SOBEY SCHOOL OF BUSINESS | BUSINESS DEVELOPMENT CENTRE

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Factors for Success in Atlantic Canadian Growth Companies

EXECUTIVE SUMMARY

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Executive Summary

The Sobey School Business Development Centre (SSBDC) at Saint Mary's University (SMU) collected primary data from business leaders in Atlantic Canada to identify challenges faced, strategies and supports used, and suggestions for how government can continue to support business growth.

The SSBDC collected data through 99 online surveys and 71 telephone interviews with businesses ranging from small start-ups to companies with hundreds of employees. Research participants were asked to self-identify as a growth company (defined by 20% revenue growth per year for three years, or a doubling of employees over three years). The SSBDC analyzed the data to determine what similarities and differences existed between self-identified growth companies and slow-/non-growth companies.

Behaviours Associated with Growth

Leaders of growth companies represented in this sample exhibited certain behaviours more frequently and more intensely than the leaders of slow-/non-growth companies. Specifically, the behaviours that were most associated with growth were:

- Leaders of growth companies in the sample used more future-oriented language than their non-growth counterparts, and talked about the future from the perspective that they were in control of the future of their companies, rather than their companies being at the mercy of factors outside of their control.
- Incorporating very specific planning and goal setting processes. Growth leaders used short time horizons to plan organizational activities. For example, some companies used weekly, monthly, quarterly and yearly time horizons to drive action.
- Incorporating specific metrics into planning processes. Growth leaders talked about tracking metrics to measure success. Metrics ranged from financial data (profitability, cashflow, etc.) to customer and employee satisfaction. Mostly notably, growth leaders would use this data to make decisions.
- Many of the growth leaders discussed how they did not see value in traditional long-term planning documents, such as a business plan. The reasoning provided is that so many things

change even monthly or quarterly, that expecting a five year business plan to be accurate is unreasonable and isn't worth the time investment.

- Many growth leaders in the sample spoke of the importance of peer mentoring groups, such as the Wallace McCain Centre, Entrepreneurs Organization, or the various accelerators across Atlantic Canada. These support structures allowed leaders to build their networks, learn from their more experienced peers, gain knowledge of processes in different industries, and help mentor newer business owners.
- Leaders of growth companies were much more comfortable with exporting.
- Leaders of growth companies understood sales processes much more effectively, and applied those principles to employee recruitment and fundraising.
- Growth companies actively investigated and implemented innovations that allowed them to disrupt their industries. Some companies pulled these innovations from other industries and adapted them to fit their own. This provided a major competitive advantage over more traditional competitors.

Challenges Associated With Growth

Participants in the study identified several major challenges associated with growing. Challenges include:

Accessing funding

- Participants indicate that they require funding for hiring skilled staff (skilled, experienced sales staff in particular are expensive and often represent a major commitment for a small firm).
- Capital expenditures required for expansion or increased productivity.
- Travel to meet with customers, partners and suppliers in different markets, and cashflow to support operations while fulfilling large customer contracts.
- Hiring new staff. Staffing is often required during growth periods but companies may lack the cashflow required to hire staff necessary to fulfill contracts. This results in a stagnation effect where the company cannot hire staff to take on new contracts, which means they do not have the resources to hire new staff, in a loop.

- Some participants felt that there was not enough investment capital in Atlantic Canada, and that the capital that is here is too risk-adverse to invest in cutting edge tech start-ups, preferring instead 'safe' investment vehicles such as real estate or franchise opportunities.
- Participants perceived that there was funding available in amounts of less than $2 million and more than $5-10 million, but there is a major gap in investors who are willing to contribute $2 - $5 million in investment. This is a challenging period for companies to grow, and the lack of available funding in this bracket was often cited as a challenge.

Human Resources

- Participants in the study identified difficulties in finding skilled technical staff (trades, engineering, and IT).
- Several participants perceived that Atlantic Canadian schools (k-12 and post-secondary) can do a better job of preparing students to work in technical jobs, so that new graduates are able to fill these skill gaps.
- Participants identified that they struggled with finding experienced sales staff who understood their particular technology or industry. Several participants discussed how experienced sales staff are very expensive, and hiring someone for a high salary presents a significant risk for a growth company.
- Participants identified challenges with bringing in skilled workers from outside of Atlantic Canada. Challenges include slow visa processing time (sometimes not being approved until after a contract has started or completed) and lack of acceptance in the general, local community.
- Some participants felt they are unable to compete with larger markets for the top talent in their industry. They perceive that this top talent expects more compensation and/or are not interested in the lifestyle and access to opportunities presented in Atlantic Canada.

Government Support

All participants were asked their opinions of current and potential support from government to help grow businesses in Atlantic Canada. Their responses ranged from policy suggestions to specific implementations of programming.

Policy

Participants discussed how they perceived that government support is too clustered around a small number of companies who receive very large amounts of financial support from various levels of government. The perception was that those funding opportunities should be spread amongst more, smaller companies to provide them with the support they need to grow. Economic development officials who participated in the study expressed the opposite view; that it is important for government to identify companies with very high potential to support, as those companies are the drivers of job growth and economic prosperity for the Atlantic region.

Taxes

Participants perceived that business and personal taxes are too high. This meant that businesses have to charge higher rates to compensate, which makes them less competitive in export markets.

Programming

Participants had mixed opinions on the suitability of support programming currently offered by various levels of government. Some felt the programs accurately reflected their needs. Several participants indicated that they would not have been able to grow as quickly as they had without government support. Other participants reported that the structure of programming was not useful to their businesses. For example, expecting a 50/50 cost sharing arrangement for capital expenditures (the participant referenced an agriculture-themed fund) was not useful for their company. To paraphrase, 'If I can afford half I can likely afford the whole thing. I need support to purchase very expensive equipment that I can't pay for half of.'

Participants also expressed that they found it difficult to stay current on the variety of programming offered across provincial and federal levels. Many indicated that it was not worth the staff time necessary to track and apply for various funding opportunities. In a related note, participants wanted more feedback on unsuccessful applications so that they can improve their applications in the future. Additionally, many participants reported that they thought applications were too time consuming, too 'jargony,' and not clear enough. They requested simpler application processes that are free of business jargon. Lastly, many participants reported that funding applications did not 'move at the speed of business.' This means that businesses often require the support provided by government programs sooner than it is typically provided. Faster response times would make these programs more applicable to businesses operating in fast-paced industries.

Several participants from growth companies discussed the role funding subsidies should play in running a successful growth business. These participants reported that too many businesses treat government funding sources as a requirement for their business models to work. This kind of a business model is not sustainable. Instead, government funding should be used to *support* growth. These participants reported that they do not hesitate to take advantage of opportunities when they make sense for their businesses, but they do not require the support to be successful.

In terms of specific activities that participants would like to see supported, they identified travel for business development (outside of conference attendance and trade missions, which many participants reported as being not flexible enough to be useful), and programs that would allow businesses to hire staff and/or ‘executive-for-hire’-type positions. One key to successfully managing growth periods was to hire a CFO-for-hire to bridge skill gaps without committing to a full-time position. Participants reported that support for these kinds of activities would be supportive of growth.