

MEASURES OF SUCCESS

BENCHMARKING HIGH-PERFORMING ONTARIO FIRMS



Leading Growth Firm Series
REPORT 19



“Where performance is measured, performance improves. Where performance is measured and reported back, the rate of improvement accelerates.”

PEARSON'S LAW

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BENCHMARKING HIGH-PERFORMING ONTARIO FIRMS

Benchmarking is known universally as a standard against which things can be evaluated and measured. In the process of business benchmarking, the goal of an organization is to compare the results of those studied to one's own performance. Studies can be specific to or across industry sectors and focus on objectives relating to overall competitiveness and productivity. By and large, the goal of business benchmarking exercises is the same: to compare your company against the standards, learn how top performers achieve excellence, determine areas for improvement, identify best practices and look for new ideas.

In November 2010, the Ministry of Economic Development and Trade, Business Advisory Services, undertook a benchmarking study to measure the contributions that Ontario's small and medium-sized enterprises (SMEs) make in such areas as innovation, exports and employment and gather information about the opportunities and challenges that SMEs are facing. More than 3,000 firms from across all sectors were invited to participate. The response rate was strong (651 companies) and spread evenly across southern Ontario. Among the 651, a majority of high-performing firms were identified that outperformed all other Ontario SMEs by significant margins when compared to the remaining SME respondents in the study and "all Ontario SMEs" from Statistics Canada research data.

The ministry defines high-performing firms (also known as leading growth firms) as companies that have their headquarters in Ontario, employ between 10 and 500 people, have sales revenues ranging from \$1 million to \$50 million and beyond and achieved positive growth (sales and/or employment) for three consecutive years (between 2005 and 2008). High-performing firms create the lion's share of new jobs in Ontario and are engines of the economy, and their leaders are committed to innovation and the growth of their firms.

Among the high-performing respondents, a subgroup of 40 companies shared the following five criteria:

- Introduced a new product or service in the past three years.
- Exported to at least two global regions (which may or may not have included the United States).
- Reported sales of at least \$5 million in 2008 and positive sales growth from 2005 to 2008.
- Grew employment by at least 10 per cent from 2005 to 2008.

- Received Scientific Research and Experimental Development (SR&ED) tax credits in 2008, which contributed to their research and development (R&D) and innovation.

All 40 are "top performers," surpassing their competition and peers on a number of fronts as they lead in innovation, export development and overall growth in domestic and export markets. A clear picture emerged, showing what it takes to catapult a business from average to high-performing to world class on the global stage.

In this report, you will find profiles of six top-performing firms that are running on all cylinders. These firms have the following traits:

- Sales revenues ranging from \$10 million to \$40.5 million (average \$18.5 million).
- Between 38 and 350 employees (average 118).
- A three-year growth rate between 10 per cent and 60 per cent (average 42 per cent).
- Expenditures on R&D ranging from 2.4 per cent to 20 per cent (average 10.6 per cent).
- Collectively export to at least 60 countries and every continent, with revenues from export sales ranging from 66 per cent to 92 per cent (average 81 per cent).

The report also includes a showcase of six information and communications technology (ICT) companies, also among the top performers, that are succeeding in the highly competitive global marketplace with their innovations and technical prowess. Other business leaders and subject experts also discuss what it takes to expand markets and move a business from average to world class. The summary of findings from the ministry's measurement of the contributions of Ontario's high-performing firms, benchmarked against the performance of all other Ontario SMEs from Statistics Canada data, can be found on page 6 and page 7.

What makes a company excellent?

What do you need to do and put in place to catapult your business to "world class"? Len Crispino, President and CEO of the 60,000-member Ontario Chamber of Commerce, says growth-oriented, innovative firms clearly understand their business and position within

the marketplace and have a set of policies that are aligned with their goals. “Many companies say one thing, but their policies don’t reflect it,” he notes. “Understanding their customer base is also very critical.”

One of the key differentiators of high performance is a well-established culture of innovation. Leading growth firms nurture innovation and new product development through a variety of means, from encouraging their employees to think outside the box and providing an innovation incentive, as Alcohol Countermeasure Systems Corp. (ACS) does (see page 20), to partnering with universities and other companies globally in order to tap into new ideas and expertise. For Joerg Stieber, President of Ontario Drive & Gear Limited (ODG; see page 12), the key to successful innovation is being disciplined. “Drive the innovation rigorously as far as timetables go,” he recommends. “In the end, it has to lead to a product that can be sold.” A number of the firms come from a tradition of innovation. For example, ODG, Indexable Cutting Tools (see page 18) and AFA Packaging Systems (see page 16), all family owned and operated, have a history of excellence and creativity that has helped them grow, innovate and become industry leaders. They excel at new product development, whether it comprises gears for a space exploration vehicle, a custom-made machine for packaging popcorn or new alcohol-sensing equipment for vehicles.

Targeting international markets

All of the top performers in this report are recognized leaders in their industries, which has helped them succeed on a global level. They have attained that status through various strategies, such as patenting their technologies worldwide, exporting to five or more markets and recruiting a multicultural workforce to help them penetrate new markets more quickly and effectively. Many participate in international conferences and trade shows and are actively involved in their industry associations.

“I think it has been fairly well demonstrated that companies involved in international trade tend to have better growth rates and provide jobs that are consistently higher in quality,” says Crispino.

Ontario’s high-performing companies do indeed look beyond Canada’s borders to fuel their growth. Not only do exports represent the bulk of the revenues of high-performing SMEs—in many cases, more than 90 per cent—but these companies also sell to multiple markets internationally, extending activity beyond Canada’s traditional export market, the United States. They recognize the importance of diversifying internationally and are global leaders in their areas of specialization. For example, Measurements International Ltd. (MI; see page 14) sells its products on every continent. Its export revenues are 98 per cent of total sales. Specializing in the most advanced technology in its niche, one of the ways MI has been able to accelerate new product development is through international partnerships.

Joy Nott, President of the Canadian Association of Importers & Exporters Inc. (I.E.Canada), maintains that going global has the same kind of effect as compound interest since reaching beyond our borders increases exponentially the opportunity to tap into new and potential networks. “The world is a much bigger place than Canada and North America,” she says. “Staying domestic is like earning straight interest; going global translates into compound interest.”

What sets a distinguished exporter apart from others, says Nott, is understanding that international trade is a discipline unto itself. “As global supply chains become more integrated, complex and virtual,

there is a growing recognition that international trade professionals are necessary. This is not something to give a purchasing manager on a part-time basis and say, ‘Figure it out.’” Nott says that successful exporters either employ an expert who understands the regulations for getting their products into foreign markets as well as the supply chain requirements along the way or they use a service provider who understands their business and industry and make that person a true partner.

Dezső J. Horváth, long-time Dean of the Schulich School of Business at York University, feels that Canadian companies can do more on the global stage. “The perception in Canada is that we are too small to go global,” he says. “It’s actually the opposite in Sweden. The philosophy there is, ‘We’re too small not to go global,’ which has forced Swedish companies to go abroad.” Horváth, who has been instrumental in transforming Schulich into “Canada’s Global Business School,” is mystified by the Canadian situation. “Canada is the most multicultural country in the world and we should be among the best when it comes to doing business globally. We’re too dependent on the United States to really succeed. We must diversify our markets and capitalize on growth markets, particularly within the world’s emerging economies,” he says.

Nott says that there is a unique opportunity for Ontario companies today. “The United States is struggling now, so this is an opportunity for Ontario exporters to catch up to or overtake their U.S. competitors in the global market. Push those boundaries a little bit—for example, by entering three new markets rather than two. We have a lot to offer that the world desperately needs, and when the Americans become strong again, it will be harder for us to compete.”

Horváth says the BRIC countries (Brazil, Russia, India, China) currently offer the largest opportunity, but much depends on the products you have. “If you succeed, your market growth can be significant,” he states.

Nott suggests exploring some of the smaller Asian countries—Vietnam, Singapore—where there is a lot of opportunity now and a company can distinguish itself. She thinks North African countries are also markets to watch closely. “Although they may be unstable now there will be burgeoning opportunities there in three to five years because of the rapid pace of change. And take a look at the free trade agreements in place with countries such as Costa Rica and Chile,” she says.

Nott recommends seeking out all avenues of financing, including government programs. As well, hiring a multicultural workforce, using an international trade professional, accessing government trade resources and creating an international board and alliances or joint ventures are all ways to accelerate global expansion and enhance a company’s success rate.

Savvy users of technology

The most successful firms are committed to staying on the leading edge of technology developments. For example, TurboSonic Technologies Inc. (see page 10), a global supplier of air pollution control and liquid atomization technologies, stays ahead of the competition by consistently listening to customers’ wants and needs, which often leads to new and innovative technologies. It is an excellent example of a company that is leveraging technology for productivity improvement, efficiency gains, revenue growth and overall business transformation.

Bernard Courtois, President and CEO of the Information Technology

The relationship between innovation, productivity and exports

Innovation is one of the key factors to build, grow and sustain prosperous economies. Today, every developed economic jurisdiction actively works to find ways of enhancing its innovative capacity. The Ontario government fosters a culture of innovation and support for growing firms that make a significant contribution to the provincial economy.

For example, according to *Competitive Alternatives 2010*, an international study conducted by consulting firm KPMG, Canada's manufacturing costs for a precision component manufacturing operation are less than those in any other G8 country, due in large part to lower energy and operating costs in Ontario. This, coupled with secure access to North America, makes Ontario an extremely competitive location in which to do business.

On the global front, there is evidence from innovation and industrial production studies of small and medium-sized enterprises (SMEs) conducted in the United Kingdom and Europe in recent years to conclude that exporting leads to productivity improvements and increased investments in research and development (R&D) and training in order to develop their capacity and technologies to compete internationally. Exporting also leads to increases in the number of advanced technologies and improvements that are developed by small, medium-sized and large enterprises.

To summarize the relationship between innovation, productivity and exports:

- Product innovation is a key factor for successful entry into new markets.

- Process innovation helps a firm improve its organizational efficiencies and often requires and motivates its supply chain to improve its processes to compete in global markets.
- Both product and process innovation are expected to raise a firm's propensity to export.
- Being innovative is positively related to export probability.

Synergy in action across Ontario

In the study conducted by the Ministry of Economic Development and Trade in 2010 to measure the contributions that Ontario SMEs make to exports, the respondents reported that they export to

- At least two regions (61 per cent).
- At least three regions (38 per cent).
- At least four regions (24 per cent).
- Five regions (16 per cent).

As the benchmark study revealed, Ontario's high-performing SMEs outperform average SMEs in export development, bringing export dollars into Ontario and creating high-quality jobs through sustained innovation and their demand for higher quality. Their leaders have a strong commitment to the growth of their firms, invest in R&D, explore new markets and act on the global stage as large enterprises. The chart below demonstrates how the exporting behaviour of high-performing firms closely resembles the penetration of global markets achieved by large enterprise exporters.

Export to	High-performing SME exporters (2008)	Large enterprise exporters* (2006)
United States	98.1%	91.6%
Europe	46.5%	42.7%
Other Americas	43.7%	36.3%
Asia and Pacific	43.7%	39.8%
Other**	24.6%	44.4%

* Source: Statistics Canada, Exporter Register data for 2006 (2008).

** Includes Africa and the Middle East.

For a summary of key findings from the ministry's benchmarking study of high-performing Ontario firms and the innovation and export performance results, go to page 6.

Association of Canada (ITAC), says that other benefits of using technology include more effective selling by having the right information available at the right time to deal with customers. "Technology affects everything, from the inputs you need to render business—the more you automate your supply chain, the more you can control your inventory and the quicker you can get your product ready—all the way through to streamlining your operations so people can work more quickly and with better information," he says. "At the sales end, your product can be better adapted to what your customers need and to where the market is going and your employees can be

much better equipped to either improve the customer experience or sell because they have the right information."

Courtois says that although the modern economy is driven by the use of technology, "it is generally recognized that Canada has a productivity gap, a particularly significant one with the United States, that seems to be persisting. In fact, in its latest *Report on Canada*, released in June 2011, the Institute for Competiveness and Prosperity points out that Canada's GDP per capita trailed the United States by 16.7 per cent.

Although a growing number of SMEs are using technology to



Dezső J. Horváth, Dean,
Schulich School of Business, York University



Len Crispino, President and CEO,
Ontario Chamber of Commerce



Bernard Courtois, President and CEO,
Information Technology Association
of Canada (ITAC)

drive innovation and competitiveness, Courtois concedes that many do not have the resources in-house to understand not just the technology, but the interplay between the technology and their business models and how to most effectively run their businesses. He encourages business owners to think about being global leaders in their use of technology, emphasizing that that kind of mindset will have a considerable effect.

In its Ninth Annual Report, the Task Force on Competitiveness, Productivity and Economic Progress concludes that Ontario businesses need to step up their investments in technology—from R&D to patents to adapting existing technology to their businesses. Equally important, they say, is the ongoing need to develop stronger management capabilities in our businesses. Their research shows that Ontario’s management capabilities are among the world’s best, but there is still room for improvement. The report shows how important business-led innovation in product design, service improvements and processes have propelled our most successful companies to global leadership.

As well, says Courtois, companies should invest in good employee training. “Spend some time and effort on training, not just in hiring the best. Encourage continuous learning and improvement on the part of your employees, tap into the resources available through colleges and programs supported by governments to improve training and participate in internship programs.”

Be willing to take risks

“Leaders of high-performing firms are able to balance their strong management abilities with what I would call an informed naiveté in that they’re willing to take risks and be prepared for some of the outcomes of the risks,” notes Crispino. “Unless you can push the envelope, you risk becoming just a commodity as opposed to a differentiated product.”

All of the top-performing firms in the report are greater R&D spenders than the average SME. For example, MI and Indexable Cutting Tools both invest 20 per cent of sales revenue in research and development. The purchase of an Alberta research company

by Indexable Cutting Tools, based in Welland, Ontario, demonstrates how risk taking is needed if you want to become number one in your industry. “A lot of people were afraid to acquire the company,” notes Indexable’s President John Precious, “as their microwave technology to make ceramic cutting tools was unproven. They hadn’t come up with a product that was really unique yet and they had some litigation/patent issues. But I knew their patent was legitimate.” The risk paid off and has added tremendously to Indexable’s product line.

Another factor vital to the operations of high-performing firms is good capitalization. High-performing firms finance their growth in a variety of ways, such as investing everything back into the company, leaseback financing, partnering and utilizing government programs. AFA Packaging Systems shares early development costs with customers. Felix Comeau, Chairman and CEO of ACS, recommends working with a good bank with extensive international reach and bright people.

Push the envelope

The ministry’s benchmarking project revealed that while the business challenge most cited as important or extremely important by high-performing SMEs was “Expanding customer base” (see Challenges, page 7), “Expanding customer base” was also seen by the majority of respondents as their company’s greatest business opportunity (see Opportunities, page 7). That speaks volumes.

To find opportunity, Crispino suggests casting aside traditional approaches. “High performers have that spirit of wanting to push the envelope and not minding people calling them crazy,” he says. “It’s a philosophy about the development of the business. Look at your competition as being not just here domestically but, rather, try to compete with the very best in the world.”

And to share the views expressed by John Precious of Indexable Cutting Tools: “No two businesses are the same, no two positions at any given time are the same and you have to be an innovator. There’s no secret to success. In order to sustain growth, stick to the basics and, at the same time, be innovative, with an eye to the future.”

Benchmarking high-performing Ontario firms: Summary of findings

In 2010, the Ministry of Economic Development and Trade's Business Advisory Services distributed a questionnaire to 3,329 CEOs, presidents and owners of small and medium-sized enterprises (SMEs) across the province to measure the contributions that Ontario's high-performing firms make in areas such as innovation, exports and employment. There was a 19.6 per cent response rate.


The majority of respondents were high-performing firms (defined on page 2). Following are benchmark findings measured against "all Ontario SMEs" from Statistics Canada research data. Clearly, high-performing firms outperform all other Ontario SMEs by significant margins, with stronger growth in the areas of innovation, exporting, sales and job creation.

Export performance

Innovative products and services help high-performing SMEs succeed in the global marketplace.

82% 

Percentage of high-performing Ontario SMEs that indicated they exported in 2008

5% 

Percentage of all Ontario SMEs that exported in 2006*

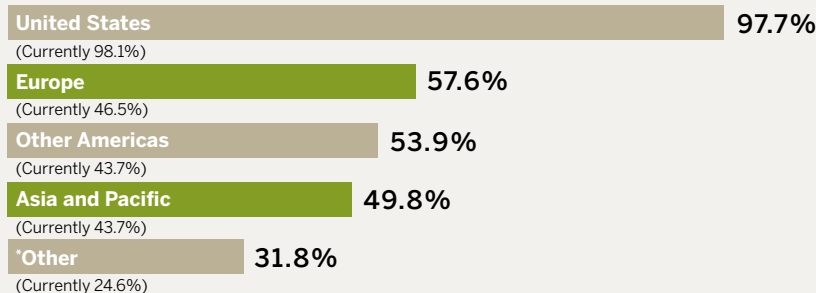
* Source: Statistics Canada. Exporter Register data for 2006 (2008).

20.2%

Average annual sales growth of high-performing Ontario SMEs from 2005 to 2008. By sector: Manufacturing, 14.4%; ICT, 38.2%; Services, 34.7%.

Future market priorities of high-performing exporters

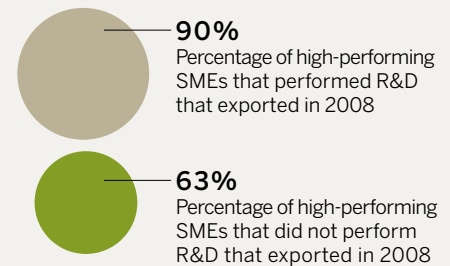
Based on their future market priorities, high-performing SME exporters aim to expand their presence considerably in export markets beyond the United States.



* Other includes Africa and the Middle East.

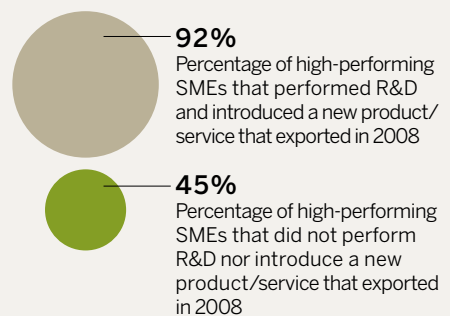
Innovation and exporting

High-performing SMEs that performed R&D were more likely to succeed in the international marketplace.



Innovation, commercialization and exporting

High-performing SMEs that performed R&D and introduced a new product/service were much more likely to export than those that didn't.



Employment growth

High-performing SMEs reported strong growth in employment from 2005 to 2008.

Average annual employment growth of high-performing Ontario SMEs from 2005 to 2008

8.7%

Average annual employment growth of all Ontario SMEs from 2005 to 2008*

-0.4%

* Source: Estimated from Statistics Canada data on Employment, Enterprises and Establishments.

Challenges

High-performing SMEs were asked: "What are your main challenges to doing business?" and to indicate the importance of each challenge to their companies.

% Important or extremely important



Total 487 responses

Opportunities

High-performing SMEs were asked: "What opportunities are you pursuing or do you intend to pursue?" and to indicate the importance of each opportunity to their company.

% Important or extremely important



Total 490 responses

Export destinations

High-performing SME exporters export at significantly higher rates to all international regions than do other Ontario SME exporters.

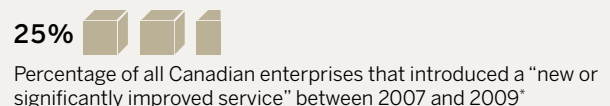
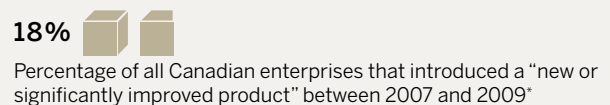
Export to	High-performing SME exporters (2008)	All Ontario SME exporters* (2006)
United States	98.1%	81.4%
Europe	46.5%	21.2%
Other Americas	43.7%	13.5%
Asia and Pacific	43.7%	19.7%
Other**	24.6%	15.5%

* Source: Statistics Canada, Exporter Register data for 2006 (2008).

** Includes Africa and the Middle East.

Commercialization

High-performing SMEs were likely to have introduced a new product or service into the market during the past three years.



* Source: Statistics Canada, Survey of Innovation and Business Strategy, 2009 (2010).

Marketing innovation globally

The Mezzanine Group helps firms expand export markets



Lisa Shepherd, President, The Mezzanine Group

Lisa Shepherd is passionate about helping companies get a foothold on the world stage. “There are many great companies with wonderful innovations, but they’re not skilful at marketing,” says Shepherd, President of The Mezzanine Group, a Toronto-based growth services firm that has experienced first-hand what it takes to develop realistic, actionable and measurable marketing and business plans. Shepherd has used her skills both to build and expand her own niche business and to create and implement plans for her clients that are based on rigorous market knowledge, marketing expertise, best practices and practical experience.

“We know growth,” says Shepherd, whose firm was named one of the fastest-growing companies in Canada from 2005 to 2008 by *PROFIT Magazine*. For 10 years, Mezzanine has helped more than 150 companies, from the world’s largest corporations to small and medium-sized enterprises (SMEs), assess opportunities and plan and implement their marketing strategies effectively.

In earlier days as a student at the University of Western Ontario’s Richard Ivey School of Business, Shepherd worked part-time as a consultant with the MBA students’ consulting group, which served small businesses in southwestern Ontario. In 2004, Shepherd took over the student-based Ivey venture and turned it into a full-time enterprise, Mezzanine Consulting, which operated initially as a consulting practice for a variety of corporate clients. She soon realized that, for many companies, a gap often existed in executing marketing strategies and plans. In response, she started an outsourced marketing division, placing marketing directors in companies on a part-time basis. Today, this division accounts for 50 per cent of her company’s sales.

Recognizing the mounting challenges that SMEs continue to face in changing and highly competitive markets, often resulting in

underperformance, wasted investments and an inability to execute strategies, Shepherd acquired Hinge Marketing Management in 2008, a company that provided outsourced marketing management for companies with revenues of \$2 million to \$20 million. “This gave us the seeds of the outsourcing marketing model we wanted to build on,” says Shepherd.

The Mezzanine Group, as the company is now called, currently provides services to many companies that export. Shepherd estimates that 70 per cent to 80 per cent of her clients’ revenues are derived from export sales to countries such as China, India and Russia. “We have developed ‘go-to-market’ plans for telecommunications, technology, health-care, financial services, advanced manufacturing and numerous other organizations that are launching new products or services abroad. I want to see more Ontario companies marketing themselves globally,” says Shepherd. “There are so many opportunities; the key is to have a product or service that is differentiated from competitors.”

Service innovations are especially difficult to package and market, she says. “It takes a year of piloting a service offering with the target market until the methodology is down pat,” explains Shepherd, “and then case studies must be developed before you market aggressively.”

Shepherd says that business success requires a solid infrastructure, which includes people, systems and processes. On the people side, she says, alignment is critical: “The owner of the company is the one who sets the course for the business, but it’s all about attracting the right kind of people who will be energized by the vision and understand how they can contribute to it.” She spends 20 per cent of her time proactively recruiting and says that reaching out to find top talent—through LinkedIn, for example—yields a higher success rate than conventional Web postings.

Her company’s outsourced marketing management service for SMEs is growing rapidly. Among the advantages, clients benefit by having an experienced marketing director from Mezzanine, who typically works on site at the client’s location part-time and is focused on achieving the client’s goals and outcomes for each project. It is difficult for companies to stay current on new marketing tactics, tools and channels, such as social media, because the environment is evolving very quickly. “Mezzanine becomes your marketing department, providing accountability, marketing expertise and continuity to make marketing work for business-to-business companies. We are able to call on the diverse expertise of our team members where needed,” says Shepherd.

One final piece of marketing advice: Shepherd strongly advises companies to include customers in product development processes. This can be done through focus groups, customer advisory boards or product innovation days, which provide an opportunity to sit down with clients and talk about their challenges and how they can be solved. “At the end of the day,” she says, “if the customer doesn’t buy it, it’s not a good product. The earlier you seek their input, the better, because customers ultimately decide what good innovation is.”

The not-so-common denominator

What drives any successful company forward? Exceptional, engaged, motivated people

By Ian Portsmouth

As a journalist covering the entrepreneurial business sector and the PROFIT 100 Fastest-Growing Companies for the past 16 years, I am continually asked “the big question,” as I have come to call it: What is the secret of successful companies? I usually respond with a query of my own: “What is the most pressing issue in your business right now?”

It is not that I want to be evasive. Rather, I try to distill “the big question” to something manageable, allowing me to return some practical and timely takeaway insight or advice. Besides, the real answer to “the big question” causes eyes to roll: It’s “people.”

Other factors, such as finance and technology, play a crucial role in creating competitive advantage, but they can be played only for temporary gain—and they are at the mercy of the people who deploy them. Only people can create strategy and execute a business plan. Only people can identify market opportunities, develop new products and solve customers’ problems.

People are the most fundamental asset of any business, which makes them the ultimate source of leverage in any organization’s attempt to maximize output from finite resources. However, the best companies don’t equate this merely with hiring the “best and brightest.” That helps, but filling every position in a business with top-shelf talent is expensive, if not impossible. More importantly, people must be engaged. They must be aligned. And they must be led.

Employee engagement

Engaged employees are those who speak positively about their company, want to be part of it and “go the extra mile” to help the company achieve its goals. Engaged employees are more likely to see their own fortunes and those of their business as intertwined. So it shouldn’t surprise anyone that, according to research by the Queen’s Centre for Business Venturing, companies where at least two-thirds of employees are highly engaged enjoy substantially less absenteeism, more customer satisfaction and other benefits that translate into share-price increases 65 per cent better than firms with fewer engaged employees.

Of the numerous ways to engender employee engagement, open-book management is popular among the PROFIT 100 Fastest-Growing Companies. Sharing vital financial and operational information with staff helps employees understand how their activities affect departmental or corporate performance. It also engenders trust in their bosses, countering the cynicism that impairs the performance of many employees.

Employee share ownership is another popular engagement driver. The principle is simple: when people own a stake in the business, they are more likely to work harder and collaborate more effectively.

Organizational alignment

The image of a company’s employees all “rowing in the same direction” should be pinned above every manager’s desk. When an enterprise achieves such “organizational alignment,” its individual contributors and departments perform the work that generates the greatest progress toward the company’s stated goals.



Ian Portsmouth, Editor and Associate Publisher, *PROFIT Magazine*

Of course, the dynamics of business ensure that total organizational alignment is rarely achieved and is always fleeting. You can catch a glimpse of it in start-ups and small businesses, where there is not enough complexity to obstruct communication and collaboration. As companies grow, however, lines of communication become longer and organizational trees grow wider. Individuals lose sight of strategic goals, departments become silos—or, worse, compete with one another to the detriment of the overall business—and a once-cohesive culture fractures. In a nutshell, the company falls victim to its own success.

The best companies work to overcome this threat. Owners and managers must clearly, and repeatedly, articulate the company’s vision, strategy and near-term goals to their people; implement policies and systems that facilitate the information transfer between employees and departments; and, of course, structure the company in a way that ensures its people and divisions receive the inputs they need.

Lead by example

Successful companies are also a product of their leaders. Consider Anthony Lacavera, founder of Globalive Communications Corp., the Toronto-based communications conglomerate that for the past five years has been named one of Canada’s 50 Best Managed Companies.

What makes Lacavera an effective leader? He is a great communicator, exuding confidence and clarity of purpose when he speaks. At the same time, he is a “good guy,” the kind of humble, salt-of-the-earth individual you can’t help cheering for or rallying behind. With that combination, Lacavera nicely illustrates how leadership, alignment and engagement are intertwined.

The ancient Greek philosopher Archimedes wrote, “Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.” Every business has both in its people. For as long as you focus your energies on supporting them, you will lift your business above the competition.

Ian Portsmouth is Editor and Associate Publisher of PROFIT Magazine, Canada’s best-read publication for entrepreneurs and the managers of small and medium-sized businesses.



AT A GLANCE

IN BUSINESS SINCE.....	1976
ANNUAL SALES.....	\$14 million (2010)
% EXPORT SALES.....	90%
EXPORT MARKETS.....	United States, Italy, South America, Central America, Asia
NUMBER OF EMPLOYEES.....	45
THREE-YEAR GROWTH RATE.....	10%
R&D EXPENDITURE.....	2.4% of sales

“Developing a network is very important,” says Edward Spink, CEO and Director of TurboSonic Technologies Inc., “because you can’t be everywhere all the time.” He also recommends striving to become the “go-to” company: “It will get you away from the competitive bidding process.”

Clean, green and growing

Global demand for emissions reduction, waste-to-energy programs and cleaner fuel solutions puts TurboSonic Technologies, with its patented products that outperform regulatory requirements, at the head of its class

Earning a business degree and being hired by your father to run the family company may not be all that uncommon, but what if your professor father, a PhD in chemical engineering, and his colleague ask you to take on the task of commercializing their research on emissions scrubbing and liquid atomization?

“Baptism by fire” is how company CEO and Director Edward Spink describes his first years in the early 1980s at Waterloo-based TurboSonic Technologies Inc. (then Turbotak Technologies Inc.), when he was tutored on the job by two PhD chemical engineers, namely, his father and partner. Within three months of his signing on, the company was running a test program sampling air pollutants from a pilot scrubber they had constructed at an aluminum-casting plant in Toledo, Ohio. “It was certainly a quick learning curve,” says Spink.

Acquisition a major milestone

After 21 years in business, Turbotak took over a New Jersey-based public company, Sonic Environmental Systems Inc., to become TurboSonic. The acquisition was a major milestone as it allowed Turbotak to both eliminate a competitor and acquire additional atomization technology. “Most importantly, it allowed access to the wet electrostatic precipitator technology that we refined over the next 13 years and turned into our current leading product,” explains Spink.

Today, TurboSonic is a publicly owned global supplier of air pollution control and liquid atomization technologies. Its products, developed through extensive research and development (R&D) and industry experience, exploit virtually every technology in the wet-scrubbing field. It has provided advanced emissions control and evaporative gas cooling solutions for more than 2,000 projects, helping companies in the cement, ethanol, metallurgical, mineral processing, petrochemical, power generation, pulp and paper, waste incineration and wood products industries to meet emissions regulations, improve performance and reduce operating costs.

Staying on the leading edge of technological development is TurboSonic’s key to becoming the leading growth company it is today. Many of its competitors are what Spink calls “me-too” companies: those that see a competitor with a good idea and then just copy that idea. “We stay on top of the needs of our clients, which often results in patents.”

More than green

For example, one recent client in the wood products industry was having problems with deposition—accumulations of sawdust, wood fibre, resins, tars and pitch—in its ductwork, a situation that not only requires frequent maintenance but one that can cause fires and dust explosions. TurboSonic created a solution that relocated the scrubber so that these materials were removed up front, before going through the duct system. “We were granted a patent on the basis of that innovation,” explains Spink. “It provided fire and explosion protection,

improved health and safety and reduced maintenance.”

Other strategies that have helped fuel the company’s rapid growth include the following:

- **Exporting.** TurboSonic exports more than 90 per cent of its products. While the United States has always been its biggest export market, the company has an office in Italy and is getting more aggressive in South America, where its business has grown dramatically in the last year.
- **Focusing on multinationals.** “We deal with the largest companies that have locations around the globe,” says Spink. “Since they have multiple needs for air pollution control equipment over many years, we want to be their number one source. Keep striving to be the go-to company and this will get you away from the competitive bidding process.”
- **Networking.** “Developing a network is very important because you can’t be everywhere all the time,” says Spink, who looks for synergies with companies (e.g., a fabricator in Brazil). “Networking and relationships are all part of the golden rule: If you treat people well, provide the right equipment, are a company or person of your word and maintain that reputation, it pays off over the long haul.”
- **R&D investment.** “The dollar value of research is not something we put a budget on,” explains Spink. “We essentially look at the ideas we have and prioritize them based on what they will provide in the marketplace.” The company holds 44 patents and patents pending in various areas of atomization and pollution abatement.

TurboSonic’s investors were no doubt pleased when the company recently won an international competition for a \$4-million contract to provide its SonicKleen™ technology for particulate removal at a new green energy facility in the United States. “We were short-listed with two multinationals and ended up getting the contract,” says Spink. He speculates that because the client is building its own plant as opposed to buying one, its choices are that much more critical, and that is what gave TurboSonic the edge. “They were looking for the lowest dollar and long-term life-cycle costs. It came down to TurboSonic offering the best combination of up-time reliability and lower life-cycle costs.”

Spink recommends some caution to companies that are considering going public. Despite the advantages, he notes, more management time is needed to address all of the compliance obligations of being a public company. And the costs of being a public company have risen dramatically over the past several years. “At the same time,” he says, “it does provide a certain discipline.”



AT A GLANCE

IN BUSINESS SINCE.....	1962
ANNUAL SALES.....	\$40.5 million (2010)
% EXPORT SALES.....	66%
EXPORT MARKETS.....	60 countries
NUMBER OF EMPLOYEES.....	200
THREE-YEAR GROWTH RATE.....	32%
R&D EXPENDITURE.....	4% of sales

“We position ourselves as an employer of choice,” says Joerg Stieber, President of Ontario Drive & Gear Limited. Continuing-education and gain-sharing programs, promoting from within and rewarding workers for new ideas are all part of the company’s human resources strategy.

Reaching for the moon

A commitment to research and development, strategic (and sometimes global) partnerships and talent retention has Ontario Drive & Gear flying high

How does a small-town company become part of a big national space project? When Joerg Stieber, President of Ontario Drive & Gear Limited (ODG), moved from Germany to southern Ontario in 1983 to manage the struggling family-owned gear-manufacturing business, he never dreamed that his aircraft design background would lead to helping develop a new generation of space-exploration technology.

That is exactly what happened last year when the company won its share of a major contract with the Canadian Space Agency as part of a consortium picked to develop new rover technology. The Lunar Exploration Light Rover (LELR) is a compact, robotic vehicle that will be used to explore the moon and perhaps Mars. Designed to carry equipment, cargo and astronauts, the LELR will feature a unique eight-wheeled skid-steer locomotion system to help it navigate the moon's rugged slopes. It will be able to map the surface, drill for water and prepare landing sites. Its vision and communication systems will allow it to be operated remotely from either Earth or the moon and to complete some tasks entirely without human guidance.

In 2008, Stieber was approached by an Ottawa design group that had worked with the space agency for many years. It was assembling a team of companies that specialized in fields required by the rover project and wanted ODG for its expertise in vehicles for extreme terrains. ODG spent three months preparing its portion of the detailed proposal. That work paid off in 2010 when the group was awarded an \$11.5-million contract.

"There were many global bidders, but our consortium of partners clinched the contract," says Stieber. "As a group of small companies, we are very flexible and can react fairly quickly, so we were able to come up with solutions faster than some of the larger companies." The Neptec Rover Team, as the partnership is called, also includes COM DEV Canada, McGill University, NGC Aerospace Ltd. and Northern Centre for Advanced Technology Inc.

The project is propelling ODG in a new, high-tech direction, far from its roots as the subsidiary of a Munich gear-manufacturing company founded by Stieber's father in 1962. ODG is now launching a space-robotics division that will build on its LELR work and may lead to direct opportunities with the renowned National Aeronautics and Space Administration (NASA). Next, the company is considering an office in China and an assembly plant in Brazil to help it expand and diversify globally. A combination of continuous research and development (R&D), an ability to attract and retain skilled talent and partnership smarts is fuelling this growth.

To space from land and sea

Stieber's company entered the vehicle market in 1967 when it began manufacturing power transmissions for electric vehicles and industrial appliances. Soon after, ODG developed and launched its flagship

utility terrain vehicle, the ARGO, an amphibious six-wheeler named for its abilities on both land and water, like the Argonauts of Greek mythology. Today, the ARGO is a world leader: its diverse applications range from recreational fishing and camping to sweeping minefields.

Operating a specialized manufacturing business in the small community of New Hamburg, west of Kitchener, Ontario, has proved to be a competitive advantage. There has been plenty of room to expand, costs are lower and there is a good talent pool from which to draw, particularly by tapping into university co-op engineering and marketing programs for prospective employees.

"Our strategy is to position ourselves as an employer of choice," explains Stieber. "We do this by treating people well, which establishes a reputation that attracts good employees." Generous continuing-education and gain-sharing programs, promoting from within whenever possible and rewarding workers for new ideas are some of the company's winning human resources tactics. ODG has many long-term employees.

The company's culture of respect extends to its partnerships, such as a recent one that had a German company providing the robotics, ODG the platform and drive systems and a Chinese company building the vehicle. Stieber says the partnership worked very well, despite the challenges presented by three cultures, languages and time zones. The company's diverse Canadian workforce has also helped ODG understand and respect cultural differences, he notes.

Unwavering R&D discipline

Continuous product development is integral to ODG's success. "We're probably the most advanced automotive-gear manufacturer in Canada in terms of equipment and knowledge," says Stieber. On the vehicle side, the company will use technology spinoffs from its space agency project to improve the ARGO.

Stieber advocates establishing a discipline in product development to come up with an end result in a reasonable time frame: "You have to drive the innovation rigorously and that requires good decisions on which way to go so you don't run up dead-end streets."

The company relies on provincial and government programs to help finance R&D. "Without them, innovation would suffer," says Stieber. ODG's commitment to R&D and innovation and involvement in promoting the industry never wavered, even during the recession. "When sales drop off and you're wondering where the revenue is going to come from, you look at everything and ask if this is money we really need to spend," says Stieber. "One thing we carried on was our R&D. At the time, it was a bit of a gamble, but the gamble paid off. We were able to come up with some new models and that got us out of the recession earlier than others."

ODG currently exports to 60 countries, has a proven track record with high-profile international clients and continues to push the boundaries all the way to the moon ... literally.



AT A GLANCE

IN BUSINESS SINCE.....	1987
ANNUAL SALES.....	n/a
% EXPORT SALES.....	98%
EXPORT MARKETS.....	Every continent
NUMBER OF EMPLOYEES.....	31
THREE-YEAR GROWTH RATE.....	50%
R&D EXPENDITURE.....	20% of sales

Duane Brown, CEO and President of Measurements International Ltd., attributes his company's reputation as a global leader in part to providing training courses, attending international trade shows and participating in industry organizations. He says he also learned early on to listen to customers.

Growing by quantum leaps

Measurements International, specializing in the most advanced technology in its niche, has engineered a calibration instrument that will help revolutionize our understanding of the origins of the universe

“They said that because of the measurement capability they now have from our calibration instrument, they were able to successfully test the circular accelerator for the Big Bang project,” says Duane Brown, CEO and President of Measurements International Ltd. (MI) of Prescott, Ontario, referring to representatives of the European Organization for Nuclear Research (CERN), builders of the Large Hadron Collider (LHC), near Geneva. The LHC, the world’s largest and highest-energy particle accelerator, a 27-kilometre loop spanning the Swiss-French border, is expected to address some of the most fundamental questions of physics.

Worldwide exporter

MI is a leading manufacturer of metrology-based calibration equipment used in standards and metrology laboratories and manufacturing facilities worldwide. Metrology is the science of measurement, including all theoretical (as in quantum physics) and practical aspects of measurement.

Brown takes participation in projects such as the LHC in stride. In addition to national government laboratories, his firm’s clients include military labs worldwide, Fortune 500 companies such as Lockheed Martin Corporation and The Boeing Company, pharmaceutical firms and utilities. Its products are used in applications ranging from measuring temperatures for pharmaceutical processes to calibrating standards for the maintenance of military aircraft and nuclear-powered submarines—“anything that is electronic.” A worldwide exporter from day one, MI has offices in the United States, Europe and China and is targeting South America next.

Finding the niche

The company has demonstrated a unique understanding of the specialized needs of the metrology market, which has earned it a reputation as a global leader in its specialty. Brown attributes that coveted standing in part to providing training courses, attending many international trade shows and actively participating in industry organizations. In fact, he spends four to five months a year travelling to personally visit customers, attend shows and do installations. He says he discovered early on the value of listening to customers. When he started the company, after learning his trade in Europe, he delivered courses in metrology and product operation to clients around the world, which allowed him to hear about their needs first-hand.

He quickly spotted a gap in the market: “Since metrology was basically very manual and the older metrologists were retiring, I saw a need for automation.” That insight led MI to become the first company to automate the measurement process in electrical metrology. “We manufactured metrology and automation into the product so that it could be operated at the technician level,” explains Brown.

MI also picks slots in the market where there are only one or two

competitors. “Our technology is our advantage, with a focus on high technology and low volume,” says Brown. “If you think of the accuracy pyramid where the highest accuracy is at the top, that’s where you’ll find us.”

Responding to traditionally complex measuring challenges, MI invests extensively—about 20 per cent of its revenue—in research and development (R&D). To help finance it, Brown taps into various government funding programs and urges other companies to do likewise: “Don’t be intimidated by the number of questions asked up front. Push forward and establish a relationship.”

Commitment to R&D

This commitment to R&D and innovation is well entrenched. Before releasing its first product, MI devoted considerable time to engineering product development in terms of its goals, the direction the company would take and the technologies it would use to get there. “Everything pretty well fell into place after that,” says Brown. “We set it up so that we could add something to the first product to get the second product, something else to the second product to get the third product and so on.” This meant that the parts were similar, which cut costs. “The whole idea was to reach a profit margin that would sustain the company. We did that within the first five years.”

It can, however, take three to five years to create new products. “If I had it to do over, I would look for ways to speed up the process,” says Brown, “and would find other R&D monies and hire more engineers to get products to market faster.”

One of the ways the company has been able to accelerate new product development is through international partnerships, which have also contributed to its global reach. Brown is a big believer in establishing relationships to nurture innovation. The company also has good relationships with national laboratories around the world.

Bright future

With giant leaps occurring in the field of quantum physics, Brown plans to expand his product line based on new learning. For example, working with the National Research Council, MI was the first company in the world to develop a commercially available Quantum Hall resistance measuring system. Portable and affordable, it is used in particular by developing countries to establish their own resistance values.

Another area of major growth for MI is with public utilities. As these organizations raise their rates, consumers are increasingly demanding a cost breakdown in order to understand the charges, which requires better measuring technology. With three engineers assigned to this project, MI is already manufacturing some of the equipment, positioning the company well ahead of the pack, which is where the trailblazing Brown is most comfortable.



AT A GLANCE

IN BUSINESS SINCE.....	2002
ANNUAL SALES.....	\$18 million
% EXPORT SALES.....	70%
EXPORT MARKETS.....	Global
NUMBER OF EMPLOYEES.....	38
THREE-YEAR GROWTH RATE.....	50%
R&D EXPENDITURE.....	10% of sales

A willingness and ability to customize is the main advantage AFA Packaging Systems has over some 60 worldwide competitors, says Ron Langen, Senior Vice President, Sales and Marketing, left, with his brother Paul, President. "You have to listen to what your customers want to achieve."

It's all part of the package

The innovation gene runs strong at family-run AFA Packaging Systems, which builds end-of-line automated packaging systems for everything from cake mixes to chainsaws

"The Langen brothers are back in business" is how Ron Langen, Senior Vice President, Sales and Marketing, remembers the start-up of his family's second company, AFA Packaging Systems (AFA), in 2002. In less than a decade, AFA has grown into a dynamic leading international provider of custom-designed machines for robotics, cartoners, conveyor systems, packaging and high-speed assembly at its 2,800-square-metre assembly plant in Brampton, Ontario. Its clients include 3M, Associated Brands, General Electric Company and General Mills Inc. "We provide cartoning for everything from cake mixes to chainsaws," Langen explains. "And we make a custom machine to suit any client's specific application."

Growth doubling annually

Its strengths in innovation and serving customers' needs recently landed AFA a \$15-million order with a consumer products manufacturer through a competitive bid process. "Our annual sales have been doubling every year," says Langen, "and I believe we landed this particular contract because we were more flexible in meeting the client's needs for highly automated machinery."

In fact, that willingness and ability to customize is the main advantage AFA has over some 60 worldwide competitors. "You have to listen to what your customers want to achieve," says Langen. "They want to reach a specific target market with a specific package in order to market their products. Instead of building a standard machine that fits all kinds of different products, we tell them that we will custom-make a machine that will give them that marketing edge. Keeping your fingers on the pulse and hearing your customers' needs, issues and wants first-hand are keys to long-term success."

Innovation in the blood

Innovation is clearly part of the bloodline for this family-owned company (there are currently seven Langens, including third-generation siblings, at AFA). Back in the Netherlands after the Second World War, Langen's grandfather invented the first sausage-making machine that did everything from grinding the meat to attaching a metal clip to close the casing. He also developed the first canning machine that packaged ham in pear-shaped cans with twist keys to open them; he sold the machine to huge U.S. processing plants such as Oscar Mayer Food Corp.

After immigrating to Canada in the 1950s to market the Dutch company in North America, Langen's father built the first machine that carton-packaged bacon for grocery stores—in his basement. "They had to knock out the side of our house and bring in a crane to move it," says Langen, laughing.

Birth of high-speed packaging

Then, one day in the 1970s, when Langen senior was playing with his niece's Spirograph, he came across a pattern that gave him the idea for a rotary feeder that would allow machines to erect 200 cartons per minute, compared with the industry average of 70 to 80 cartons per minute. "That was really the birth of the high-speed packaging industry and he enjoyed a patent for 17 years," says Langen. The innovation helped catapult the first-generation Langen family business in Ontario to 165 employees (14 of whom were Langen family members) and over \$60 million in sales before it was sold to global packaging giant Molins PLC in 1996.

Brainstorming concepts

Today, that genetic tendency to innovate gets exercised constantly. When a potential client comes to AFA with a specific need, Langen, his brothers Paul, the company President, and Jack, Vice President, Manufacturing, and the engineering staff brainstorm to come up with a concept. "If it is something that is really, really new, we do a 'proof of principle,' which is basically a mock-up of the unit to prove that the idea will work," Langen explains.

Early development costs are shared. "Typically, we ask the customer for 5 per cent of the total purchase value of the equipment to cover the cost," says Langen. The company accesses tax credits to help finance its research and development (R&D), and customers themselves help to finance production. "For every order, we receive 50 per cent down, 40 per cent prior to shipping and the final 10 per cent at 30 days."

To help expand in foreign markets and increase export sales, AFA chooses to put almost all of its marketing dollars into trade show participation because it has found trade shows are the best way to showcase its products and services to a global customer base. "It's quite expensive to haul our big machines and rent the floor and booth space required," says Langen. "We benefit from participation in government trade missions and programs."

Joint venture in Shanghai

Trade shows are also a good place to source potential partners. To diversify further, AFA opened a joint-venture company in Shanghai in 2010, supplying technology to its partner there to build packaging machinery for the Chinese market. "I believe China is the hottest market for any exporter right now," says Langen. The company's willingness to embrace such new opportunities while sticking to the tried-and-true strategy of innovating to meet customer needs has consistently paid off.

"What we're doing right now has always proven successful for us," says Langen. "In some ways, we've been operating this way since my grandfather's days."



AT A GLANCE

IN BUSINESS SINCE.....	1965
ANNUAL SALES.....	\$10 million
% EXPORT SALES.....	92%
EXPORT MARKETS.....	United States, Argentina, Brazil, Mexico, Italy, Czech Republic, Germany, China
NUMBER OF EMPLOYEES.....	45
THREE-YEAR GROWTH RATE.....	50%
R&D EXPENDITURE.....	20% of sales

"It's ideal to partner with a larger company," says John Precious, President of Indexable Cutting Tools, "because they have research centres and deep pockets, and they can make you a better company. I think we can make them a better company, too."

On the cutting edge

An innovative Ontario company's precision cutting technology provides manufacturers around the world with an edge on efficiency

John Precious, President of Indexable Cutting Tools, is rather taken aback when people ask if his high-tech company makes scissors. He is part of a huge global industry, "but no one knows anything about our technology." Yet his \$10-million company, based in Welland, Ontario, has six worldwide patents, produces cutting tools for such giants of manufacturing as Honda and generates more than 90 per cent of its revenues from export sales on several continents. He refers to the company as "one of Canada's best-kept secrets."

A second-generation business owner who took over the company from his father, Precious has transformed it from a small, four-man service shop into an innovative global leader in its niche. "When I came to help my father, I had a chance to work in the office and got caught up in the excitement of bidding on jobs and trying to improve our factory," Precious recalls. "What took us a month to ship back then now takes just half a day."

Carving a worldwide niche

Indexable is in competition with some global giants, but its winning combination of quality materials, exceptional research and development (R&D), superior service, environmental stewardship and affordable pricing allows it to maintain an edge. "We have a unique process, using technology that no one else in the world has," maintains Precious. One of its mainstays is a ceramic product that is patent-protected worldwide. "We can manufacture ceramics faster and cleaner than anybody else in the world." The company's microwave technology consumes just 30 per cent of the electricity its competitors use in the manufacture of ceramic tools, which is also good for the bottom line. That, combined with the fact that Indexable is small and therefore agile, gives it a competitive edge. It even supplies its competitors with product and R&D expertise.

"I don't even look toward Canada as a marketplace. I look globally," Precious says. "Some of the largest companies in the world buy and resell our product with their name on it. It's ideal to partner with a big competitor if you can because they have research centres and deep pockets, and they can make you a better company. In a lot of instances, I think we make them a better company, too."

A stronger workforce

Precious attributes part of the company's impressive growth to its 1989 move from Toronto to the Niagara Region in order to be closer to the Canada-U.S. border and take advantage of the imminent North American Free Trade Agreement. It also allowed Indexable to tap into a stronger, less transient workforce, which has been instrumental in its rapid growth. "Terrific people and the products they develop are the keys to success in any company," Precious says.

The company's first big break came shortly after relocating to Welland, when the nearby General Motors plant began making aluminum engines and using diamond tooling. There were few diamond-tooling suppliers nearby, and Precious leapt at the new opportunity, purchased some Swiss machinery and started grinding diamonds. "Today, we are a diamond company as I always envisioned, but the strength and growth of our company is really in ceramic products."

While partnering with McMaster University on automotive testing and research, Precious was introduced to an Edmonton research company that had developed a microwave technology for making ceramic cutting tools. Taking a risk on this unproven technology, Precious acquired the company in January 2000. "I thought this was really quite unique and it's been nothing but a complete success ever since," he says. It was a strategic move that helped catapult Indexable onto the world stage, whether selling to the aerospace industry in the Czech Republic or to die-and-mould makers in Argentina.

New products every year

One of Indexable's greatest strengths, according to Precious, is its ability to bring new products to market every year and continue to sustain growth. "I like to think of our whole company as an R&D one," adds Precious. "Every day, we're trying new ways of applying the diamonds and the ceramics and developing new grades." Innovations like these are spawned by keeping a watchful eye on what materials are being developed, particularly in the aerospace industry, and what will be needed for those products to be cut.

Indexable, which received tax credits from a government program to help finance its R&D, often bridges the pre-commercialization gap for its innovations by partnering with other companies. "If we come up with a ceramic that we think will work well with a certain application, we'll approach a large auto manufacturer, for example, to see if they would be willing to give us time to test it," explains Precious. "If they think it's really unique, they agree. We give them free cutting tools in return for access to their machinery and do most of our testing right in their factories."

Next level of growth

In order to take Indexable to the next level of growth, Precious is consolidating the diamond, ceramics and grinding parts of the business into one location to even better nurture innovation. "I think we can achieve a 30 to 40 per cent growth rate annually, at which point I'm going to have to reinvent myself. And the company will need to take on some other form of financing because we can't be self-sustaining and fuel that pace of growth."



AT A GLANCE

IN BUSINESS SINCE.....	1976
ANNUAL SALES.....	n/a
% EXPORT SALES.....	70%
EXPORT MARKETS.....	United States, Europe, Russia, Australia, South Africa, China, Latin America
NUMBER OF EMPLOYEES.....	350
THREE-YEAR GROWTH RATE.....	20% per year
R&D EXPENDITURE.....	7% of sales

Felix Comeau, Chairman and CEO of Alcohol Countermeasure Systems Corp., is a champion of market research and new product development. "We've been innovators right from the beginning," he says, "patenting our products and setting standards that others aspire to achieve."

Pioneering safety devices

With a focus on staying ahead of the pack, Alcohol Countermeasure Systems is a global leader in alcohol-sensing products

Picture a driver getting into a car but being unable to turn on the ignition because a sensing device detects alcohol on his breath. It is a welcome scenario, and one that may become an everyday occurrence, which is Felix Comeau's expectation. As Chairman and CEO of Toronto-based Alcohol Countermeasure Systems Corp. (ACS), the world's leading producer of alcohol-sensing products, Comeau would like to see his company's interlock technology in every passenger car that comes off the assembly line. Among his customers already is Volvo, which has installed ACS's customized alcohol interlock in some of its vehicles. ACS was the first alcohol-interlock manufacturer in the world to be awarded such a contract.

The ACS product line also includes alcohol-interlock devices that prevent convicted drunk drivers from re-offending, interlocks for commercial applications such as fleet safety programs, breath alcohol testers of the sort used in roadside alcohol screening, drug-testing devices and a range of accessories.

Comeau is a champion of both market research and new product development. "Innovation has always been our hallmark and we invest heavily in R&D [research and development]," he says. "We've been innovators right from the beginning, patenting our technologies, developing proprietary products and setting standards that others aspire to achieve."

ACS's competitors, says Comeau, many of which are larger, tend to be "follow-me" companies. "Your competitors don't want to be in second place, so you must constantly invest in developing technology to stay ahead," he says. "Becoming a leading growth company is just a lot of hard work. We're one of those 10-year-old overnight success stories."

Going global a growth imperative

The company began in 1970 as a research division of BorgWarner Coporation, with a mandate to develop technology that would stop drinking drivers from starting a car. The division was subsequently spun into ACS by Canadian interests who purchased it after roadside alcohol screening was legislated. Comeau, who joined the new company in an R&D capacity after working at an RCMP forensic laboratory, bought the company in 1990 and has since transformed it into a global leader. The ACS product line has expanded to serve the automotive, industrial, law enforcement, public and personal safety markets and the company has grown from fewer than 100 employees a decade ago to more than 350 today, with new staff being added weekly.

Much of this growth has come from nurturing new export markets. "You must look beyond North America if you want to be successful," says Comeau. Today, ACS exports to almost every corner of the globe and has established offices in Australia, Europe and the United States, with plans for others in Brazil and Japan.

ACS is currently establishing a factory in China and it is entering Russia through dealers in Moscow and St. Petersburg. "Russia is a big market opportunity because of the huge drinking population and because the formerly passive laws are now being enforced more for commercial vehicles," says Comeau.

Following are some of the company's best practices for going global:

- **Aggressive Internet marketing.** "We started our Web site 15 years ago and use it to push our international marketing."
- **Utilizing trade resources.** ACS participates in many trade missions, which Comeau says "really do open doors," and makes use of Export Development Canada (EDC) services such as credit risk assessment and accounts receivables guarantees. ACS also belongs to trade organizations such as Canadian Manufacturers & Exporters (CME).
- **Hiring a multicultural workforce.** "Our company is made up of almost every culture you can imagine, which makes it easier to adapt to the languages and cultures in which we're selling."
- **Establishing a beachhead.** "You must have a presence in international markets if you want to be seen as a serious player. The customers want to see you there." Comeau's international growth strategy includes setting up a strong dealer network, opening satellite offices and acquiring companies to build up distribution power.
- **Working with a good bank.** "Find a bank with extensive international reach and bright people."
- **Competitive pricing.** "It's important to develop and sell products at a price that is competitive in the international marketplace. If you have a unique innovation, like an iPhone or, as we have, an alcohol interlock, which is more than a breath tester, you can set higher prices." In addition, ACS typically sells on prepayment. "We sell all over the world and ask for payment up front for an order, yet people rarely balk at this."
- **Quality management.** Certifications such as ISO help to foster business with multinational corporations, expand customer bases and tap into profitable new markets.

Comeau believes that the global infrastructure ACS has created over the years, along with continuing R&D, will allow it to maintain its rapid growth and double its sales within two years. However, he says, even if you are an industry leader, you can't rest on your laurels: "It just means you have to buy new running shoes every month."

ICT innovators showcase

Small and medium-sized Ontario businesses are leading the way in ICT innovation

Ontario has many dynamic information and communications technology (ICT) companies that invest heavily in research and development (R&D) and take their new and innovative products to a global marketplace. With ICT leaders in every sector, from telecom equipment, software development and services, digital and Web media and microelectronics, to such cutting-edge technologies as voice over Internet protocol (VoIP), satellite, wireless, broadband and photonics, Ontario is at the forefront.

In the ministry's study to benchmark the contribution that small and medium-sized enterprises make

C-COM Satellite Systems Inc.

Established in 1997, Ottawa-based C-COM Satellite Systems Inc. is a world leader in the development of mobile satellite-based technologies for public and commercial organizations. Its proprietary mobile self-pointing (iNetVu®) antenna system enables delivery of two-way high-speed Internet services to vehicles and mobile structures in remote locations virtually anywhere in the world where you can drive. C-COM has adapted its antenna system to work with a vast number of service providers and global positioning systems (GPS), ensuring compatibility with its customers in the United States, Russia, Japan, Malaysia, Thailand, China, Argentina and the Middle East, making it one of the most widespread and flexible mobile systems available in today's market. Its focus on in-house research and development (R&D) and its business acumen have been recognized with a Deloitte Technology Fast 50, Companies-to-Watch Award and a Profit 100 Award, among others. The company plans to introduce several new and enhanced products to the market this year.



CSDC Systems Inc.

Mississauga-based CSDC Systems Inc. is a leading supplier of flexible and configurable commercial-off-the-shelf (COTS) software products for local, county, provincial, state, and federal government agencies in Canada, the United States and the Caribbean. Its flagship technology, AMANDA, serves as a business performance platform that addresses the needs of many departments such as Permitting, Planning, Inspections, Code Enforcement, Fire Prevention, Licensing and Regulation, Public Health, as well as Technical Standards and Safety. With features such as mobile access, this one tool allows government agencies to track all of a jurisdiction's activities, streamline workflows and improve operational efficiency. In addition to product sales, CSDC consults, services, certifies and trains users on AMANDA. Since its inception in 1989, more than 150 government agencies in North America and the Caribbean have implemented AMANDA, reaching an estimated 40 million citizens worldwide.



i³ International Inc.

Based in Scarborough and a leader in digital video security technology, i³ International Inc. is one of the most innovative and adaptable companies in the security industry. Founded in 1990 by two brothers who came to Canada as Vietnamese refugees many years earlier, i³ was originally an installation company. With advances in technology, the company began evaluating different security solutions and recently reinvented itself, offering a new product line and growing into a manufacturer of video analytics, Internet protocol (IP) video technology and point-of-sale (POS) data-management integration. It has taken conventional security solutions to the next level by prioritizing R&D and continuously providing state-of-the-art solutions. Export markets include North America, Europe, Asia and the Middle East, including a recent substantial sale to Syria. i³'s most recent initiative has been adding market intelligence work to its product line. This work includes physically analyzing in-store activities to provide retailers with market intelligence tactics for cost savings and competitive advantages.



to innovation, respondents from all sectors that performed R&D reported average R&D spending of 16.9 per cent of sales revenues in 2008 (versus an average of 4.8 per cent for all Canadian small and medium-sized R&D performers in 2005*). Comparatively, respondents from high-performing ICT firms that performed R&D reported average R&D spending of 23.4 per cent of sales revenues in 2008.

Following are examples of six ICT innovators and “top performers” that have introduced a new product or service in the past three years.

* Source: Statistics Canada, Industrial R&D Intentions (2007).

Keyscan Inc.

A leading manufacturer of access-control management systems and communication devices that electronically control elevators and doors, Keyscan Inc. is a recognized name in the security industry. Based in Whitby, with a network of dealers throughout North America, Central America, South America, the United Kingdom and Europe, it is the most successful access-control manufacturer in Canada and in the top 10 in the United States, consistently recording higher growth than many of its competitors since its inception in 1984. The company attributes its success to dedication to R&D, the introduction of new products and innovations and ensuring it keeps on top of marketplace trends. One such industry shift is its customers’ acceptance of cloud access to their buildings. In response, Keyscan has launched a solution that can be accessed by clients via a service hosted over the Internet, allowing physical control of the system from literally anywhere, saving time and money.



LPI Level Platforms Inc.

Ottawa-based LPI Level Platforms Inc. is one of the top providers of remote monitoring and management software products. It was founded in 1999 as a management service provider, serving small and medium-sized enterprises, but it shifted strategy in 2003 to leverage its services expertise and create the next generation of remote monitoring and management software. Level Platforms released its first version of Managed Workplace for service providers in 2004. Continued product improvements (increasing R&D staff from five to 30 by 2010) and strategic product-introduction planning (focusing on building its distribution networks over the last year) have enabled it to grow steadily and thrive as a market leader in terms of production innovation, commitment to partner success and market adoption. A multiple award winner, Level Platforms has been on the Deloitte Technology Fast 50 list three years in a row and received a Private Sector Leadership in Advanced Technology award from the Canadian Advanced Technology Alliance (CATAAlliance).



qdata Inc.

One of the leading data-collection integrator companies in North America, qdata Inc. provides bar-coding equipment, radio frequency systems, wireless mobile systems and software integration for more than 4,000 customers across North America. Founded in 1993 and based in Markham, with regional sales and service offices in Edmonton, Winnipeg and Vancouver, it serves customers in a wide variety of industries, including consumer, educational, government, industrial, health care, manufacturing, scientific, technology and transportation, ranging from small operations through to Fortune 500 companies. With more than 100 manufacturer certifications from its 25 partners, qdata differentiates itself by offering everything a client might need, including the hardware and software, but also options such as purchasing, renting, repair, systems support, maintenance and even a buy-back program. It is also an industry leader in its customer support, providing ongoing technical expertise and ensuring its solutions evolve right along with the businesses of its clients.



Selected resources

Ontario Government

Ministry of Economic Development and Trade, Business Advisory Services

Business Advisory Services serves Ontario's small and medium-sized enterprises (SMEs) that have a strong orientation to growth. Business advisors in 12 regional offices have expertise in business planning, finance and exporting and access to a network of people, resources and programs to enhance innovation, competitiveness and profitability. To contact a business advisor in your area, visit www.ontario.ca/economy and click on Small and Medium Enterprises >> Growing a Business >> Talk to Experts.

Ministry of Economic Development and Trade, Ontario Exports

Thinking about exporting? Preparing to export? Expanding your export markets? To prosper in today's global marketplace, companies must be able to compete, adapt, innovate and meet international expectations. The International Trade Branch provides programs and services to help Ontario's SMEs become successful exporters. To review programs and services to help develop and execute international export strategies, explore the site at www.ontario.ca/economy >> International Trade and Investment >> Ontario Exports.

Ontario Ministry of Research and Innovation (MRI)

The Ontario government is committed to supporting Ontario's research and innovation activities. To view programs suited to companies, visit www.ontario.ca/innovation >> Looking for Funding? >> Companies.

Ontario Business Program Guide

The Ontario Business Program Guide is the Ontario government's free online directory of tax incentives, tax credits and government support programs for businesses. This at-a-glance directory is designed for quick, easy scanning to help you find programs that might be available to you. The Ontario Business Program Guide is updated regularly, so revisit it periodically to see what's new. You can also subscribe to an RSS feed, which provides updates automatically. To browse by category, go to www.ontario.ca/en/business_program/index.htm.

Financial Assistance

Export Market Access (EMA)

Export Market Access is a Global Expansion Program designed to help SMEs in Ontario access and expand their growth in foreign markets. EMA is an initiative of the Ontario Chamber of Commerce, with support and funding from the government of Ontario and the government of Canada. If a company has five or more employees and annual sales of \$500,000 or more, it may qualify for a contribution covering up to 50 per cent of eligible costs incurred to develop export sales, such as market research, marketing tools, direct contacts and foreign bidding projects. Visit www.exportaccess.ca.

Ontario Innovation Tax Credit (OITC)

The Ontario Innovation Tax Credit is a refundable tax credit, available to all corporations that perform scientific research and experimental development (SR&ED) in Ontario. The Canada Revenue Agency (CRA) administers the program on behalf of Ontario through the federal income tax system. The OITC is calculated as 10 per cent of qualifying SR&ED expenses. Qualifying expenses are 100 per cent of current expenses and 40 per cent of capital expenses. To learn more, go to www.rev.gov.on.ca/en/credit/oitc/index.html.

Export Development Canada (EDC)

Export Development Canada is Canada's export credit agency, offering innovative financing, insurance and risk-management solutions to help

Canadian exporters and investors expand their international business. Approximately 80 per cent of EDC's customers are SMEs. To learn more about EDC's range of trade finance solutions, go to www.edc.ca.

Business and Trade Associations

Ontario Chamber of Commerce (OCC)

Celebrating 100 years of advocacy, the Ontario Chamber of Commerce works closely with governments, labour, academe, business associations and various other groups to create a stronger and more vibrant economy across Ontario. OCC represents 60,000 businesses across the province through its network of local chambers of commerce and boards of trade. Its members employ about two million people and produce about 17 per cent of Ontario's gross domestic product. www.occ.on.ca

Information Technology Association of Canada (ITAC)

The Information Technology Association of Canada is the voice of the Canadian information and communications technology (ICT) industry. ITAC's community of companies accounts for the \$140.5 billion in revenue, \$6.0 billion in research and development (R&D) investment, \$31.4 billion in exports and \$11.4 billion in capital expenditures that the ICT industry contributes annually to the Canadian economy. www.itac.ca

Canadian Association of Importers and Exporters Inc. (I.E.Canada)

The Canadian Association of Importers and Exporters Inc., now known as I.E.Canada, was founded in 1932 and federally incorporated as a non-profit organization. The association represents private-sector importers and exporters of virtually every commodity and related service. The association has more than 800 members across Canada and abroad. Membership is open to any individual or company with a legitimate interest in Canada's international trade. For information on membership, visit www.iecanada.com.

Research

Institute for Competitiveness and Prosperity (ICAP)

The independent, not-for-profit institute measures and monitors Ontario's competitiveness, productivity and economic progress compared to other Canadian provinces and U.S. states. Funded by the Ontario government, the institute is mandated to share its research findings directly with the public. Its volunteer Task Force members are leaders in their fields of business and research. For more information and to access reports visit www.competeprosper.ca

Executive Reading and Development

PROFIT Magazine

In 25 years of serving Canada's entrepreneurial business community, *PROFIT Magazine* has earned a position of prominence with growth companies, the entrepreneurs who run them and the businesses eager to serve them. Through its range of products and services, *PROFIT* delivers practical growth strategies, case studies and access to peer groups that help entrepreneurial companies get bigger and better... fast.

www.profit.ca

Schulich School of Business, York University, Executive Development

The Schulich Executive Education Centre provides executive development programs to more than 10,000 executives in Canada and abroad. Degree programs integrate theory and practice, balancing quantitative and management skills. All feature real-world, relevant content presented from multiple stakeholder perspectives. www.seec.schulich.yorku.ca

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ICT innovators showcase

C-COM Satellite Systems Inc.

Ottawa

www.c-comsat.com

CSDC Systems Inc.

Mississauga

www.csdcsystems.com

i³ International Inc.

Scarborough

www.i3dvr.com

Keyscan Inc.

Whitby

www.keysca.ca

LPI Level Platforms Inc.

Ottawa

www.levelplatforms.com

qdata Inc.

Markham

www.qdata.com

The benchmarking study

The Ministry of Economic Development and Trade (MEDT) provides leadership in promoting Ontario's economic growth and competitiveness. MEDT's Small and Medium Enterprise (SME) Division champions Ontario's business community and supports the development of SME firms along a continuum of growth to long-term economic prosperity. The Business Advisory Services Branch, part of MEDT's SME Division, provides information, advice and direct advisory services to Ontario growth firms, delivered through 12 Ministry Regional Offices. It also examines business competitiveness and other economic development issues affecting growing SMEs. Its Business Competitiveness Unit conducted the benchmarking study shared in this report.

To contact a Business Advisor in your area, visit

[>> **www.ontario.ca/economy**](http://www.ontario.ca/economy) >> **Small and Medium Enterprises** >> **Growing a Business** >> **Talk to Experts**

Leading Growth Firm Series

REPORT 19

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