming up with innovative mobile systems for stripping and recoating existing pipelines, ACL President Brad Bamford shifted the company from manufacturing sector into pipeline coating services and discovered new markets such as Alberta's oil patch. "It's a very environmentally friendly, green technology in an industry that has had very little innovation in 50 years," notes Jocelyn Williams, ACL's Vice President of new business development. With that edge, she says, "we were able to replace all of our business that was going to offshore suppliers, plus we've grown by 20 per cent."

For the future, says Williams, "we are going to continue to grow and develop innovative patented equipment that nobody else has." The company is working closely with oil and pipeline companies to develop new products. One machine now in development will specifically serve the oil sands, she says, although with patents pending, she can't disclose details. ACL is hopeful its new technology will lead to export opportunities worldwide: "There is a lot of pipe in the ground that needs to be checked, cleaned and recoated, and this is an environmentally friendly way of doing it," says Williams. "There's nothing else like it in the world."

Burnco Manufacturing Inc.

Tapping into the market

Burnco Manufacturing Inc. of Concord, Ontario, knows how to evolve with the shifting economy. A decade ago, it was a thriving equipment and automation company, serving the Ontario manufacturing sector. As manufacturing declined across the continent, Burnco saw that the construction sector needed new processes and automation. The company now specializes in structural steel fabrication, building bridges, industrial buildings and heavy-duty equipment. Burnco started working in the oil sands four years ago, producing specialized equipment that combines its fabrication and automation expertise, such as large conveyor systems for Petro Canada.

Homer Sayyad, Burnco's President, says it isn't always easy for Ontario firms to find work in Alberta—U.S. and other multinationals, with their own supply chains, tend to have dibs on the major projects. Burnco has participated in four Ontario-led trade missions to the oil sands, which helped build relationships. In one project, Burnco is working with an engineering firm to develop a mini-upgrader to process bitumen into crude oil. This technology will replace massive $2-billion upgraders with portable units costing $100 million. Burnco is also creating tightly managed work teams so that welders and other skilled workers from Ontario can relieve the serious skills shortage in Fort McMurray by rotating in and out of oil-sands projects. He thinks more Ontario companies should find ways to contribute to the oil sands: "It's an untapped opportunity for Ontario."

Photo courtesy of Westlake Industries Inc.

Photo courtesy of Westlake Industries Inc.

Contingent Workforce Solutions

Phenomenal sales growth

Jeff Nugent started Contingent Workforce Solutions (CWS), based in Mississauga, Ontario, four years ago to bring certainty and efficiency to how companies manage their part-time and contract workers. He quickly realized that Alberta's oil and gas sector, which relies on contract workers for up to 70 per cent of its work force, was a natural market. Alberta clients now provide 65 per cent of his revenues, a key reason why CWS was ranked as *PROFIT Magazine*'s number one "emerging growth company" in Canada last year, with two-year sales growth of 10,330 per cent.

Nugent finds that many large Ontario organizations take a conservative approach when doing business. This generally doesn't happen in Alberta, he says: "As an entrepreneur, I love working in Alberta, where companies capitalize on opportunities quickly. They ask, 'Can you start next month?'" With a Calgary office that he established in late 2009, a 403 area code on his business card and travel to Alberta once a month to meet clients and prospects, he has overcome the challenges of entering a new market.

Nugent himself is no stranger when it comes to acting on opportunities quickly. When he was contacted by the Ministry of Economic Development and Innovation in 2009, he joined the government of Ontario's trade mission to the annual National Buyer/Seller Forum in March 2010, a conference and trade show held in Edmonton, presented by the Alberta and federal governments, Canadian Manufacturers & Exporters (CME) and the Canadian Association of Petroleum Producers (CAPP). No cold shoulder here, he says: "I've never seen a trade show where the presidents of large companies say thank you to potential suppliers for attending. They have aggressive growth plans and know they need suppliers from across the country to help them. Even as an Ontario supplier," he says, "you could wake up every day with a new opportunity."

Westlake Industries Inc.

Springboard to global markets

Burlington-based Westlake Industries Inc. produces highly engineered pipe fittings, supports and modules for the oil and gas and petrochemical markets, ensuring that most of the pipeline systems are built in a controlled factory setting rather than in the field. That commitment to quality has attracted customers in 22 countries, but Alberta's oil patch accounts for half the company's revenues.

President and CEO Richard Westlake admits that the oil industry can sometimes be slow to embrace change, but he says his company succeeded "by offering guarantees of capacity and quality. As market conditions tightened in Alberta, where [fabrication] shops were filling up and delivery times were being extended, we were offering better turnarounds, better deliveries and a skilled, available work force in Ontario."

With stable high oil prices, Westlake expects to see his oil-sands business jump this year: "They're gearing up for some incredible growth." Landing contracts is never easy, though, he says: "You have to be persistent. You have to get in to see the engineers and the engineering houses and the owners to let them know what you can do for them, and you have to do it on a consistent basis." The payoff, he says, is that once you prove your worth in the oil sands, you can leverage that into other markets. "A lot of our Alberta clients are global companies," he explains, "and once we work with them in the oil sands, we hope to work with them on a global basis."

The Ministry of Economic Development and Innovation's Oil Sands Initiative connects qualifying Ontario companies capable of supplying to the oil sands market with significant Alberta buyers. For assistance, please contact the ministry's Business Advisory Services branch (see page 28).

People! Technology! Sales!

In January 2012, the Ontario Ministry of Economic Development and Innovation hosted a roundtable with five leaders of Ontario firms whose companies are experiencing phenomenal growth to discuss what they are doing to keep their companies moving forward and on the growth path. All of the participants are leading the way by putting their company culture at the forefront, while growing their talent and utilizing technology tools and social media. Following are the highlights from the candid and informative discussion.

Moderator: We are looking for your front-line stories about finding and retaining the best producers and leaders. Tell us a bit about your company and the key challenges you are facing.

Jeff Nugent *(President and CEO, Contingent Workforce Solutions, Mississauga; managing clients' contract and temporary staff):* I started Contingent Workforce Solutions four years ago to help employers and clients manage their contract work force in a more efficient, tax-compliant manner. We have grown rapidly, and I am happy to report that in 2011 we had just under $21 million in revenue. We are now looking to international markets because the work-force demographics are the same. Many companies are hiring contract workers, and people are choosing to be consultants rather than employees. So export marketplaces are our next challenge—understanding different jurisdictions and legislative and tax issues.

Alex Rodov *(Managing Partner, QA Consultants, Toronto; software quality-assurance services):* QA Consultants is the largest software quality-assurance (QA) consulting firm in Canada. We validate and verify software and other products before they are released to users. We are repatriating QA jobs back to Canada and have figured out how to compete on price with any competitor, including India and China. By current projections, we are going to be a $100-million company within four years. The dilemma we have is that while 30 per cent of information technology (IT) budgets are being spent on QA, our universities are not producing QA people. They are all programmers. It is costing us quite a few dollars to train graduates so they become phenomenal, productive QA employees. We are in touch with universities and colleges to put QA programs in place, but it won't happen overnight.

Jeff Quipp *(Founder, Search Engine People Inc., Ajax; Internet marketing services)*: We started in 2001 out of the basement of my house, basically. We specialize, primarily, in search-engine optimization (SEO), paid search and social-media marketing. We are growing at about 60 per cent to 70 per cent per year. In our enterprise group, we deal with the Rogers Communications, Bell Canada, TELUS Communications of the world—a lot of Fortune 100 companies. We also deal with small and medium-sized enterprises (SMEs) from all industries: anyone who is trying to get the message out about themselves and what they do. Our goal, first, is to dominate Canada and then we will expand to other countries. One of our biggest challenges is finding really good people. Another problem is, of course, when we get people trained, everybody wants to recruit from us. LinkedIn just makes it so easy today to access our employee base. Fortunately, we have a very good retention rate (i.e., 97 per cent) One of our biggest challenges is that there are just not enough brains at the top to help navigate all the opportunities we see. There are too many opportunities and we can't capitalize on all of them.

P.J. Ferguson *(President and Founder, ABL Employment Inc., Burlington; staffing service specializing in industrial and warehouse positions)*: Our goal in life is to provide people to get work done in companies across Canada. I started ABL eleven years ago when I saw the large disconnect between the temporary employees looking for work and the client companies that needed a motivated work force. ABL was started to bring those two sides together, based on genuine care and concern for our temporary employees and on what makes them want to work. We have grown fairly consistently, but there were a few years of stupendous growth, including 2010 and 2011. One challenge we have is that each of our operations is a small pod with a select group of customers and employees. So my employees are scattered around Ontario. Trying to motivate them and maintain the culture is a big challenge.

Bud Morris *(President, Canada's Best Store Fixtures Inc., Woodbridge: retail design and construction services)*: Canada's Best Store Fixtures is a provider of all things that assist retailers in building their environments, both internally and externally. We can lay out a retailer's entire space, design the interior fixtures and furnishings, then manufacture them or import. It is a $50-million annual business, with 200 employees. Looking ahead, staffing is a big challenge—not only in manufacturing but in the office. We have a great core of people, but it is getting very difficult to multiply them. We are getting to the point where something has got to give. We have to start tempering growth or our final product is not going to be what we want it to be. And that is a little scary.

Jeff Nugent President and CEO, Contingent Workforce Solutions

Rick Spence Moderator

Moderator: What we are hearing, then, is that talent may be one of your biggest challenges. Can you tell us more about how you find great people?

Nugent: To attract top talent, you have to be up front as much as possible. Social media is huge. People are Twittering, Facebooking, sending text messages, so having a proper presence on all major social-media platforms is important. It is not just having a presence, though, it is having a proper presence that shows what sort of a company you are, the culture and values your company represents. The young people we are trying to attract tend to walk with their feet as opposed to putting up a fight and saying, "No, I don't agree with what you're doing." I am involved in a number of entrepreneurial programs at universities. So it is easy to identify the stars of those programs before they go to the traditional career-services route.

Moderator: Alex [Rodov], how does QA find the talent it needs?

Rodov: This year, we are projecting hiring about 130 people. We have hired a company that is doing all the recruiting for us. They have built a student-internship program and even a volunteer program for us. They are very good at what they do. To recruit top people from, say, the University of Waterloo, you have to offer something intriguing. The people we are looking at love that we are doing a lot of innovation. The fact that we are changing the course of software development excites them. At the same time, they want to work with people in a culture that is open and comfortable. At your average corporate job, a computer science grad in programming is looking at 2,000 lines of code for the first two years. In our space, they get a chance to work on many different systems and verticals in the same day, so it is very exciting and they are absolutely loving it.

Moderator: Alex [Rodov], could your growth be impeded by your ability to hire?

Rodov: Absolutely. If a number of deals go through, we might need 300 people in one year. Where are we going to get that many people? You walk away from business rather than not deliver it.

Quipp: I agree. We only grow as fast as we can find good talent. We are not going to take on business if we can't do a good job.

Ferguson: Our challenge has always been soft skills: finding people who understand sales, customer service, problem solving and how to motivate people, day in and day out. I have tried hiring from my competitors and I have tried bringing in more senior people, but I still have the most success with growing my own and having programs in place that will develop the skills we want. So you hire for attitude. You hire the sponges, the people who want to grow. For our customers, social media is huge in attracting the group of people we want. These are people working in factories and warehouses; we did not think they were that plugged in, but they are all over Facebook. Everybody has a smartphone with a social-media package, so they communicate through that. We reach out through texting and Facebook; barcodes on our ads send people to our site. We have learned many would rather watch a YouTube video than read. For one project, we have a video of one of our staffing coordinators talking about the job opportunities and how to apply. It is an entirely different way that people communicate now.

Morris: We are heavily engaging in social media and it is more to find people than sell products. It has brought a lot more résumés to the forefront.

Moderator: Once you find good employees, you have to be able to keep them. What is your experience retaining the people you want to retain?

Morris: A tough lesson for me to learn was that we have to spend time and money to make sure people stay; otherwise, they lose interest and move on or move on mentally and stay, which is worse. So I pay fair market value and created a workplace that is a fun place to come to and hang out in; we have relaxed the rules. I engage people every day. It is an ongoing social experiment, but it has proven to be successful. Our turnover rate is very small. People stay because it is a comfortable, cool place to be. There are smiles on people's faces.

Ferguson: Retention is a really big issue for us. As you were saying, Bud [Morris], one of the things we fear the most is

Jeff Quipp Founder, Search Engine People Inc.

P.J. Ferguson President and Founder, ABL Employment Inc.

what we call "gomos": people who stay, but just go through the motions. It is such a risk to have gomos; it is contagious. It is a disease. We now take the approach that attrition is good. If you as an employee start to think you are a gomo, come to me and say, "I don't want to do this any more. Can you help me find another job?" And we will do what we can. That has made a huge change in the work culture. People are staying because they want to stay, but if they stay, we expect them to be engaged. We also have some unique reward programs. Every year we do a trip with a shopping spree attached to it. Last year, it was a wine tour and shopping: everybody had $450 and two hours to spend it in a mall. We have a Health and Wellness bonus where people get a small amount of money every month to spend on whatever they want. Some take painting classes; some get their hair done. It is a stressful job and we have to help them release that stress.

Quipp: Retention is really important to us because we have to train everybody. We divide employees into three groups: must-keep, wanna-keep and don't care. We encourage the must-keeps to become partners in the company—skin in the game. We do a lot for the wanna-keeps. The youngest employees, Generation Y, are much different than the rest of the group. For them, work is more of a community. It is their life, their social network. You have got to give them flexibility, guidelines and goals and let them go about their day. We have other things, like a gym in the office and a games room. Anytime somebody challenges you to a Ping-Pong game, you can go play. It is a great afternoon break. We also make everything very ergonomic. Our people sit for long periods of time, so we spent a lot of money making sure their chairs are all ergonomic. They have double monitor stands that are movable and user friendly. We brought in a walking treadmill so they can walk while they work. We bring in a massage therapist twice a week and give people massages. One of the technologies we have developed gives people real-time feedback on their performance. Every day they can log on and see where they stand. So the upper two groups, which are performing exceptionally well, get good feedback on a regular basis. For the gomos, it lets them know that they may get a tap on the shoulder one day.

Rodov: These are really great ideas. We realized early on that it is much less expensive for us to retain employees than to replace them and have about a 96 per cent retention rate. With Generation Y, most have just graduated and have student loans to pay off so we cover a portion of that. We give them their golden handcuffs right there. If you leave before three years are up, we want the money back. With health and wellness, we worked with one broker that was very innovative. We have a flex-benefits plan supplemented by health spending. People have X number of dollars to spend per year on whatever they want, such as teeth whitening, as well as a drug card and all those good things. For older employees, who might have children who need braces, there is a health-spending account that they qualify for after two years of employment. We got together with GoodLife Fitness to create a gym membership. We said we would pay for the whole thing, but we want to make sure people go so at the gym, they scan their card and it registers in the system. I see a report every month of how many times each employee has attended. Before they sign up, we tell them, "The company will pay for you, but you have to attend three times a week. If you don't attend, you will see it on your pay stub." Guess what? Everybody attends.

Moderator: How do you determine how much you can afford to invest in retention?

Rodov: We did the math right from the beginning: What will it cost to replace this person? That is how much money we have to spend.

Nugent: Our culture is everything. I wanted to create a company that I would want to work for. I don't sit in an ivory-tower office, I sit in the bull pen with everybody. We joke around, but I am also there to transfer my knowledge and expertise. It creates a fun atmosphere. I also do training sessions on interesting topics, what I call "Sponging Days." A while ago, the *Harvard Business Review* had a great article on managing chaos. Managing contractors is a lot like herding cats, so I gave my staff the article then had some of them talk about it. This gives people a unique experience they wouldn't have in a more traditional environment. When people create new ideas that make the company money, they are rewarded. We have paid for trips; we have paid for rentals of Porsches. Crazy ideas like that create a fun environment.

Bud Morris President, Canada's Best Store Fixtures Inc.

Alex Rodov Managing Partner, QA Consultants

Moderator: Let's focus on sales. How do you find those rare people who can bring in revenue? What do you do to attract salespeople and develop their capabilities?

Rodov: Salespeople are pretty expensive to start with because they are coming with their black books. They have to be maintained and on top of their game. The golden rule we found is to pay them very well. They bring the business.

Quipp: Another industry is collapsing at the same time ours is growing (i.e., business-to-business directory publishing). There are many people looking for sales jobs from that industry who understand directory sales, advertising and selling to SMEs. So for us, finding good people has been relatively easy.

Ferguson: Initially, we tried to get people from the service side to move into sales, but it didn't work. We concluded that our culture of caring people who solve problems isn't conducive to sales culture, so we created junior positions to get appointments with prospects. The service people then sit down with those prospects and design service plans. That has worked out really well because the people who go to the appointments no longer think "sell" is a four-letter word. They understand they are creating opportunities.

Morris: Our business is similar to Jeff [Quipp]'s in that solutions are tailored to each client. Our salespeople need lots of experience, and experience only comes over time. So for us to have success, our salespeople must come from the industry. They have to have spent time with one of my competitors.

Moderator: What is your secret to recruiting experienced, top sales talent from your own industry?

Morris: Building a great culture. It is not hard to attract people after you spread the word, update your blog and talk about all the cool things you are doing.

Rodov: I think salespeople love to sell great products. That is how you retain them. As long as the product is great, they are having fun and the company is ethical, they will stick around and make your company shine.

Moderator: Finally, let's talk marketing. How do you use the Internet, social media and other new tools to target your market and build relationships?

Morris: Today, a Web site is the price of admission. People have to be able to do their own research on you, on their own time, at their own speed. I think they look to social media as a way to qualify you as real or fake. If you recognize this is what you need to do and embrace it, it will work in your favour.

Ferguson: When we started our social-media campaign, we were focusing on recruiting, but we also hoped to increase our business-to-business presence. Now, people going to our pages are also client prospects. It has created an environment where we can have dialogue. It is literally changing before our eyes. Social media is becoming a live, viable thing, with business and sales opportunities.

Quipp: Social media are absolutely the place where people go to check you out. It is word of mouth enabled by technology. If you publish the right things, people are going to share it and that is going to drive more clients or attract employees if your business model and processes are well defined.

Nugent: Technology has simplified our lives, especially with limited resources. When I first started the business and was trying to create awareness, expressing thought leadership through social media was huge. It increased our profile tremendously. We created a group on LinkedIn four years ago, and today it is the largest LinkedIn group for our industry, with close to 2,300 members. In reality, social media are just communications channels—you have to build your own content. Your Web site and blog are important. From the early days to now, that is where the majority of our sales have come from.

Rodov: I will go out on a limb and say that nothing still beats the salesperson who comes to your door. The deals we are closing are worth hundreds of thousands of dollars, and while we know everybody goes to our Web site to get more information and look at our client list and solutions, those large deals are always done in person after many meetings and discussions.

Bluewater Wood Alliance

A cluster of wood manufacturers in southwestern Ontario have joined together to make their companies stronger through networking, co-operative purchasing, technology transfer and skills training to turn an Ontario legacy industry into a hotbed of innovation

Bob Barone of Benz/Homag Group, presenting new technolgy tooling

For more than a century, the heart of Bruce and Grey Counties, east of Lake Huron and south of Georgian Bay, has harboured a prosperous cluster of wood manufacturers. Fed by local forests and powered by the Saugeen River, more than 400 workshops and factories manufacture all kinds of wood products such as flooring, kitchen cabinets, millwork household and office furniture, within a 90-minute drive of each other.

Adam Hofmann, President of Bogdon & Gross Furniture Company Ltd. in Walkerton, Ontario, credits their survival since the early days to the European background of the families who founded the local businesses. When they needed to automate and upgrade, for example, these Ontario entrepreneurs gained an edge over the (U.S.) competition by attending European trade fairs. There they discovered the latest computer numerical control (CNC) tools, designed by manufacturers who were also struggling to compete in a high-wage environment.

Struck by the soaring Canadian dollar, stiff North American competition and a tide of Asian imports, Hofmann fought back by assembling a group of five furniture companies—one of them a direct competitor, West Bros. Furniture of Hanover, Ontario—to take advantage of the Ontario government's Rural Economic Development program. The three-year program subsidized the cost of joint skill upgrades and market-development initiatives. "We created jobs and made those five companies stronger," says Hofmann. "It also started us talking together and building trust. Before we had been friendly, but we weren't sharing information."

When Bruce and Grey Counties discovered the payback the five companies gained from working together, they stepped forward to support the formation of a larger, ongoing collaboration. The founding team hired two consultants to explore the market and seek out similar models around the world. That is when they discovered Clusterland, a state-sponsored initiative founded in 1998 to encourage competition and innovation in Upper Austria, with an eye on the wider world.

Hands across the water

West of Vienna, north of the Alps and cradling the Danube River lies the state of Upper Austria, the county's industrial heartland. It is also the capital of Clusterland, an ambitious partnering initiative that has changed the face of business in central Europe. Owned by Upper Austria's innovation and technology agency and two industry associations, Clusterland now comprises six clusters—furniture and timber, plastics, automotive, health technology, mechatronics and environmental technology—and three networks covering the essential business disciplines of design and media, human resources and energy efficiency. Clusterland now has 2,400 participating companies and has held more than 1,400 workshops, plant tours and networking events.

In January 2011, Hofmann and Sepp Gmeiner, a consultant, flew to Linz, Austria, for a four-day Cluster Academy meeting, where industry veterans shared best practices in cluster management and development. "I couldn't believe it," says Hofmann. "The co-operation between industries and companies was unbelievable. They are doing stuff we can only dream of doing." The two Canadians were the only non-Europeans in attendance.

The participants utilize every break to network

Birth of an alliance

Upon their return, Bluewater Wood Alliance was incorporated in March 2011, with financial support from participating firms as well as from local municipal governments and the province of Ontario. The alliance now has 30 members, with a target of 100 within two or three years. “We’re building it slowly and strongly,” says Hofmann. “We only want members who really want to get involved.”

Bluewater had a busy first year. Its projects included networking meetings, co-operative purchasing, Experience Exchange roundtables, technology transfer and skills training. The alliance is also undertaking research studies on yield maximization to reduce wood waste and on potential export markets. “We sell all over the United States,” says Hofmann, “but we don’t know the markets outside North America.” One project that has already borne fruit is an agreement among three companies to standardize their orders for glass shelving, thereby assuring better prices and more frequent deliveries from a single supplier.

In the spirit of co-operation, suppliers can join the alliance as associate members. “In Austria, we saw you could have suppliers join in on R&D [research and development] projects,” says Hofmann. “We already had suppliers training us in state-of-the-art tools.”

Strength in numbers

Hofmann is particularly looking forward to a Bluewater project that will collect and aggregate members’ operating statistics, where a member will be able to benchmark itself against the group: Who spends the most on labour? How much waste do we produce compared with our peers? As trust builds within the network, he hopes some companies will share individual data with their peers so they can better identify their own roadblocks and inefficiencies. “We believe the true competition isn’t the person in the next county, it’s across the continent or across the ocean,” says Hofmann. “By sharing information, we will all become stronger.” Based on Bluewater’s operating plan, the cluster will invest up to $3 million in the first four years to increase the members’ competitiveness.

Andrew Schuster, President of Crate Designs Ltd., a maker of casual furniture in Chesley, Ontario, admits to being skeptical about Bluewater at first. He changed his mind when some colleagues in the alliance helped him apply for R&D tax credits. Now his purchasing manager is working closely with Bluewater’s purchasing group, and he is looking forward to further wins: “I think everyone’s pleasantly surprised by the amount of collaboration that competitors can do constructively.”

Adam Hofmann President of Bogdon & Gross Furniture Company Ltd.

Dennis McGlynn South Bruce Flooring

Beefing up your corporate culture

By Marty Parker

Marty Parker

Marty Parker is founder, Chairman and CEO of Waterstone Human Capital in Toronto. In 2005, he founded the annual program Canada's 10 Most Admired Corporate Cultures. His new book, *Culture Connection: How Developing a Winning Culture Will Give Your Organization a Competitive Advantage,* is published by McGraw-Hill.

Corporate culture is the single greatest asset a company can have, and it has a direct impact on company performance. If you doubt this, just ask 10 average Canadians to name the best companies to work for. You will likely get similar responses—Four Seasons Hotels and Resorts, Royal Bank of Canada, Canadian Imperial Bank of Commerce, Fairmont Hotels & Resorts—all incredibly successful companies whose corporate cultures have become legendary.

You could also look at the findings of the Canada's 10 Most Admired Corporate Cultures program, created by my organization, Waterstone Human Capital. Every year, we measure the three-year compounded annual growth rate of the companies named as Canada's 10 Most Admired Corporate Cultures. In 2010, we discovered that the companies that put culture first outpaced the companies on the S&P/TSX 60 Index by an average of 600 per cent. As management expert Peter Drucker once put it, "Culture eats strategy for breakfast."

Before you can take advantage of your organization's culture—in other words, use systems and processes to align culture and increase performance—you have to know who you really are and what you represent. Using culture to drive success should begin with a cultural assessment: an examination of the company's existing values and behaviours and how they align with where you are trying to go.

The quickest and most cost-effective way to assess culture is to look closely at your top performers. By interviewing and observing your company's "stars," you will start to see patterns of common behaviour. Those commonalities, largely, will define your culture. Ask the high performers about their history in the organization. Get them to recall a time they failed. Ask what they like to do for fun. Watch how they perform in meetings. It won't be long before patterns emerge.

A recent internal-culture assessment of top performers at the Toronto-based Healthcare of Ontario Pension Plan (HOOPP) revealed that the company's leadership team and employees place high importance on delivering on "the pension promise." In fact, that "promise" was mentioned in every meeting and interview. Today, virtually all of HOOPP's employee-communication, performance-management and other cultural-alignment tools focus on the pension promise, which may explain why its performance as one of the leading global pension funds has been exceptional.

Conducting an assessment is the best way to find out if your company's culture is aligned with its performance criteria. One of Canada's largest organizations (which I won't name) recently discovered that although it prided itself on a performance-based culture, it hadn't aligned compensation with culture. Its compensation system, for example, allowed employees to receive a merit-based bonus of up to 20 per cent of salary, but an assessment determined that employees were unclear on what they could do to receive the full 20 per cent. In fact, only a quarter of the firm's top performers received the full bonus. Clearly, this organization's compensation wasn't properly aligned to its performance drivers. The system hadn't evolved to meet its culture.

Cultural assessments are best carried out by an objective third party. Don't think you can skip actual observation and rely solely on employee surveys. People's attitudes don't necessarily reflect their behaviour. We all know people who grumble about low voter turnout but don't actually vote themselves. Look carefully at the commonalities exposed by your assessment and determine whether those behaviours and actions are in line with what your company is all about. If there is a disconnect, you have got a culture problem.

Perhaps the best example of a company whose business performance is aligned with its culture is Toronto-based Four Seasons. If you have stayed at a Four Seasons hotel or resort, you know the service is outstanding. Every person working there seems to excel at service. It is a remarkable achievement, made even more so because this no-compromise guest experience has been upheld consistently for most of the company's 50 years. Over that time, it has grown from one hotel to nearly 100 in more than 40 countries. The idea of building this service culture came on the heels of a tough cultural assessment conducted in the late 1970s by the founder and then-CEO, Isadore Sharp. After assessing the company's culture and its future, Sharp made the decision to move the business from what was largely a construction operation engaged in real-estate development to a management company focused on creating a group of the world's finest hotels.

Sharp introduced several powerful new concepts to his management team, including the Golden Rule (treat others as you would wish to be treated). He hoped management would not view employees as a group to be managed and controlled, but instead the focus would be on mutual values such as respect, honesty, fairness and trust. He wanted management to treat employees with the same understanding they showed hotel guests. Sharp believed great service would ensue, along with satisfied clients and repeat business. The results speak for themselves.

It is remarkable how best-in-class organizations truly exemplify the principle of knowing themselves. These companies dedicate time and attention to finding out who they really are and who they want to be, then they align themselves systematically throughout their organizations through defined values and behaviours. The payoff from this hard work is that these organizations almost always outperform their peers.

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The Ontario Business Program Guide is the government's free online directory of provincial government support programs for business. This at-a-glance directory is designed for quick, easy scanning to help you find programs that might be available to you. For more information, visit ***www.ontario.ca/economy*** and click on Growing Businesses ›› Ontario Business Program Guide.

Ontario

Leading Growth Firm Series

REPORT 20

The Leading Growth Firm Series researches and promotes the effective leadership and management practices of CEOs, presidents and owners of Ontario's innovative, high-growth firms.

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