Staying ahead of the pack: The essentials of good business management

Pierre Cléroux, Chief Economist
2  Staying ahead of the pack
5 Do’s

Identify factors that are common to successful firms

> BDC/Neilson survey of 1,139 small and medium firms across Canada

> “Most successful firms” defined as the top 20% of firms surveyed

> “All others” are the remaining firms
Innovate–don’t rest on your laurels
Innovate–don’t rest on your laurels

> The most successful businesses offer new products and services more often
Innovate—don’t rest on your laurels

> The most successful businesses offer new products and services more often

> They adopt new technology more quickly
Innovate—don’t rest on your laurels

> The most successful businesses offer new products and services more often

> They adopt new technology more quickly

> They improve their internal processes and enhance internal efficiency
Ask for outside advice
Ask for outside advice

34%

Use of formal advisory mechanisms, such as advisory boards and consultants by successful businesses
Have a solid plan and measure your progress
Have a solid plan and measure your progress

Have a medium-term business plan with specific targets

70%

Reported having three or more metrics in place

66%
Have a solid plan and measure your progress

Communicate your plan to your employees
Hire the best and keep them engaged
Hire the best and keep them engaged

60%

Are willing to take several months longer to hire the right person
Go beyond financial compensation — employees are also looking for flexibility, trust and the chance to develop as part of a team.
Kicking Horse Coffee

- Flexible work hours and daily stretch breaks for line workers
- Introduced official fun days for kayaking, skiing or Christmas celebrations
Build strong relationships with your suppliers
Build strong relationships with your suppliers

1/3

Felt supplier relationships were vital to their success

Supplier relationships were ranked by far the most important
5 Don’ts

Identify the most common firm-specific factors and events that led 118 firms to become unsuccessful.

Average firm:

> $7.8 million in revenue
> 56 employees
> 24 years in business
Don’t rely on too few customers
Don’t rely on too few customers

Q. Can you afford to lose your biggest client?
Don’t rely on too few customers

Nearly 1 in 6 firms that ran into difficulties did so at least in part because they lost a single major customer
The Mandala Group has started to diversify its client base by partnering with smaller firms that it is helping expand globally.
Don’t underestimate the importance of effective financial management
Don’t underestimate the importance of effective financial management

Q. Do you know your cost of goods sold? Do you have cash flow problems?
Don’t underestimate the importance of effective financial management

The lack of financial management expertise is probably the single most-common factor that causes successful firms to run into difficulties.
Bonté Foods

- Restructured operations after severe cash flow problems
- Unloaded lower-margin divisions, narrowed focus
- Better manage receivables, payables and inventory
Don’t leave contingency planning until it’s too late
Don’t leave contingency planning until it’s too late

Q. Could your business continue to operate in the case of an unforeseeable event?
Don’t leave contingency planning until it’s too late

- Loss of one or two key employees
- Increase in the cost of raw materials
- Loss of a unique supplier
- Natural disasters like a fire or a flood
Don’t leave contingency planning until it’s too late

30% of firms that encountered financial difficulties reported unforeseeable events as a common source of problems.

You need a contingency plan!
Don’t ignore what’s happening in your market
Don’t ignore what’s happening in your market

Q. What will your market look like in 2, in 5 years?
Don’t ignore what’s happening in your market

Failing to adapt to market changes can cause even the most successful businesses to fall behind.
Don’t wait too long to get help
Don’t wait too long to get help

Q. Reach out regularly to people interested in the success of your business
Don’t wait too long to get help

In our sample, businesses that waited had much lower chances of success.
Thank you

Follow us:

BDC
BDC_News
#EconoBDC
BDC Entrepreneur
bdc.ca
@PierreCleroux