Study
May 2018

Built for **performance**

Discover Strategies Used by Canada's Leading SMEs

Table of contents

by Author

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Highlights

We examined data from almost 950,000 Canadian businesses to identify the factors that set apart top-performing SMEs.

- This report presents original data regarding the factors that make top-performing Canadian businesses stand out in their industries. This information will help entrepreneurs compare themselves to their peers and better understand why some companies see their business take off, while others don't.
- The performance measures set out in this study may be used as a reference for comparison purposes. They are primarily based on anonymous Statistics Canada data regarding almost 950,000 Canadian businesses.
- Top-performing SMEs are defined as those that have seen faster growth in their annual sales than other businesses in the same sector while remaining more profitable. The characteristics of this group of high-performing businesses are compared to all other companies in the same sector that are of the same size, based on their sales. This comparison helps us understand what sets apart top-performing businesses from other businesses.
- Characteristics of top-performing SMEs in their sector:
  - **Greater productivity, efficiency and profitability**—They are more productive than their peers and manage their costs more effectively, thereby allowing them to be more profitable.
  - **Higher investments**—They invest more in machinery and equipment, regardless of their size. Furthermore, those with sales of more than $2 million a year invest more than other companies in computer hardware and software.
  - **More intensive innovation**—They invest more in intangible assets such as R&D and patents, allowing them to be more innovative.
  - **Better wages**—They offer their employees higher levels of compensation. Businesses with annual sales of $2 million or more pay salaries that are higher than the average for their sector.
  - **More revenue from exports and diversification in foreign markets**—A greater proportion of high-performing businesses export and a larger share of their revenue comes from abroad. They are generally less dependent on a single foreign market, which reduces their risk.
  - **Lower indebtedness**—They have less debt, which gives them greater latitude to pursue growth projects.

Highlights

Which strategies should entrepreneurs adopt in order to build a high-performing business?

Small businesses

Less than $2 million in annual sales

Focus on growth and try to exceed $2 million in sales. By growing your business, you will achieve economies of scale and productivity gains that will help you generate greater profits, which can then be reinvested. These reinvestments will create a virtuous cycle of improvement and help you become more competitive. Larger businesses have greater resources, generally have a stronger foundation and are better positioned to export.

Mid-sized businesses

Between $2 million and $10 million in annual sales

Invest more in machinery and equipment, particularly in information and communications technology, as well as in intangible assets, such as patents and employee training. These investments will help you become more competitive and innovative, and enable you to seize new opportunities in an economy that is increasingly automated, digitized and interconnected.

Large businesses

Between $10 million and $100 million in annual sales

Expand even more internationally. The most successful large businesses earn a greater share of their revenue in foreign markets. By diversifying your foreign markets, you will reduce economic and geopolitical risks.

Background

Most entrepreneurs are interested in growing their business. A 2015 survey of more than 1,000 Canadian SME leaders found they attached a very high level of importance to growth.[1] However, despite this interest and the efforts deployed to bolster growth, it is clear that very few SMEs succeed in becoming large businesses. In fact, only 2% of mid-sized businesses exceed the 500-employee mark.[2]

The core of this report consists of original data regarding the factors that set top-performing businesses apart in their industries. This information will enable Canadian entrepreneurs to compare themselves to top-performing businesses in their sector and learn about the key factors underpinning this performance.

For example, do top-performing SMEs pay their employees more? How much do they invest in tangible and intangible assets? Are they more productive and efficient? What percentage of their sales come from exports? Do these businesses have high levels of debt?

We have summarized the most relevant findings from the study and provided detailed data in the appendix. You will also find recommendations for increasing the growth and profitability of your business. We have also provided three examples of entrepreneurs who have succeeded in setting themselves apart from their competitors and explained the determining factors for their success.

Finally, this study also explores the link between business growth and the adoption of management systems and practices. Waiting too long to introduce structured management methods—enabling a shift from an entrepreneurial mode to a scale up operational mode—is often cited in academic literature as a reason for the underperformance of businesses.[3] This report summarizes the key elements linked to this success factor in order to inform discussions among Canadian entrepreneurs and recommend areas for action.

1 BDC, *SMEs and Growth: Challenges and Winning Strategies,* October 2015. On a scale of 0 to 10, the degree of importance attached to growth was 7.1.
2 BDC, T*he Scale Up Challenge: How are Canadian Companies Performing?*, September 2016.
3 Davila et al., "Building Sustainable High-Growth Startup Companies: Management Systems as an Accelerator, "*California Management Review,* Spring 2010.

1 Profile of Canada's top-performing SMEs

4%

of all Canadian SMEs could be considered high performing.

- **High-performing SMEs see faster growth in their annual sales than their peers in the same sector while remaining more profitable.**
- **Based on this definition, 4% of all Canadian SMEs could be considered high performing. This percentage goes up to 8% for SMEs that generate $2 million or more in annual sales.**
- **Growth in employment and profit margins is stronger among top-performing SMEs with $2 million or more in annual sales.**

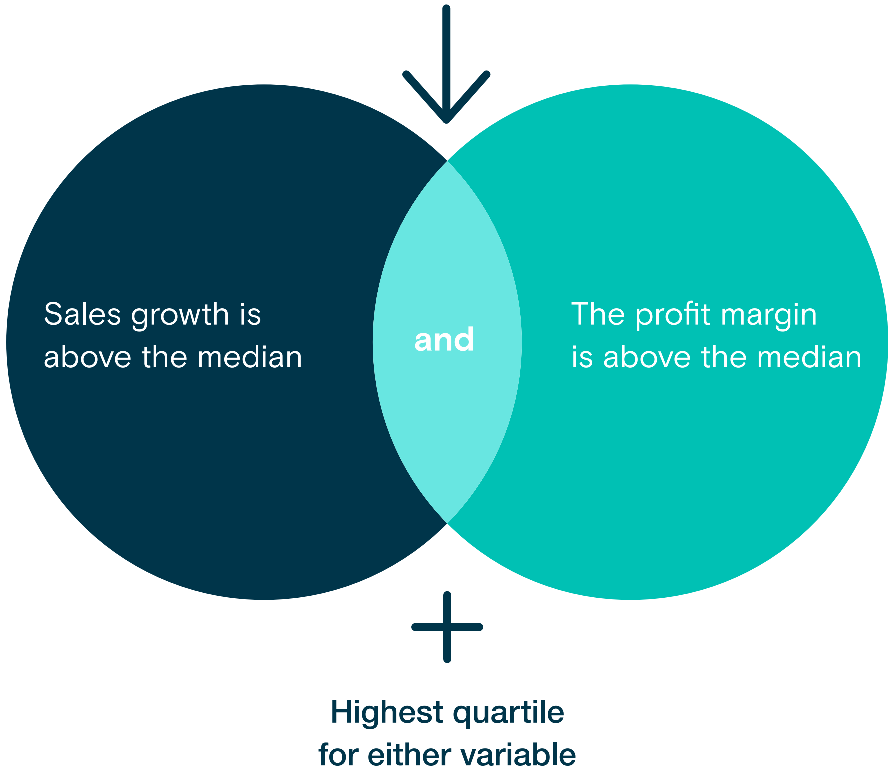
According to our definition[4], the top-performing SMEs in their sector must meet the following two conditions:

1. **demonstrate sales growth and profit margin above the median for their sector**
2. **demonstrate sales growth or profit margin in the highest quartile in their sector**[5]

4 We based our definition of "Canada's top-performing SMEs" on a report published in 2014 by Industry Canada, entitled *Growth or Profitability First? The Case of Small and Medium-Sized Enterprises in Canada.*

5 Profit margin = net income before taxes divided by sales

Figure 1 – Definition of top-performing SMEs in their sector



Source: P. Rivard, *Growth or Profitability First? The Case of Small and Medium-Sized Enterprises in Canada*, Industry Canada, 2014. Depending on the sector, the percentage of top-performing businesses varies from 0% to 50% of businesses.

This report analyzes Canada's top-performing SMEs in their sector by using data on almost 950,000 Canadian businesses provided by Statistics Canada, and focuses on two areas:

- the sector
- the size of the business based on its sales[6]

The sector is determined by the two-digit industry code, to which we added the information and communications technology sector (ICT).[7] With regard to business size, we separated Canadian SMEs into three groups based on the following annual sales levels:

- **small:** Less than $2 million
- **mid-sized:** $2 million to $10 million
- **large:** Between $10 million and $100 million

These annual sales levels often correspond to the growth thresholds at which management practices need to be professionalized. However, we are aware that assigning these sales levels for these sizes was somewhat subjective, and that they may vary from one sector to another.

6 Average annual sales for 2013 to 2015 (most recent data available). For detailed information regarding data in the report provided by Statistics Canada, refer to the Methodology section at the end of the report.

7 The ICT sector was defined by grouping together the following NAICS codes: 4173, 45411, 5112, 51219, 5182, 51913, 51791, 51721, 5415 and 8112.

There is a higher number of top-performing businesses among those with annual sales above $2 million.

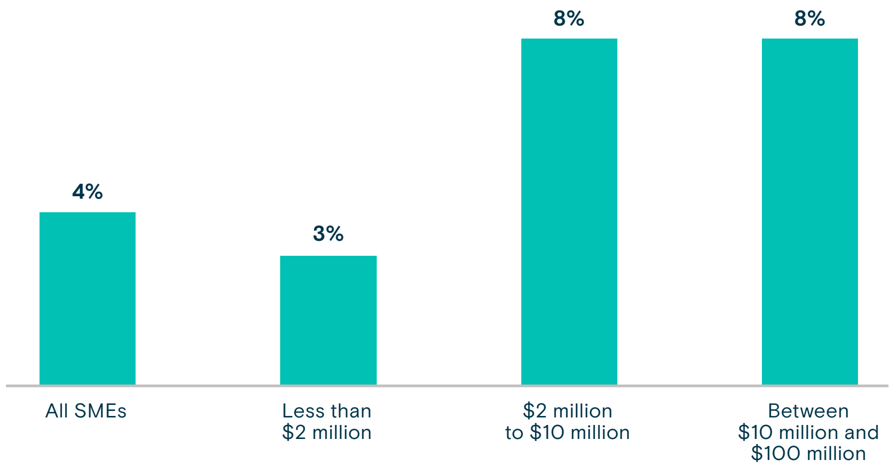
Portrait of top-performing SMEs

Based on the definition used in this report, top-performing Canadian SMEs represent 4% of all businesses that generate annual sales of less than $100 million.[8]

Among larger businesses, whose annual sales have reached or exceeded $2 million, some 8% can be considered high performing. Businesses that have reached a certain size generally perform better than their peers in the same sector.

Figure 2 – SMEs that generate annual sales of more than $2 million are more likely to be high performing.

Percentage of high-performing businesses based on their annual sales (average 2013–2015)



Source: Statistics Canada, BDC calculations

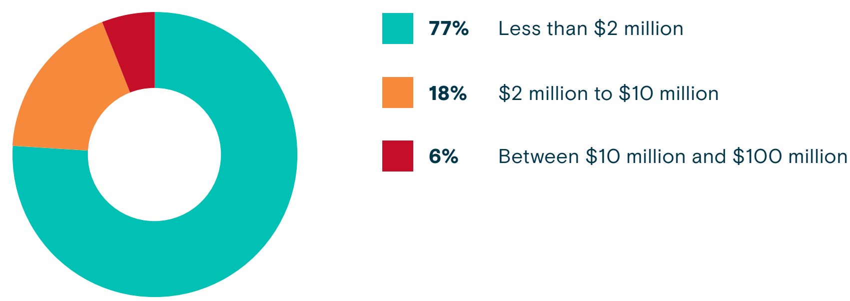
8 For the purposes of this report, SMEs are defined as businesses with at least one employee that generated less than $100 million in annual sales from 2013 to 2015.

What are the annual sales levels of top-performing SMEs?

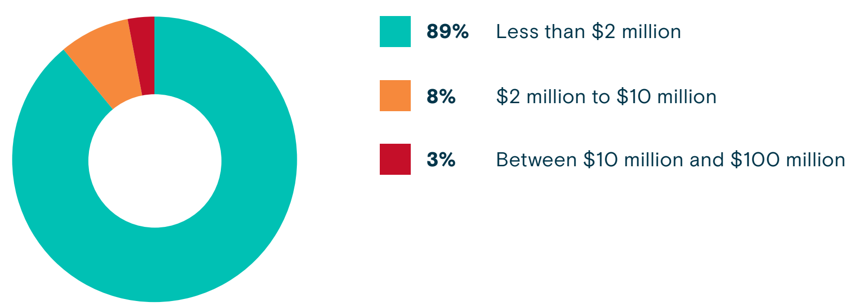
Unsurprisingly, if we compare Canada's top-performing SMEs in their sector to other SMEs (described as lower performers), high-performing businesses are generally larger. Indeed, 24% of top-performing SMEs generate average annual sales of $2 million to $100 million, compared to 11% for lower performing companies that reach this size.

Figures 3 and 4 – High-performing businesses are generally larger

Distribution of high-performing businesses according to their sales levels (average 2013-2015)



Distribution of lower performing businesses according to their sales levels (average 2013-2015)



Source: Statistics Canada, BDC calculations

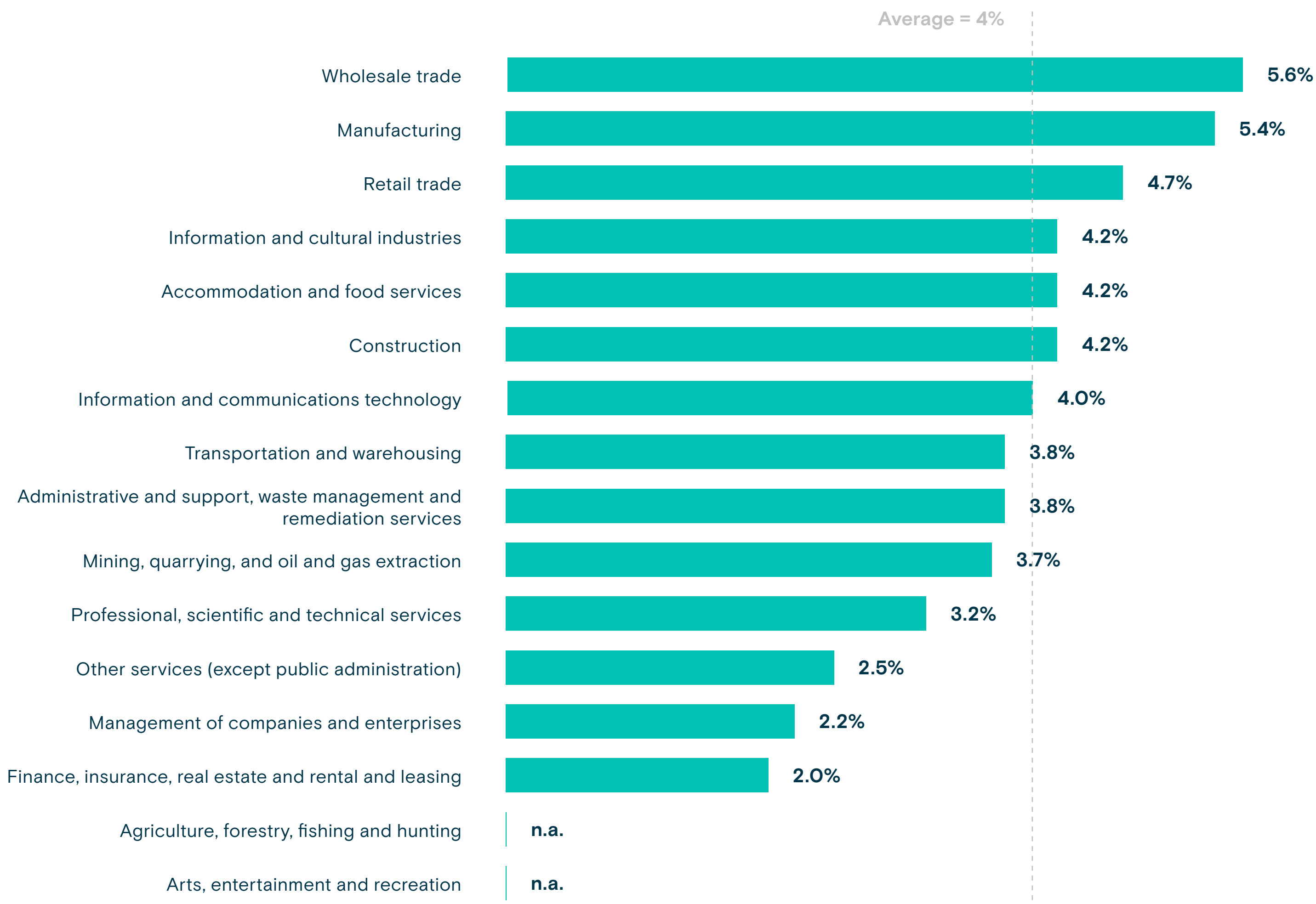
Note: Figures may not add up to 100% due to rounding.

Which sector has the most high-performing SMEs?

The distribution sector has the largest share of high-performing businesses, followed by manufacturing and retail trade. The following chart illustrates the share of high-performing businesses by sector.

Figure 5 – Wholesale trade, manufacturing and retail trade have a larger share of high-performing SMEs than the average

Share of high-performing SMEs by sector



Source: Statistics Canada, BDC calculations
n.a. = Not available because of data privacy.

What are the characteristics of top-performing SMEs?

The table below presents the characteristics of high-performing businesses across all sectors, with regard to their annual sales, profit margin and employment level.

Table 1 – Characteristics of top-performing SMEs in their sector by average annual income (2013–2015)

	Small businesses (Less than $2 million)		Mid-sized businesses ($2 million to $10 million)		Large businesses (Between $10 million and $100 million)		All SMEs (Less than $100 million)	
	High performing	Other	High performing	Other	High performing	Other	High performing	Other
Average annual sales	$586,000	$387,000	$4.3 million	$4.1 million	$26 million	$26 million	$2.6 million	$1.4 million
Annual growth rate of sales (CAGR*)	21%	0%	24%	5%	25%	9%	22%	1%
Median profit margin (net income before taxes divided by sales)	22%	3%	14%	3%	11%	2%	20%	3%
Profit margin growth rate (CAGR)	17%	17%	24%	-3%	30%	6%	19%	15%
Average employment level (full-time equivalent jobs)	5	5	21	24	88	87	13	9
Average employment level growth rate (CAGR)	9%	9%	13%	5%	12%	7%	10%	9%

Source: Statistics Canada, BDC calculations

* Compound annual growth rate

With about the same number of employees, high-performing businesses generate better profitability than other SMEs. The profitability gap is particularly pronounced among small businesses.

Based on the figures in the above table, a high-performing business with sales of $2 million to $10 million generates average net income of $602,000 per year (14% x $4.3 million). The same business as a lower performer would only earn a net income of $123,000 per year (3% x $4.1 million) for the entrepreneur.

We also observed that top-performing businesses in terms of sales growth generally see faster growth of their workforce, particularly if they have annual sales of $2 million or more.

Case study

CRM Desjardins

This entrepreneur has grown her business from seven to 35 employees in just three years

Nicole Desjardins's company, CRM Desjardins offers 24/7services to people hit by fires, flooding, vandalism and other disasters at the residential, commercial or industrial level. It's been growing rapidly in recent years thanks to Desjardins's vision, determination and well-timed investments.

Investments that pay off

The business in Terrebonne, Quebec, just north of Montreal, has grown to 35 employees from seven in less than three years and is working at full capacity.

Desjardins understood she would need to scale up to be competitive with this service. With the help of BDC, she purchased a new 2,300-square-metre (25,000-square-foot) building that houses her offices and warehouse. She also purchased a state-of-the-art ultrasonic cleaning line to attract more customers.

The investments have paid off, fueling a growth surge at the company.

"Businesspeople always say that they don't have money to invest, but if you don't invest you can't be competitive and you risk losing your clients. It's better to find financing to develop your business. That's what we have done."

Become more efficient

To get the most of her new building, Desjardins worked with a BDC operational efficiency expert who helped her optimize the performance of the cleaning equipment and introduced lean practices to the warehouse operation, including creating separate work stations for various services.

She also installed screens on the workshop floor to allow for the communication of information from one department to another.

"All these investments gave us this capacity to grow," she says. "We told ourselves: 'We have beautiful offices and a well-organized warehouse; our work processes and IT tools are at the cutting-edge; our employees and our professional partners are experienced and make us proud. We are ready, let's go for it!'"

2 Strategies used by top-performing SMEs to set themselves apart

Top-performing SMEs are more productive, efficient and profitable.

What sets apart top-performing businesses?

It's important for entrepreneurs to better understand the characteristics of Canada's top-performing businesses in order to identify what makes them stand out from their competitors. In other words, what do the leaders of top-performing SMEs do differently from others?

Based on the data provided by Statistics Canada, we came up with performance indicators related to:

1. productivity, efficiency and profitability
2. investment and innovation
3. workforce
4. exports
5. indebtedness

High-performing businesses are 2.3 times more productive than other businesses in their sector.

2.1 Productivity, efficiency and profitability

Top-performing SMEs in their sector are more productive. This not only allows them to be more profitable and increase their chances of survival, but also improve their growth prospects. Increased productivity helps them generate greater profits, which can then be reinvested in the business.

In this study, the following three productivity and efficiency indicators were used:

- **sales per employee**—a productivity indicator
- **operating expenses for sales**—an efficiency indicator
- **gross margin**—an efficiency and profitability indicator

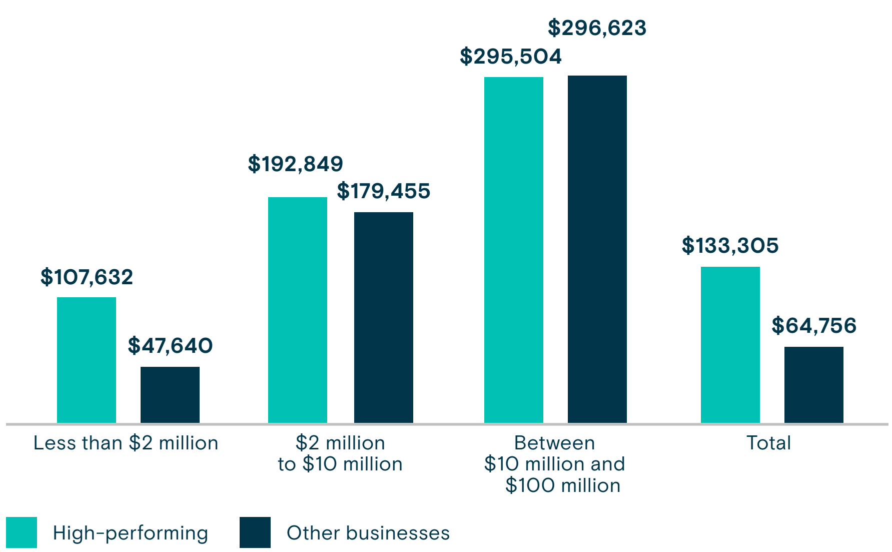
Are top-performing businesses more productive?

When we look at sales per employee, we observe that top-performing businesses in their sector are generally more productive than their peers.

Top-performing small SMEs are significantly more productive than other companies of the same size. Overall, high-performing businesses are 2.3 times more productive than other businesses of the same size.

Figure 6 – The productivity of top-performing businesses is generally higher

Productivity by size (sales per employee, average 2013–2015)



Source: Statistics Canada, BDC calculations

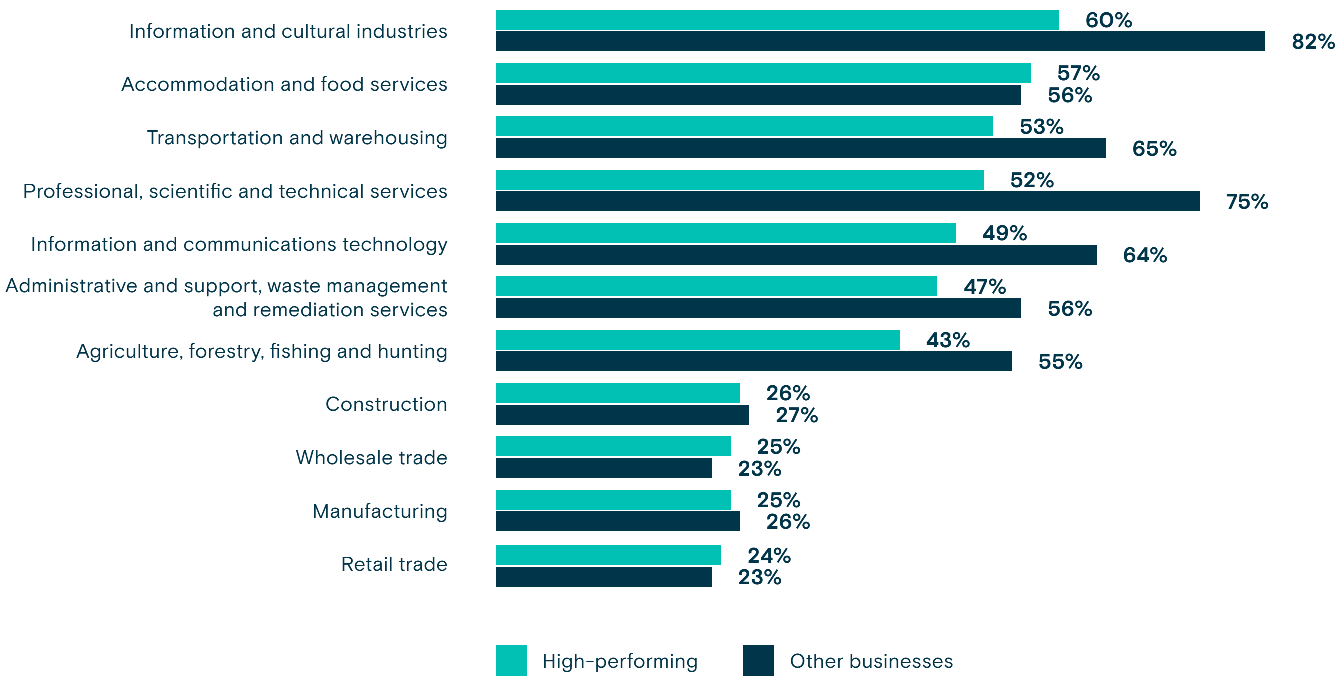
Are top-performing businesses more efficient?

A business's efficiency hinges in large part on its ability to reduce operating expenses, including by eliminating waste and improving processes for the delivery of services or the production of goods. A key efficiency indicator is the operating expenses[9] to sales ratio. It indicates whether the administrative functions of a business are efficient.

According to our data, in the vast majority of industries, the operating expenses to sales ratios of top-performing businesses are lower than those of their competitors. Accommodation and food services, retail trade and wholesale trade are the only exceptions to the rule. In these industries, as well as in the manufacturing and construction industries, few differences were observed between high-performing businesses and other businesses. This may be due to the strong competition in these sectors.

Figure 7 – High-performing businesses are more efficient

Operating expenses to sales ratio (average 2013–2015)



Source: Statistics Canada, BDC calculations

Note: The presented sectors include only those for which data is available.

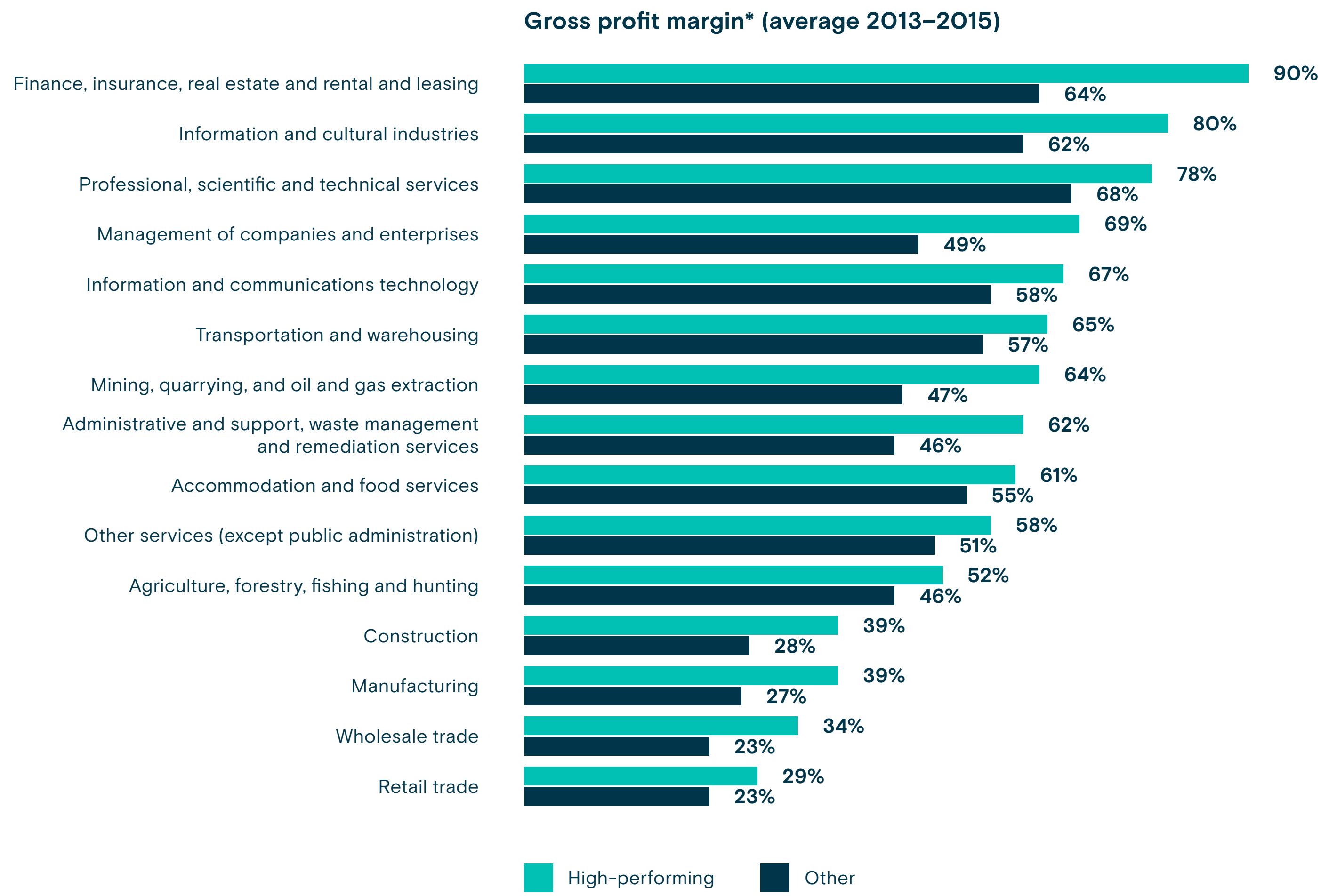
9 Operating expenses include advertising and promotional expenses, wages that are unrelated to production, subcontracting agreements, supplies and insurance expenses.

Are top-performing businesses more profitable?

The gross margin of businesses is calculated by subtracting the cost of goods sold from sales, then dividing the result by sales.

Clearly, top-performing businesses in their sector generate higher gross margins. And, this observation holds true, regardless of the industry.

Figure 8 – Top-performing businesses in their sector generate higher gross margins



Source: Statistics Canada, BDC calculations

*Gross margin = (Sales - cost of goods sold)/sales

Note: The presented sectors include only those for which data is available.

Top-performing businesses invest more in tangible and intangible assets.

2.2 Investment and innovation

Investments in a business are also a very important growth factor. Investments fall into two categories: tangible assets and intangible assets.

The tangible assets of a business comprise physical things such as machinery and equipment, including computer hardware and software. In an economy that is increasingly automated and digitized, these assets are at the heart of a business's capacity to produce goods and deliver services competitively.

The nature of investments in machinery and equipment changes over time. For example, in the manufacturing sector, machine tools are being replaced by sophisticated, computerized and interconnected robots. This type of equipment allows data to be gathered in real time on the assembly line so that adjustments can be made quickly in the event of problems. In addition, the speed of production often increases tenfold.

Service sectors are not immune to this kind of digital transformation. For example, consider the analysis of client data and the use of algorithms in online marketing. In most cases, top-performing SMEs are those that invest in the latest equipment available in their sector.[10]

Do top-performing businesses invest more in machinery and equipment, including computer hardware and software?

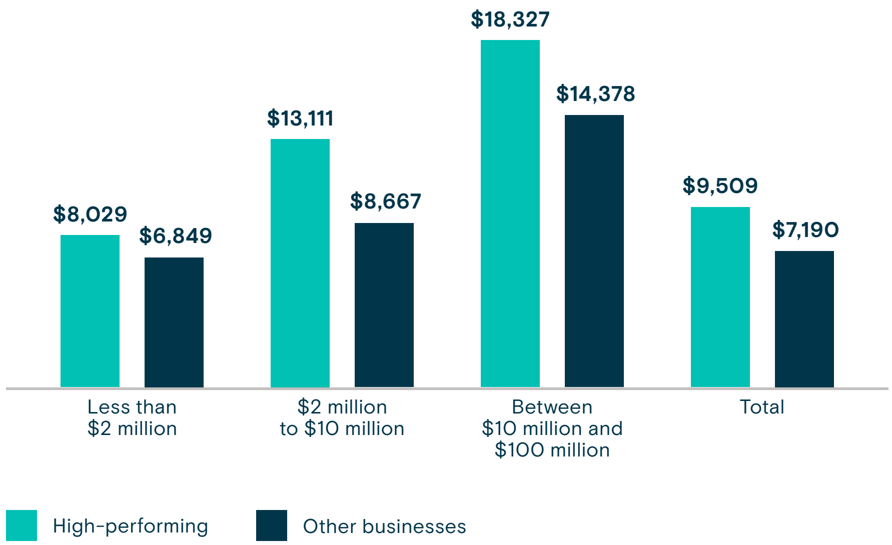
Top-performing SMEs invest more in machinery and equipment than their peers in the same sector, regardless of the size of the business. Furthermore, those with sales of over $2 million a year invest more in computer hardware and software than their peers.

These observations apply to all sectors. For example, in transportation, the ratio of investment per worker in top-performing businesses, as compared to lower performing companies, is 1.9. In other words, these businesses invest nearly twice as much in computer hardware and software as other businesses.

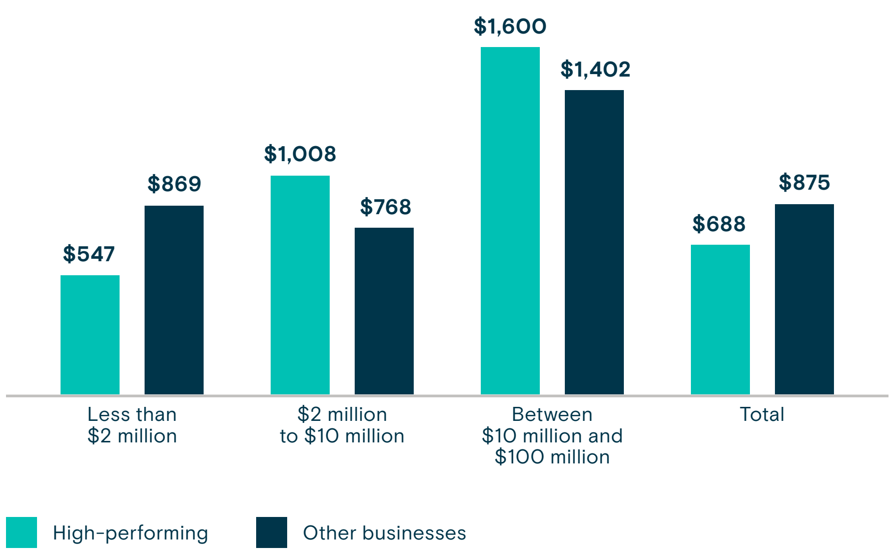
10 Advisory Council on Economic Growth, *The Path to Prosperity: Resetting Canada's Growth Trajectory*, December 2017.

Figures 9 and 10 – Investments in machinery and equipment, computer hardware and software are generally higher for high-performing businesses

Net assets in machinery and equipment per employee (average 2013–2015)



Net assets in computer hardware and software per employee (average 2013–2015)



Source: Statistics Canada, BDC calculations

Do top-performing businesses invest more in intangible assets and innovation?

An increasingly important part of a business's competitive advantage lies in its intangible assets. They are what makes it unique and helps it grow.[11]

A business's intangible capital can be relatively vast. It refers to all non-monetary and intangible assets held by a company, including:[12]

- **human capital:** skills, knowledge and qualifications
- **organizational capital:** patents, intellectual property, management processes and systems, and data
- **relational capital:** brand image, customers, partners and reputation

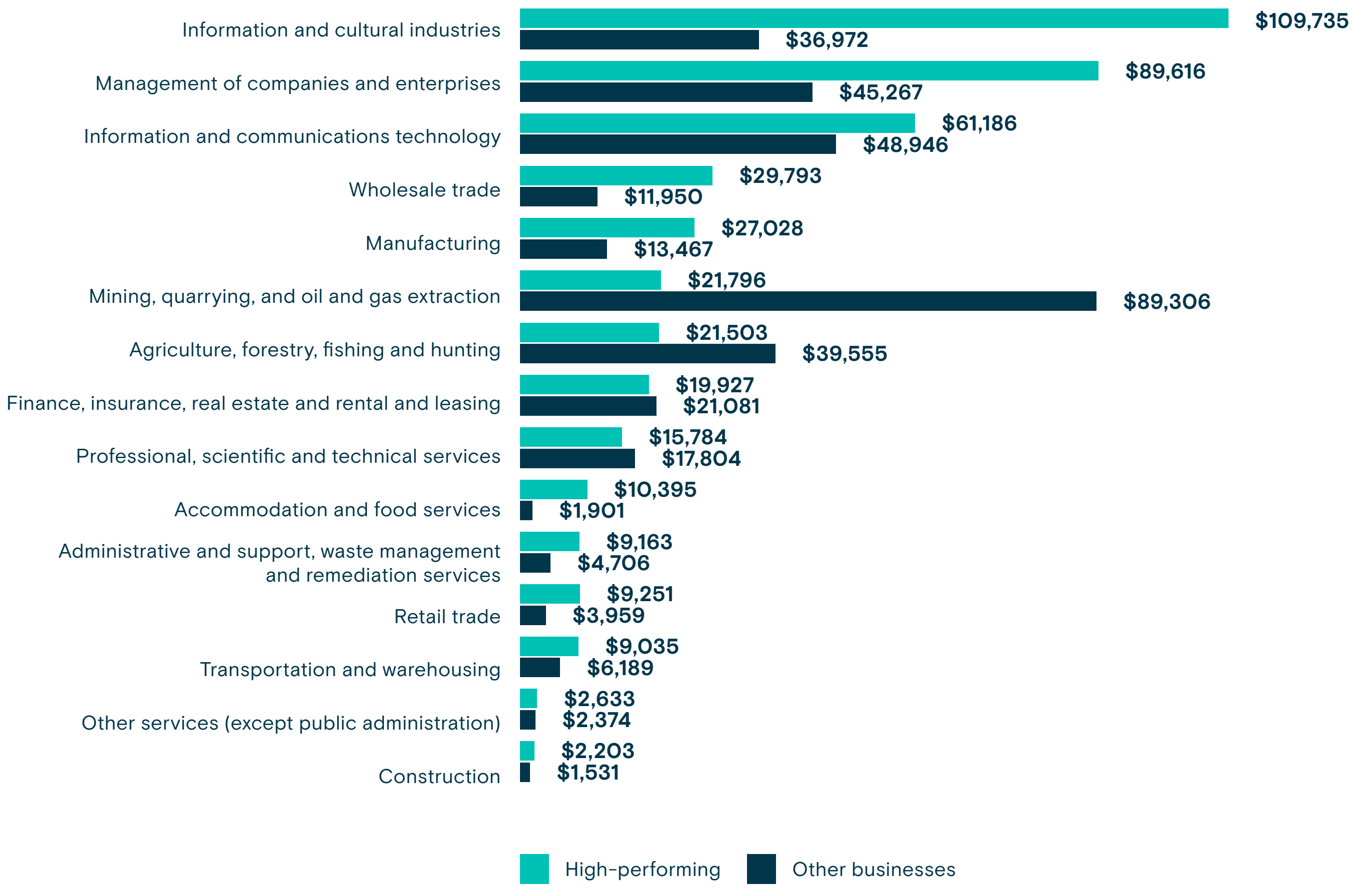
In general, only part of the value of a business's intangible assets appears on its balance sheet. However, the value of these often hidden business investments is not only growing, but is an increasingly significant portion of total investments. According to the most recent estimates published by Statistics Canada, the proportion of intangible assets as a total of all investments climbed to 66% in 2008,[13] up from 23% in 1976.

It is worth noting that high-performing businesses in almost all sectors invest more in intangible assets, the exception being the resource sector (i.e., mining, quarrying, and oil and gas extraction, as well as agriculture, forestry, fishing and hunting).

11 OECD, *New Sources of Growth: Intangible Assets*, 2011.
12 Economia, *Que communiquent les entreprises sur le capital immatériel* ?, http://economia.ma/content/que-communiquent-les-entreprises-sur-le-capital-immat%C3%A8riel
13 Baldwin et al., *Intangible Capital and Productivity Growth in Canada*, Statistics Canada, 2012.

Figure 11 – High-performing businesses in most sectors invest more in intangible assets

Net intangible assets* per employee (dollars, average 2013–2015)



Source: Statistics Canada, BDC calculations

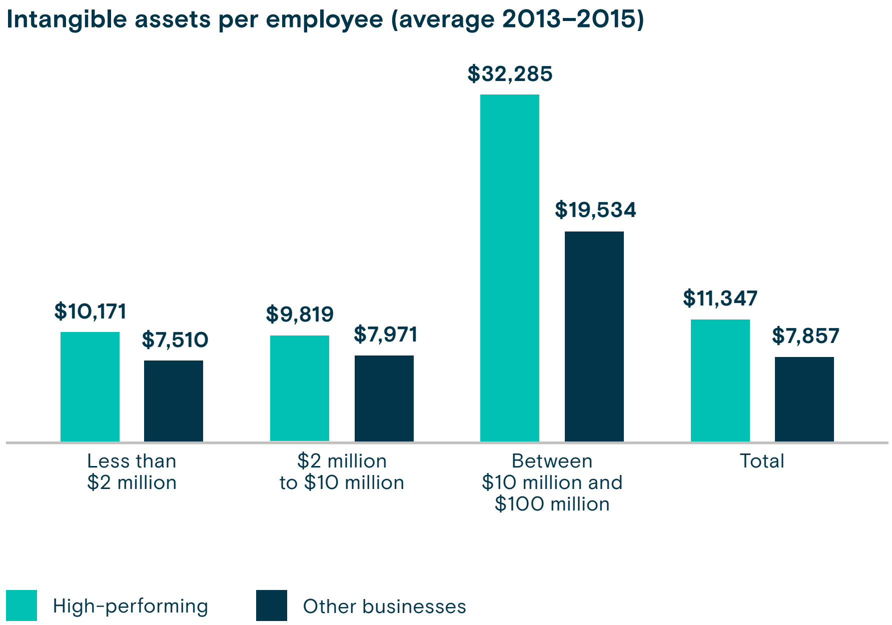
* Intangible assets comprise, for example: R&D, trademarks, patents, rights, traffic, list of clients and permits. Accumulated amortization for these assets has been deducted.

Note: The presented sectors include only those for which data is available.

Does the size of the business affect investments in intangible assets?

High-performing SMEs of all sizes invest more in intangible assets. However, those that generate sales between $10 million and $100 million annually stand out for their high degree of investment.

Figure 12 – Large, top-performing businesses invest more in intangible assets



Source: Statistics Canada, BDC calculations

Vladimir and Natasha Bolshakov

“We have always been ambitious. We are determined to go as far as we can.”

Case study

Geometrik Manufacturing

Craftsmanship, ambition and a careful approach to risk have combined into a winning recipe

There was no turning back when Vladimir and Natasha Bolshakov left Ukraine to make a new life for themselves in Canada

They sold all their possessions and boarded a plane for Toronto in the summer of 2002 with the resolve that failure was not an option.

Still, Vladimir marvels at how far they’ve come in their new country. The couple owns Geometrik Manufacturing, a producer of wood acoustical ceiling and wall panels that recently opened a new 2,800-square-metre (30,000-square-foot) factory in Kelowna, B.C.

It’s the second time in less than a decade Geometrik has moved into a much larger factory to accommodate its 20-to-25% annual growth rate. Each time, Vladimir and Natasha have invested in all-new, high-speed equipment to automate and boost the efficiency of their operations. The new facility with its sophisticated CNC and PLC machines has four times the capacity of the previous one.

“When we first arrived, I would not have believed this was possible,” Vladimir says.

Conservative with risk but decisive with growth

It was in 2007 that they decided to take the plunge into business by buying Geometrik from its retiring owner with the intention of turning it into a manufacturer of wood acoustical systems. At the time, the company was making children’s furniture in a modest 325-square-metre (3,500-square-foot) workshop with a few pieces of outdated machinery.

At first, the couple continued to make furniture but soon began receiving orders for wood acoustical panels, prized by architects and designers for their beauty and sound absorption. Eventually, the quality of the company’s craftsmanship brought them projects for institutional and commercial buildings across North America.

Vladimir says he and Natasha are conservative about taking risk, but decisive when it’s time to seize growth opportunities.

“This is where Natasha’s role is extremely important. Her job is to make sure the risk is minimized. Her financial statements and cash flow projections are extremely good.”

Training employees for the future

The company has 32 employees and retains workers by paying a competitive wage and offering job stability. Vladimir says he prefers to take talented young people and train them to become craftspeople.

“We look for that person who is eager to share in the story we have here.”

It’s a story the Bolshakovs have every intention of continuing.

“We have always been ambitious. We are determined to go as far as we can.”

2.3 Workforce

In most cases, employees are a business's most important asset. It is also worth noting that top-performing businesses that reach or exceed $2 million in sales a year see their workforce grow more compared to other businesses in their sector.

In this context, we wanted to know whether top-performing businesses offered more favourable compensation than their peers. If this were the case, it could be explained by the fact that, for example, they hire more skilled workers.

One of the advantages of offering more competitive compensation is to get access to a better trained workforce, which is also often more productive and innovative. This leads to greater efficiency and higher profitability.

Moreover, better compensation often makes it possible to attract and retain the most productive employees, thus reducing employee turnover rate as well as training costs.

How to compare employee compensation

The following ratio is used to measure investment in human capital:

$$\frac{\text{Average compensation of top-performing businesses}}{\text{Average compensation for the sector}}$$

A ratio greater than 1 indicates that worker compensation in the business is higher than the average for its sector. For example, if the annual compensation of an employee working for a high-performing business reaches $55,000 and the annual compensation for its sector is $45,000, the ratio will be 1.2 ($55,000/$45,000).

Top-performing businesses offer better wages to their employees.

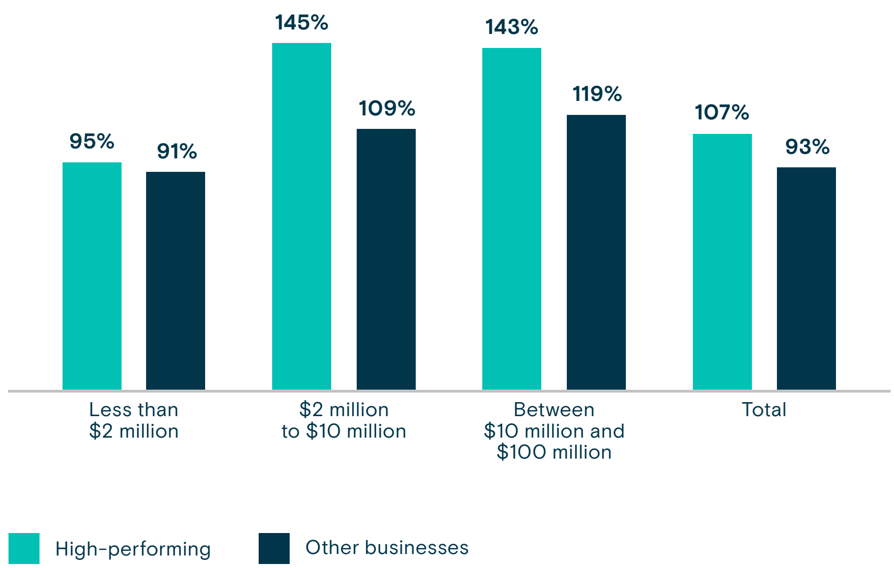
Do top-performing businesses compensate their employees better?

Top-performing businesses appear to compensate their workers better. In particular, the average compensation of high-performing businesses with $2 million to $10 million in annual sales is 45% higher compared to their sector. Meanwhile, the average compensation of lower performing businesses of this size is 9% higher than the sector average.

While small businesses can't afford to compensate their employees beyond the average for their sector, there is still a compensation gap between top-performing small businesses and other companies. Indeed, the top-performing businesses reach 95% of the average compensation for their sector, compared to 91% for other businesses.

Figure 13 – Top-performing SMEs compensate their employees better than their peers

Average compensation paid to employees compared to the average for the sector (average ratio 2013–2015)



Source: Statistics Canada, BDC calculations

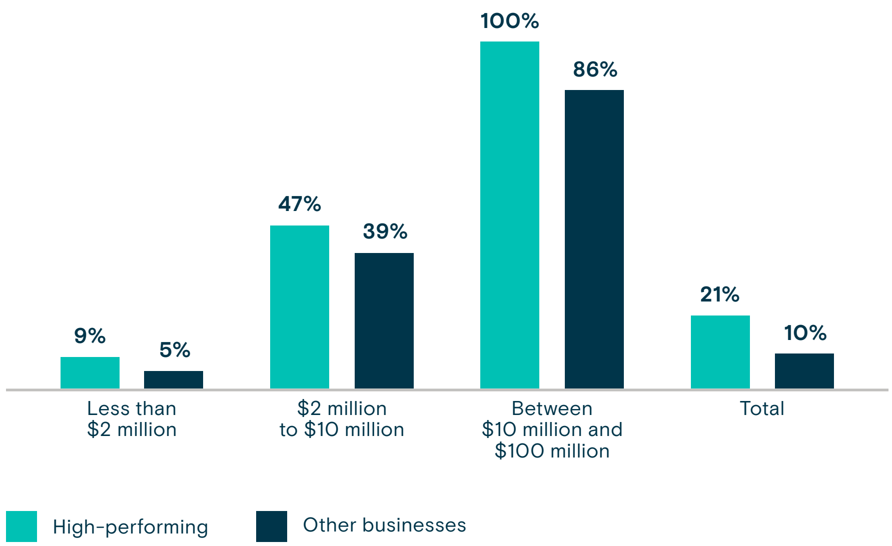
Businesses that export generally perform better than those that only sell locally.

2.4 Exports

Top-performing SMEs are more likely to export, regardless of their size. In fact, 100% of high-performing businesses with more than $10 million in annual sales export.

Figure 14 – Top-performing SMEs are more likely to export

Proportion of exporting SMEs according to the size of their business (average 2013–2015)



Source: Statistics Canada, BDC calculations

This observation corroborates the conclusions of other studies that exporting businesses generally perform better than those that sell only locally. The studies have found that exporters must be more competitive and productive to compete internationally. In addition, investing in foreign markets helps these companies become more productive and perform better.[14]

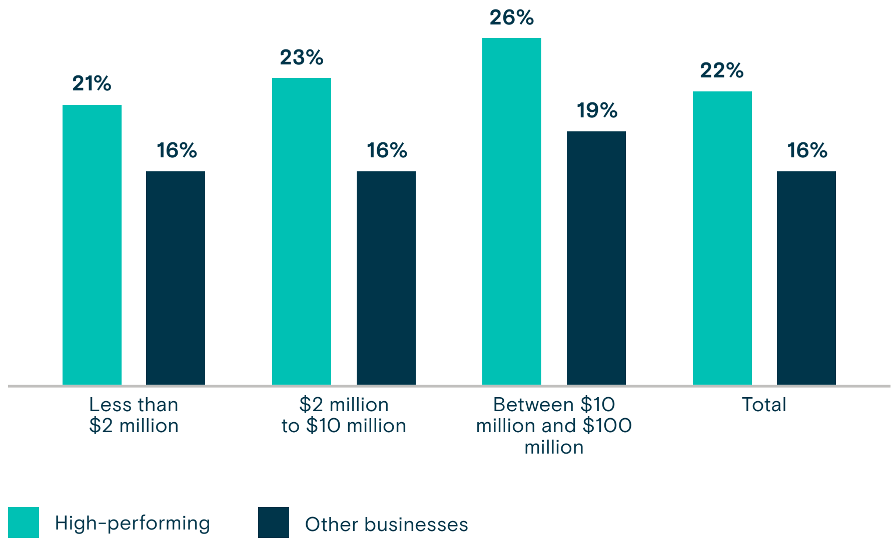
14 The Conference Board of Canada, *Global Competitive Advantage: How Canadian Companies Can Achieve International Business Success*, 2016.

Do top-performing, exporting SMEs generate a larger share of their revenue from exporting?

Top-performing, exporting SMEs generate a lot more revenue from selling into foreign markets. The proportion of export sales over total sales in top-performing businesses varies between 21% and 26%, compared to between 16% and 19% in other businesses.

Figure 15 – Top-performing, exporting SMEs generate more revenue from foreign markets

Exports as a proportion of total sales for exporting SMEs according to size (average 2013–2015)



Source: Statistics Canada, BDC calculations

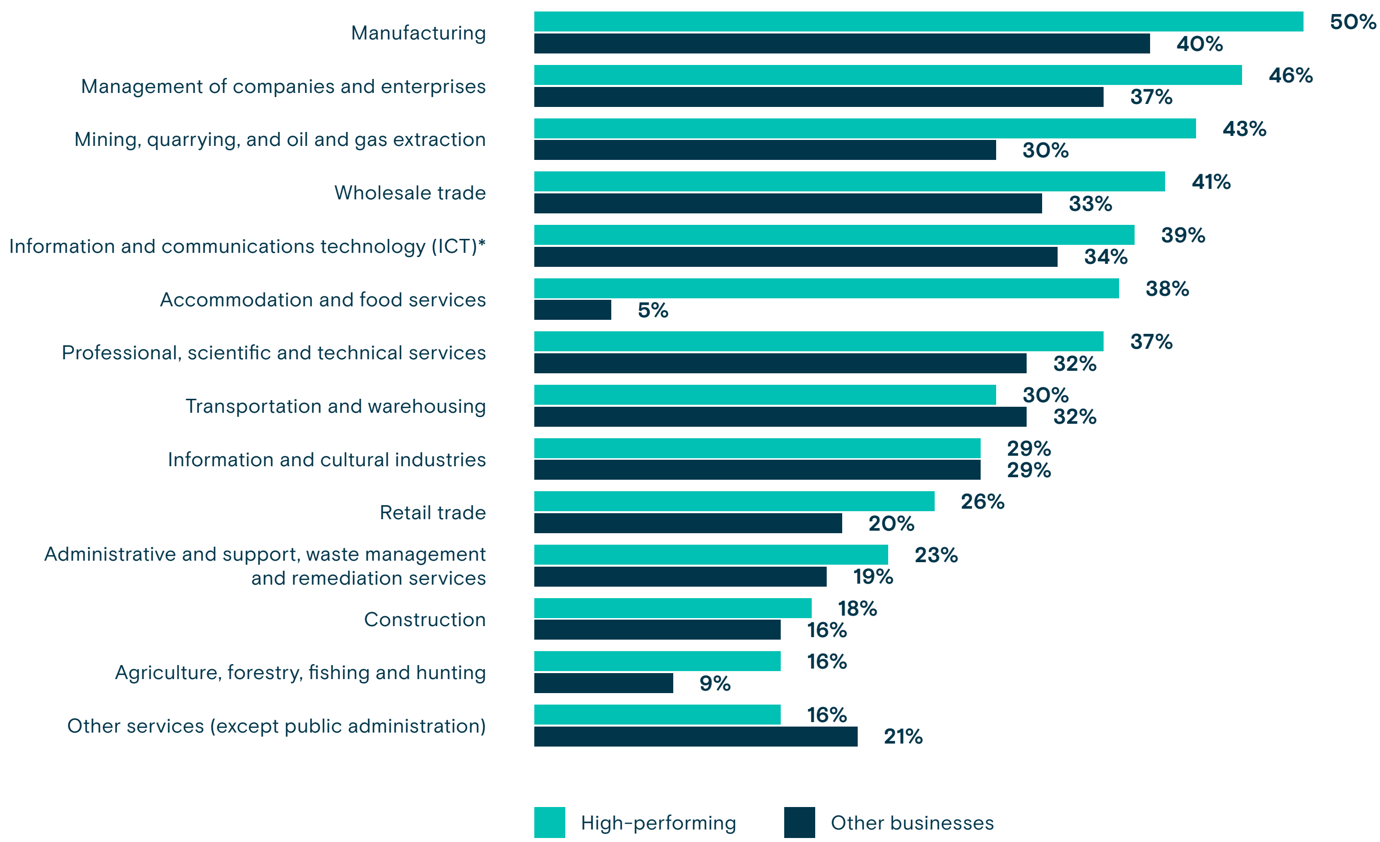
However, export sales as a proportion of total sales varies from one sector to another (see appendix).

Do top-performing, exporting SMEs diversify their export markets more?

Top-performing, exporting SMEs appear to diversify their export markets more. As a result, they are less dependent on a single export market and are better able to manage economic and political risks.

Figure 16 – Top-performing, exporting SMEs diversify their export markets more than their peers in the same sector

Proportion of exporting businesses that export to more than one foreign market (average 2013–2015)



Source: Statistics Canada, BDC calculations

* The ICT sector includes the following codes: NAICS 4173, 45411, 5112, 51219, 5182, 51913, 51791, 51721, 5415 and 8112.

Note: The presented sectors include only those for which data is available.

Top-performing SMEs are less indebted than their peers.

2.5 Indebtedness

We wanted to know if top-performing SMEs carried more debt than other businesses.

To find out, we calculated their debt ratio (liabilities divided by assets).[15] The debt ratio of a business reflects both its current capacity to repay its debt and its potential to borrow more. A loan can help a business during a market slowdown or allow it to take advantage of opportunities as they present themselves.

The ability of a business to borrow more can be assessed by comparing the business's debt ratio to that of other businesses in the same sector.

The higher the debt ratio, the greater the leverage. Leverage is not necessarily bad. When revenue rises, payments are made using considerable surpluses, and more debt is added to take advantage of market opportunities. However, when revenue falls, a highly leveraged business may not be able to repay its debt or borrow additional funds, threatening its survival.

Are top-performing businesses more indebted?

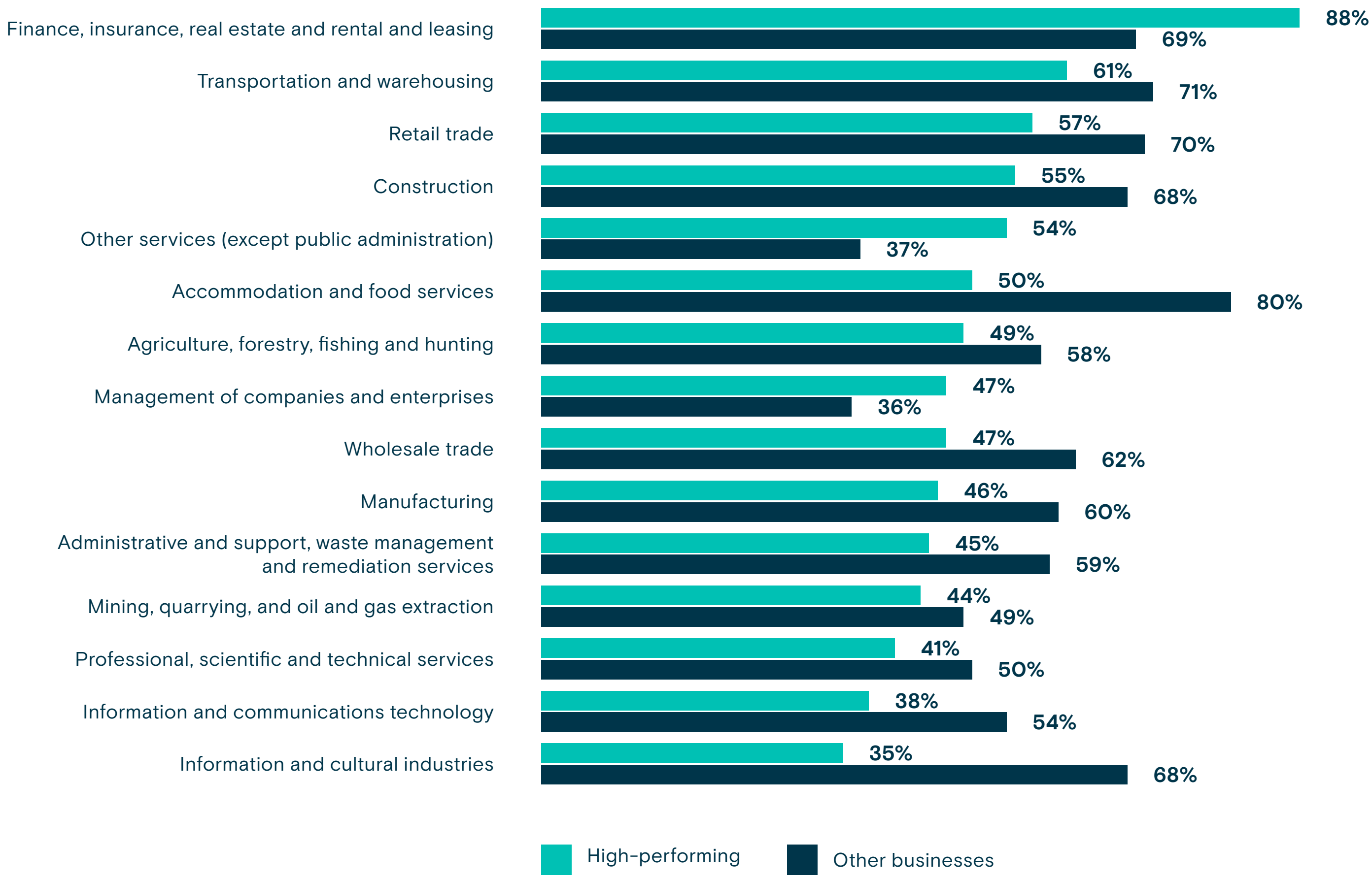
Top-performing SMEs are less indebted than their peers in the vast majority of sectors. There is no major difference in the level of indebtedness based on business size.

Therefore, top-performing SMEs are in a better position to take out new loans or raise additional capital. This is an undeniable advantage when more capital is needed to help a business grow.

15 For example, if a business has $200,000 in total liabilities and $300,000 in total assets, its total debt ratio is 67% ($200,000/$300,000). This ratio indicates that two-thirds of the business belongs to creditors and the remaining one-third to shareholders.

Figure 17 – Top-performing SMEs generally have a lower debt ratio

Debt ratio by sector* (average 2013–2015)



Source: Statistics Canada, BDC calculations

*Total liabilities divided by total assets

Note: The presented sectors include only those for which data is available.

3 Professional management systems: Overcoming the entrepreneurial crisis

Implementing professional management systems is a necessary condition to the growth of businesses.

- **The management skills and decision-making abilities of business leaders are key elements in the performance and productivity of businesses and economies.**
- **Establishing professional management systems and practices is crucial to the growth and profitability of businesses.**
- **Leaders of Canadian SMEs in the manufacturing sector rank fairly well when it comes to managerial skills.**

When do professional management systems become necessary?

In the first few years of a business's existence, the founders generally wear several hats and control virtually every aspect of their business. The founder is the central figure who has an overview of the entire firm and makes all the important decisions. Information regarding the business's policy directions and strategies flows freely and is communicated directly to each employee.

When the business grows, this management approach is no longer suitable. If the founder resists an important transformation when the business reaches a certain size, an "entrepreneurial crisis" is virtually unavoidable.[16] The development of leadership and managerial skills is essential to take the business to new heights. Business coaching usually helps develop these skills. Moreover, the implementation of a formal management system, based on conclusive data and performance indicators, is often required. These systems can be roughly classified into the following four categories:

1. **strategic planning**—to set the foundation of an effective business strategy
2. **financial planning and evaluation**—to secure the tools and knowledge required to understand and manage the business's finances
3. **human resources planning and evaluation**—to effectively manage human resources, fostering engagement and improved performance
4. **sales and marketing**—to develop the skills required to grow the business

16 Greiner, "Evolution and Revolution as Organizations Grow," *Harvard Business Review*, 1972, and Flamholtz et al., *Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm*, 1990.

What are professional management systems?

Professional management systems are “formal, information-based routines and procedures that managers use to maintain or alter patterns in organizational activities.”[17]

It is believed that all of these systems become essential once a business has grown to between 50 and 80 employees.

However, there is no established order as to when it is preferable to introduce each management system. This depends on the skills in place and the sector in which the business operates. For example, in the biotechnology sector, product quality management systems often need to be introduced very early in the life cycle of a business’s existence. For many other businesses, financial management systems are at the top of the list.[18]

How to overcome the entrepreneurial crisis

Empirical literature shows a clear link between the capacity to grow and the introduction of formal, modern, efficient management systems. Businesses with solid management processes are generally more productive and profitable. They also grow at a faster pace and survive longer.[19]

We are not claiming that implementing these systems will necessarily lead to growth. However, they represent the basic infrastructure required for entrepreneurs to collect information that will enable them to make better decisions and delegate responsibilities. This allows the business to expand and overcome the entrepreneurial crisis. Without these professional management systems, long-term growth is difficult to achieve.

Implementing professional management systems generally requires the consistent use of dashboards. These enable managers to monitor the growth phases and performance of their business. Although dashboard indicators will be unique to each business, we will present a few performance indicators in the next section that Canadian entrepreneurs can use for comparison purposes.

17 Excerpt from *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal*, R. Simons, Harvard Business School Press, 1995.
18 Davila et al., “Building Sustainable High-Growth Startup Companies: Management Systems as an Accelerator,” *California Management Review*, Spring 2010.
19 Sadun et al., “Understanding Management’s Value: Why Do We Undervalue Competent Management?,” *Harvard Business Review*, September-October 2017

Are the management practices of Canadian SMEs up to par?

Convinced of the importance of high-quality management systems and operational excellence in achieving entrepreneurial success, researchers affiliated with the Centre for Economic Performance at the London School of Economics wanted to demonstrate their importance empirically. To do so, between 2002 and 2015, they surveyed more than 12,000 business leaders from 34 countries on their management skills. They evaluated these skills on four dimensions:

1 **Operational management**

Using simplified processes based on the lean management method[20]

2 **Monitoring performance**

Documenting processes, and implementing and monitoring performance indicators

3 **Establishing targets**

Choosing targets and the time horizon, aligning strategies and employee objectives, clarifying objectives and measures used

4 **Managing talent**

Excellence and ambition of senior management, performance management, developing and retaining talent

This data enabled researchers to establish a link between managerial excellence and the productivity, profitability, growth and longevity of businesses. They were also able to demonstrate a link between the performances of businesses and the economic performance of countries.[21] The gap in managerial performance appears to be correlated with GDP per capita.[22]

20 According to the Lean Enterprise Institute, lean processes involve creating more value for customers with fewer resources. A lean organization understands customer value and focuses its key processes to continuously increase it. The ultimate goal is to provide perfect added value to the customer through a process that has zero waste.

21 N. Bloom et al., *The New Empirical Economics of Management*, Centre for Economic Performance, April 2014

22 London School of Economics, *Management Matters: Manufacturing Report 2014*.

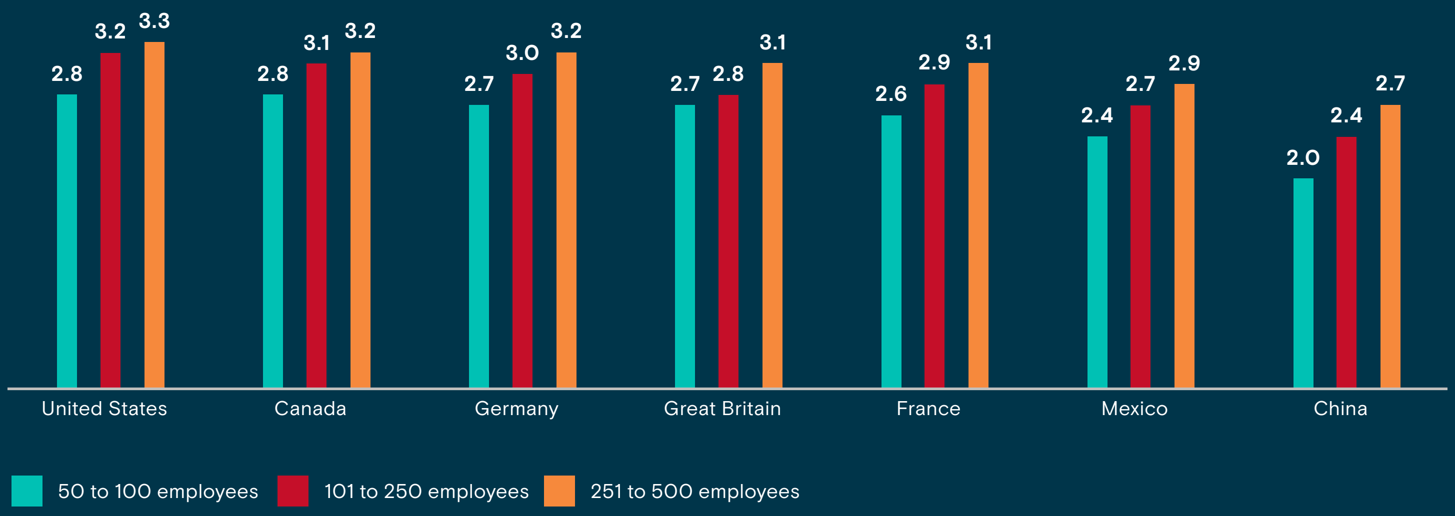
How do Canadian businesses stack up?

We were able to obtain the data from this survey related to the leaders of Canadian SMEs in the manufacturing sector. This allowed us to compare their management skills with those of entrepreneurs in the same sector in other countries.

Canadian business leaders in the manufacturing sector perform slightly worse than those in the United States, but they rank higher than their competitors in other countries. Part of the gap in productivity between Canadian and U.S. businesses may be explained by differences in managerial skills.[23]

Figure 18 – Leaders of Canadian SMEs in the manufacturing sector rank fairly well with regard to managerial skills

Global comparison of the managerial skills of businesses in the manufacturing sector according to size



Source: World Management Survey, 2002–2015

23 Institute for Competitiveness and Prosperity, *Management Matters*, Working Paper 12, March 2009.

> “I was tired of turning over dollars—growing and making a good income but not really a high profit. We needed to focus.”

Case study
WG Pro-Manufacturing

How to reduce risk by planning your growth

Karl Wirtz is the owner of WG Pro-Manufacturing. Based in Brampton, Ontario, his business packages products on behalf of manufacturers and also operates a bakery. He now employs 245 workers and generated sales of about $16 million in 2017 from five production locations.

In recent years, Wirtz launched a number of growth initiatives, including purchasing the bakery and targeting the U.S. market for its wares. He's also opened a new packaging plant in Calgary to serve the western Canadian market.

He's found the confidence to make these bold moves by carefully researching the best growth opportunities available to his company and then planning how to capitalize on them. He's done so by following a methodology devised by BDC's Growth Driver Program, which is designed to help ambitious CEOs like Wirtz grow their companies faster and better.

“I was tired of turning over dollars—growing and making a good income but not really a high profit. We needed to focus,” he says.

As a first step, the BDC team researched the company, its industry and potential avenues for growth. Wirtz and his senior managers then participated in a series of workshops that helped them come up with 10 top growth opportunities.

Create a plan

After more research and discussion, these were winnowed down to the three most promising options:

- targeting the U.S. market for WG's baked goods, especially to benefit from its capability to produce nut-free products
- growing WG's co-packing business in the underserved western Canadian market rather than in Ontario, where it is already strongly positioned
- increasing its business in co-packing for export to the U.S., allowing customers to benefit from Canada's lower dollar, skilled labour and cross-border access

These initiatives form the backbone of a three-year strategic plan that will guide WG Pro-Manufacturing. The company is now implementing its first-year action plan with such moves as hiring a U.S. sales director and opening the plant in Calgary. Senior management has a series of milestones and key performance indicators to monitor progress and make adjustments as necessary.

Get outside help

Wirtz encourages other entrepreneurs to get outside advice on planning their company's growth.

"Entrepreneurs tend to think they can do everything," he says. "But if you take a serious, hard look at yourself, you will quickly know where you're strong and where you're weak. Surround yourself with good-quality people who will make you stronger in areas where you are weak."

Scott Lewis
Managing Director
Growth & Transition Capital,
BDC Capital

Expert opinion

Most entrepreneurs dream of watching their business grow. But that dream can quickly turn into a nightmare if you haven't formalized your business processes.

As a business expands, it becomes increasingly difficult to manage using informal and unwritten rules kept in your head. A lack of processes and automated systems can also make it harder to sell your business when the time comes.

"Many companies run into trouble because their management practices and systems don't keep pace with the demands of a growing business," Lewis says. "Can your business run without you? If the answer is no, it's time to establish repeatable processes that will allow you to scale up."

Lewis offers the following tips for entrepreneurs that want to create processes to position their business for sustained growth.

1

Review your workflow

The first step is to have someone interview everyone in the company about how they do each step of their job, starting with you as the owner. Next, work out an optimal workflow for each area of your company, including your own responsibilities. For guidance, look at best practices in other businesses.

It's worth considering hiring an outside consultant, who can bring a fresh, expert perspective to this work.

2

Document your processes

Now, document in detail the optimal processes you've identified—ideally, in an electronic form. A digital version of your processes will allow you to update them constantly.

You can use free sharing applications such as Google Docs and Evernote, or business process management software, which can offer additional features such as a dashboard, alerts and workflow scheduling.

3

Train employees

Next, train your team to ensure they know the processes and execute them consistently. You should regularly inspect work to make sure it's done as documented. Put a senior manager in charge of ensuring compliance with processes and updating them.

4

Get leaner

Remember that the ultimate goal is to simplify your business processes so you can provide more value to customers. This goal is achieved by identifying and eliminating sources of waste in your operations.

Continually analyze your processes to look for steps you can do more efficiently or automate. Automation can improve efficiency, reduce errors, help your business run better and boost its value. Consider bringing in an operational efficiency expert to assess your company and help you make improvements.

5

Foster a self-reliant business

Review your business to identify areas where it is too reliant on you, an employee, a supplier or a customer. Such overdependence makes you vulnerable in case of a disruption.

Most entrepreneurs in growing firms eventually have to delegate more of their responsibilities to key managers. "Hire good people and trust them," Lewis says. "Let your people work, while you spend more time thinking about your strategic focus and your next moves."

6

Line up your financing early on

You can't scale up your business without making investments. However, many entrepreneurs make the mistake of waiting too long before lining up financing for their projects. That can put a heavy strain on the management team and delay your plans. Instead, approach lenders well ahead of time to explore your options.

"Consider funding requirements early in the process and ensure you have a back-up plan," Lewis says. "As well, make sure you identify and secure strategic partnerships early on so they are ready to go once you do decide to start growing your business."

Conclusion

Top-performing SMEs are more productive, invest and export more, pay better wages and carry less debt than other businesses.

This study presents the characteristics of top-performing SMEs in their sector and some of their business strategies. It is based primarily on an analysis of the data of almost 950,000 Canadian businesses provided by Statistics Canada. In addition to the business sector, the data is segmented by size based on annual sales.

An analysis of this data reveals several interesting points. First of all, top-performing SMEs in their sector are the most productive. This increased productivity is essential to the growth of Canadian SMEs. The resulting economies of scale make it possible to increase profitability. These profits can then be reinvested in machinery and equipment and, more specifically, in computer hardware and software. The latter are critical to business competitiveness as the economy becomes increasingly digitized.

Next, top-performing SMEs invest more than their peers in intangible assets, such as R&D and patents. These investments enable them to be more innovative, which is another important vector in becoming more competitive.

Moreover, top-performing SMEs have the capacity to better compensate their employees. This factor cannot be ignored, given current labour shortages, since competitive compensation is a key factor in attracting and retaining skilled employees.

In addition, top-performing SMEs export more proportionately and more intensively. They are also less dependent on a single, foreign market, thereby limiting economic and geopolitical risks.

Lastly, top-performing businesses carry less debt than other businesses, giving them more leeway to invest in growth projects.

Overall, this study highlights the fact that some SMEs are extremely competitive compared to others. Managerial skills are clearly behind the strong performance of these businesses. Unfortunately, only 4% of SMEs match this profile. There is no doubt that if more Canadian businesses followed in the footsteps of the top performers, our economy would be in better shape. And, consequently, the standard of living of all Canadians would improve.

Methodology

This study began with a review of the literature on business growth, in particular the literature on internal factors, which business leaders are able to better control.

Interviews with entrepreneurs who have succeeded in guiding their businesses through the many stages of growth enhanced this first step.

We also interviewed several experts to determine the relevance of the data reported in this study and to supplement the data with some of the insights they have gained professionally.

Lastly, the performance indicators presented as part of this study come from the data files provided by Statistics Canada's Canadian Centre for Data Development and Economic Research (CDER). The CDER is the repository for business microdata and economic microdata files. These files contain enough details to allow researchers to undertake analyses of the dynamics of Canadian businesses.

At the request of BDC, the CDER provided certain specific, anonymous tax data on almost 950,000 Canadian businesses based on two lines of analysis:

- the sector
- the size of the business based on sales

The sector is identified using the two-digit industry code of the North American Industry Classification System (NAICS) Canada 2012, to which we added the information and communications technology sector (ICT).[24]

The data was also divided into the following three groups according to the average annual sales generated between 2013 and 2015.[25]

- **small businesses:** Less than $2 million
- **mid-sized businesses:** $2 to $10 million
- **large businesses:** Between $10 million and $100 million

The author, and not Statistics Canada, bears full responsibility for any error that may have occurred inadvertently with respect to the data presented in this report. The reader bears sole responsibility for using the information contained in this report.

24 The ICT sector was defined by grouping together the following NAICS codes: 4173, 45411, 5112, 51219, 5182, 51913, 51791, 51721, 5415 and 8112.

25 Most recent data available.

Appendix

Tables of key performance indicators by size and sector (average 2013-2015)

Small businesses (less than $2 million in annual sales)

	Average annual sales		Median profit margin (net income before taxes divided by sales)		Profit margin growth rate (CGAR)	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	$459,356	$257,870	38%	6%	-3%	37%
Mining, quarrying, and oil and gas extraction	$385,134	$320,206	39%	9%	1%	31%
Construction	$599,039	$452,516	21%	3%	5%	35%
Manufacturing	$773,949	$559,248	17%	1%	14%	30%
Wholesale trade	$748,148	$586,104	17%	1%	15%	44%
Retail trade	$778,438	$601,148	11%	1%	16%	37%
Transportation and warehousing	$407,487	$322,417	19%	3%	8%	29%
Information and cultural industries	$519,075	$368,279	31%	3%	15%	43%
Finance, insurance, real estate and rental and leasing	$509,835	$218,052	—	9%	-5%	41%
Professional, scientific and technical services	$407,841	$270,235	46%	10%	3%	27%
Management of companies and enterprises	—	—	—	13%	23%	66%
Administrative and support, waste management and remediation services	$557,937	$399,774	24%	3%	8%	35%
Arts, entertainment and recreation	$413,639	$358,737	—	—	—	—
Accommodation and food services	$721,214	$517,544	12%	0%	16%	35%
Other services (except public administration)	$582,973	$358,957	18%	2%	7%	29%
Information and communications technology	$402,817	$257,854	40%	7%	5%	30%

Average employment level (full-time equivalent jobs)		Average employment level growth rate (CGAR)		Productivity (sales per employee)		Efficiency (operating expenses/sales)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
6	5	5%	2%	$80,853	$16,241	73%	—
2	7	—	—	$185,193	$41,983	58%	—
4	4	11%	1%	$170,314	$94,894	40%	47%
6	7	12%	—	$139,087	$67,770	41%	50%
4	5	7%	—	$205,214	$111,189	42%	52%
5	6	10%	—	$151,174	$77,806	36%	38%
3	4	9%	1%	$138,175	$74,215	71%	—
3	6	6%	1%	$152,812	$51,751	65%	—
7	8	4%	1%	$74,336	$19,454	—	—
2	4	3%	1%	$163,456	$60,491	57%	—
—	13	2%	1%	—	—	—	—
6	7	11%	2%	$94,118	$38,586	59%	—
5	11	3%	2%	$84,216	$19,574	—	—
11	11	10%	1%	$65,802	$36,024	53%	61%
5	6	11%	1%	$123,648	$30,031	53%	—
3	3	7%	1%	$148,041	$76,108	62%	94%

Small businesses (less than $2 million in annual sales) - continued

	Gross profit margin (sales - cost of goods sold/sales)		Net assets in machinery and equipment per employee		Net assets in computer hardware and software per employee	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	66%	66%	$25,440	$22,566	$163	$190
Mining, quarrying, and oil and gas extraction	85%	58%	$11,576	$33 339	$272	$369
Construction	57%	44%	$5,225	$3,511	$194	$145
Manufacturing	53%	38%	$8,713	$6,352	$527	$298
Wholesale trade	52%	33%	$3,975	$3,173	$517	$368
Retail trade	46%	35%	$2,704	$1,747	$322	$231
Transportation and warehousing	85%	78%	$7,446	$8,718	$289	$189
Information and cultural industries	88%	68%	—	—	$1,693	$1,352
Finance, insurance, real estate and rental and leasing	—	72%	$5,807	$4,070	$772	$2,136
Professional, scientific and technical services	—	81%	$2,462	$1,530	$938	$717
Management of companies and enterprises	—	—	—	—	$59	$717
Administrative and support, waste management and remediation services	78%	63%	$4,610	$1,810	$370	$278
Arts, entertainment and recreation	—	—	—	—	—	—
Accommodation and food services	63%	57%	$2,853	$2,170	$107	$88
Other services (except public administration)	66%	56%	$4,234	$1,501	$307	$207
Information and communications technology	85%	74%	$1,584	$1,269	$1,334	$1,692

Net intangible assets per employee		Average employee compensation/average sector compensation		Export sales/sales		Debt ratio (total liabilities/total assets)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
$37,588	$48,829	126%	87%	—	—	47%	57%
—	—	49%	103%	—	—	41%	47%
—	—	74%	74%	14%	56%	44%	66%
$4,628	$4,253	74%	83%	93%	—	43%	66%
$467	$1,007	83%	80%	49%	—	42%	64%
$4,230	$3,082	92%	82%	12%	21%	47%	73%
—	—	73%	89%	—	—	46%	79%
$752	$1,590	92%	79%	—	—	36%	67%
$10,127	$26,437	100%	99%	—	—	—	—
$5,299	$4,417	87%	85%	40%	—	31%	49%
—	—	46%	125%	—	—	—	—
$294	$561	108%	95%	80%	—	39%	55%
—	—	102%	100%	—	—	—	—
$4,167	$2,388	105%	92%	—	—	59%	86%
—	—	102%	93%	—	—	44%	35%
$4,328	$7,880	78%	77%	18%	22%	32%	63%

Mid-sized businesses ($2 million to $10 million in annual sales)

	Average annual sales		Median profit margin (net income before taxes divided by sales)		Profit margin growth rate (CGAR)	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	$3,825,699	$4,333,717	15%	4%	—	—
Mining, quarrying, and oil and gas extraction	$4,577,016	$4,614,985	—	5%	14%	12%
Construction	$3,995,793	$4,214,323	14%	4%	5%	9%
Manufacturing	$4,486,471	$4,546,952	15%	4%	14%	16%
Wholesale trade	$4,507,708	$4,597,815	11%	3%	11%	12%
Retail trade	$4,088,229	$4,334,105	9%	2%	6%	14%
Transportation and warehousing	$4,347,255	$4,342,846	13%	3%	7%	17%
Information and cultural industries	$4,276,274	$4,254,133	—	4%	13%	18%
Finance, insurance, real estate and rental and leasing	$3,912,873	$4,125,929	—	8%	—	14%
Professional, scientific and technical services	$3,946,091	$4,004,558	22%	7%	3%	10%
Management of companies and enterprises	$4,132,727	$4,323,427	—	6%	4%	21%
Administrative and support, waste management and remediation services	$3,851,613	$4,120,360	15%	3%	3%	11%
Arts, entertainment and recreation	—	—	—	—	—	—
Accommodation and food services	$3,674,741	$3,672,672	13%	3%	11%	11%
Other services (except public administration)	$3,602,462	$3,642,775	16%	5%	1%	11%
Information and communications technology	$4,266,683	$4,342,635	—	4%	8%	13%

Average employment level (full-time equivalent jobs)		Average employment level growth rate (CGAR)		Productivity (sales per employee)		Efficiency (operating expenses/sales)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
—	—	17%	6%	—	—	45%	51%
15	18	22%	5%	$306,155	$257,985	53%	82%
15	17	21%	5%	$274,906	$251,393	29%	25%
20	26	14%	3%	$222,808	$173,267	27%	28%
12	13	13%	3%	$383,046	$361,331	27%	26%
16	19	13%	3%	$254,923	$230,124	27%	25%
20	21	20%	7%	$215,586	$211,539	57%	56%
20	27	21%	8%	$218,039	$159,417	55%	63%
56	25	14%	7%	$69,751	$167,530	—	88%
29	23	28%	8%	$137,990	$171,186	58%	64%
27	45	10%	4%	$153,949	$96,257	—	—
26	39	21%	6%	$149,126	$105,613	53%	44%
—	—	—	—	—	—	—	—
49	59	13%	4%	$75,733	$62,369	54%	52%
19	24	19%	5%	$185,330	$154,198	39%	43%
19	23	25%	9%	$221,300	$186,083	58%	62%

Mid-sized businesses ($2 million to $10 million in annual sales) - continued

	Gross profit margin (sales - cost of goods sold/sales)		Net assets in machinery and equipment per employee		Net assets in computer hardware and software per employee	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	59%	52%	—	—	—	—
Mining, quarrying, and oil and gas extraction	67%	58%	$33,594	$29,123	$260	$435
Construction	43%	29%	$8,558	$6,017	$255	$284
Manufacturing	41%	30%	$11,310	$10,831	$758	$558
Wholesale trade	36%	27%	$6,347	$4,797	$794	$764
Retail trade	35%	25%	$2,964	$2,782	$449	$327
Transportation and warehousing	69%	58%	$43,526	$6,732	$301	$336
Information and cultural industries	79%	61%	$6,685	$6,079	$5,384	$3,892
Finance, insurance, real estate and rental and leasing	89%	67%	$7,950	$10,802	$2,693	$1,119
Professional, scientific and technical services	80%	66%	$2,010	$2,704	$1,069	$1,685
Management of companies and enterprises	84%	57%	—	—	—	—
Administrative and support, waste management and remediation services	67%	46%	$7,155	$2,536	$533	$353
Arts, entertainment and recreation	—	—	—	—	—	—
Accommodation and food services	63%	54%	$3,183	$2,356	$139	$154
Other services (except public administration)	54%	45%	$5,310	$4,085	$316	$496
Information and communications technology	73%	59%	$1,231	$2,251	$2,594	$3,174

Net intangible assets per employee		Average employee compensation/average sector compensation		Export sales/sales		Debt ratio (total liabilities/total assets)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
—	—	—	—	—	—	52%	67%
—	—	87%	89%	—	—	39%	52%
$337	$134	107%	109%	11%	9%	52%	65%
$9,482	$6,201	101%	97%	41%	29%	46%	63%
$752	$1,018	107%	95%	19%	15%	35%	60%
$12,284	$7,479	117%	98%	6%	8%	48%	65%
$356	$556	105%	101%	—	30%	66%	64%
$4,304	$5,110	126%	114%	—	—	52%	68%
$8,592	$25,567	97%	100%	—	—	—	—
$14,162	$58,022	102%	114%	23%	15%	47%	46%
—	—	422%	114%	—	—	—	—
$666	$657	132%	100%	11%	68%	46%	64%
—	—	—	—	—	—	—	—
$458	$603	126%	109%	—	—	64%	74%
$260	$594	135%	134%	—	—	49%	57%
$25,117	—	110%	106%	12%	10%	49%	41%

Large businesses (between $10 million and $100 million in annual sales)

	Average annual sales		Median profit margin (net income before taxes divided by sales)		Profit margin growth rate (CGAR)	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	$19,812,906	$21,758,031	—	3%	—	—
Mining, quarrying, and oil and gas extraction	$28,679,512	$29,227,639	—	4%	-12%	22%
Construction	$23,403,416	$24,186,621	12%	3%	9%	10%
Manufacturing	$28,148,032	$27,542,384	17%	4%	26%	17%
Wholesale trade	$25,721,078	$28,250,791	10%	2%	16%	11%
Retail trade	$26,855,990	$24,960,905	5%	1%	9%	15%
Transportation and warehousing	$22,082,438	$24,552,288	11%	3%	19%	17%
Information and cultural industries	$31,000,172	$27,135,604	—	4%	18%	12%
Finance, insurance, real estate and rental and leasing	$31,130,434	$25,914,568	—	4%	-7%	19%
Professional, scientific and technical services	$25,429,656	$24,801,655	—	5%	21%	12%
Management of companies and enterprises	—	—	—	6%	-19%	22%
Administrative and support, waste management and remediation services	$25,178,977	$24,473,013	—	2%	2%	12%
Arts, entertainment and recreation	—	—	—	—	—	—
Accommodation and food services	$23,934,356	$18,684,135	—	3%	16%	13%
Other services (except public administration)	$23,144,083	$22,291,622	—	4%	6%	17%
Information and communications technology	$29,041,173	$25,912,804	19%	3%	18%	9%

Average employment level (full-time equivalent jobs)		Average employment level growth rate (CGAR)		Productivity (sales per employee)		Efficiency (operating expenses/sales)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
—	—	18%	7%	—	—	27%	29%
63	76	0%	0%	$456,863	$384,612	62%	67%
60	64	22%	7%	$391,275	$377,695	18%	17%
90	101	12%	5%	$314,291	$273,977	22%	22%
40	44	13%	5%	$638,950	$639,875	23%	19%
66	71	15%	4%	$407,034	$349,893	20%	19%
87	88	22%	9%	$254,330	$280,188	45%	46%
106	141	23%	8%	$291,149	$193,055	61%	83%
285	105	16%	9%	$109,082	$247,625	—	82%
93	125	28%	11%	$273,601	$198,587	44%	56%
652	280	21%	8%	—	—	—	—
160	231	28%	7%	$157,158	$106,047	38%	35%
0	0	—	—	—	—	—	—
461	287	20%	7%	$51,916	$65,096	68%	53%
66	113	20%	7%	$351,019	$198,024	23%	43%
90	99	23%	10%	$322,555	$260,500	43%	54%

Large businesses (between $10 million and $100 million in annual sales) - continued

	Gross profit margin (sales - cost of goods sold/sales)		Net assets in machinery and equipment per employee		Net assets in computer hardware and software per employee	
	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
Agriculture, forestry, fishing and hunting	37%	28%	—	—	—	—
Mining, quarrying, and oil and gas extraction	61%	41%	$33,686	$48,635	$566	$552
Construction	29%	20%	$12,462	$8,412	$344	$413
Manufacturing	37%	24%	$20,447	$18,480	$721	$737
Wholesale trade	31%	21%	$6,763	$6,078	$1,130	$1,129
Retail trade	23%	19%	$4,495	$3,723	$693	$393
Transportation and warehousing	56%	47%	$53,916	$11,048	$1,310	$761
Information and cultural industries	79%	60%	—	—	$2,692	$6,812
Finance, insurance, real estate and rental and leasing	88%	58%	$5,920	$16,118	$4,699	$2,305
Professional, scientific and technical services	65%	56%	$3,114	$6,779	$2,409	$2,918
Management of companies and enterprises	—	—	$39,609	$27,194	—	—
Administrative and support, waste management and remediation services	53%	36%	$6,753	$3,003	$453	$550
Arts, entertainment and recreation	—	—	—	—	—	—
Accommodation and food services	52%	54%	$1,814	$3,090	$693	$218
Other services (except public administration)	43%	45%	$10,564	$4,755	$3,906	$865
Information and communications technology	61%	51%	$2,454	$3,975	$2,276	$7,341

Net intangible assets per employee		Average employee compensation/average sector compensation		Export sales/sales		Debt ratio (total liabilities/total assets)	
High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses	High-performing businesses	Other businesses
—	—	—	—	—	—	53%	69%
$33,497	$161,386	107%	101%	—	—	44%	54%
—	—	142%	141%	9%	4%	62%	71%
$52,467	$33,279	115%	112%	55%	47%	46%	58%
$68,808	$29,152	123%	114%	21%	11%	53%	62%
$12,221	$5,630	131%	117%	4%	1%	65%	72%
$17,397	$9,408	125%	118%	8%	8%	61%	64%
$284,545	$116,982	138%	114%	—	—	33%	69%
$54,191	$58,793	113%	103%	—	—	—	—
$49,546	$53,806	141%	136%	9%	9%	46%	55%
$100,698	$102,871	149%	49%	—	—	—	—
$21,199	$15,255	119%	106%	2%	6%	48%	62%
—	—	—	—	—	—	—	—
$698	$1,648	86%	118%	—	—	46%	77%
—	—	178%	155%	—	—	—	54%
$143,143	$95,504	120%	125%	14%	6%	37%	60%

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