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Centre for Business Innovation

The Stars Come Out.

Innovation Management in Start-up Businesses

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The Stars Come Out: Innovation Management in Start-Up Businesses
Catharine Johnston

Preface

This report is the second in a series of Centre for Business Innovation (CBI) reports on innovation management. The report focuses on the unique case of start-up management. It is largely based on structured interviews with the leaders of 17 young, rapidly growing Canadian companies. Through the insights provided by these entrepreneurs, we distill key principles of start-up innovation management that other start-ups can use to succeed.

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Accessibility Officer, The Conference Board of Canada
Tel.: 613-526-3280 or 1-866-711-2262 E-mail: accessibility@conferenceboard.ca

CONTENTS

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About the Centre for Business Innovation

The mission of the Centre for Business Innovation is to help Canada advance its place as a world leader in business innovation by:

- learning why Canada is not a leader in business innovation;
- developing business strategies for firms and capital markets that will improve firm-level innovation;
- generating evidence and tracking our performance;
- helping to formulate public policies that will stimulate business innovation.

The Centre brings together a group of business, government, and academic leaders to provide guidance; review the findings of the Centre's in-depth, comprehensive, and objective research; build a shared understanding of the problems and solutions; and advise on disseminating results to firms for uptake and implementation, and to governments to help inform their policies and programs.

Launched in February 2012, CBI actively engages private and public sector leaders in developing a framework for a Canadian innovation development and productivity growth strategy. Business firms, as well as federal and provincial organizations, have invested in the project, providing valuable financial, leadership, and expert support. The Conference Board of Canada is grateful to the investors in the Centre for Business Innovation for having made this report possible, including:

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EXECUTIVE SUMMARY

The Stars Come Out: Innovation Management in Start-Up Businesses

At a Glance

- Canadians start over 140,000 businesses every year. Yet, very few of these businesses achieve rapid growth based on innovation.
- This report is based on interviews with leaders from 17 young, rapid-growing, innovative Canadian companies. The experience of these companies forms the basis for our insights into innovation management for start-up businesses.
- We find that innovative start-ups are driven by visionary, ambitious leaders. Innovation tends to be a passion of the leaders. The main management challenge facing these companies is to adapt their management system as their company grows.
- This report demonstrates how innovative start-ups begin their journey and adjust their management systems as they grow.

Every year, approximately 140,000 new businesses open their doors in Canada. Clearly, interest in starting small business enterprises is alive and well in Canada. Of these companies, only a very small fraction ends up making a significant impact on the economy through their innovation and growth.

Hence, understanding successful start-ups requires dissecting the ingredients of the most successful young companies. Simply reviewing the characteristics of young companies does not help because so few companies are successful, fast-growing start-ups. That explains why we take the approach of looking, in detail, at 17 innovative, fast-growing Canadian start-ups.

It's All About the Founder

One of the key challenges in innovation policy is to encourage more entrepreneurs to innovate and start successful businesses. Yet our report finds that the factors that go into making a successful entrepreneur are highly idiosyncratic. Their choice of entrepreneurism is often made in their formative years by observing favourable role models.

Successful founders:

- are incredibly bold, visionary, and tenacious;
- exude confidence, passion, and excitement;
- are charismatic, which attracts people to them who want to join their team;
- make things happen and are prepared to fail in order to be hugely successful;
- are not constrained by what has been done before;
- never mistake the rut in the road for the horizon.

Start-ups founders are much more likely to be highly independent and have an enduring need to control their own destiny. They want to make a significant impact. It is these personal characteristics that drive them and their business to be successful.

Innovation Drives Market Entry and Growth

In start-ups, great new ideas are driven more by internal sources—leaders, managers, employees, and R&D—than by the demands of competition or supply chains. These companies and their leaders are vanguards in new businesses and in new markets. Unlike established businesses, the majority of the innovation carried out in these start-ups is business model and organization innovation. In many instances, start-ups are involved in creating industries that did not previously exist.

Management System Evolves as Company Grows

Although all young companies face business challenges, fast-growing innovators are much more likely to be victims of their own success. In the early stages, these companies may have difficulty attracting customers. But, once the customers begin to embrace the company's product/service, growth happens very quickly and in unpredictable ways. This stresses the company's management systems. Getting through these periods of extremely rapid growth is key to determining which start-ups survive versus which fail.

Rapidly growing companies are more likely to face financial challenges. Their growth simply requires a higher level of capitalization that cannot be funded through their own resources or simple commercial loans from banks. Successful start-ups are able to blend multiple sources of funding, both private and public, to keep business afloat through stressful financial periods.

In innovation parlance, start-ups are good at commercialization.

The start-ups interviewed for this report found that circumstances led them to formalize their management systems for a variety of reasons. First, in seeking customers or external capital, the companies found that they needed to clearly, concisely, and coherently describe their business and their markets. Having the ideas in their head was insufficient to attract potential long-term customers or investors. All of the companies quickly realized that one of the keys to their success was attracting and retaining top talent. Many of these people were young, and initially valued the informal management system and the thrill of being in on the ground floor. As the companies grew in size and started to make money, they began to look for and expect some form of formal contracting with their employees and to share the wealth.

The difference between successful start-up businesses and other new businesses is that start-ups are able to move from an idea for a business to a successful execution of the idea. In innovation parlance, start-ups are good at commercialization.

The companies in this report all use metrics to gauge progress. Some put metrics in place from the outset, while others waited for some time before spending resources to formalize the measurement. Research has found that start-up companies that track metrics average a monthly growth rate that is seven times greater than companies that do not track metrics. Those firms that have metrics in place are 60 per cent more likely to raise funds than companies that don't track metrics.[1]

1 Merner and others, *Startup Genome Report*, 10.

CHAPTER 1

Introduction

Chapter Summary

- Every year, approximately 140,000 new businesses open their doors in Canada.
- Only a small fraction of these businesses end up making a significant contribution to Canada's economy through innovation and growth.
- This report focuses on Canadian companies that use innovation as the basis for rapid growth.
- The report distills key lessons from these companies that can be used by other Canadian start-ups to improve their innovation management.

Every year, approximately 140,000 new businesses open their doors in Canada.[1] Clearly, interest in starting small business enterprises is alive and well in Canada. Yet the greatest benefits for the economy are realized when entrepreneurs combine growth ambition, innovation, and managerial competence in the companies they start. It is these companies that end up having the largest impact on the economy over time.

In 2012, the Institute for Competitiveness & Prosperity produced a report called *Small Business Entrepreneurship and Innovation*. The report draws the connection between innovation and prosperity and Canada's small and medium-sized business sector. It distinguishes between small companies and entrepreneurial companies. "Most smaller firms have ongoing steady operations that do not grow. Some, however, stand out as they bring special talents and skills to develop innovative products, services, or business processes to achieve a competitive advantage that fuels their business growth. Both types of firms began as start-ups. But the economic impact of smaller businesses and entrepreneurial businesses differ. Smaller firms make up a large part of our economy and are important elements in our day-to-day well-being. They provide critical support to our larger firms. Entrepreneurial firms stimulate competitive intensity in our economy and are the source of our economy's future success."[2]

Much of the solution to Canada's weak business innovation performance will come from increasing the number of innovative and managerially sophisticated start-ups. In our earlier report on start-up finance, we noted that capital markets reserve the term "start-up" for fast-growing innovative companies. The growth ambitions of start-ups distinguish

1 Statistics Canada, CANSIM table 527-0001.

2 Institute for Competitiveness & Prosperity, *Small Business Entrepreneurship,* 12, 13.

them from the vast majority of new businesses, whose growth is constrained either by the nature of the product or by the potential market. Of the 140,000 new businesses created in Canada each year, only a small number qualify as start-ups in this sense. Statistics Canada says that "about 20,000 new firms annually have modestly ambitious growth plans."[3]

Industry Canada goes beyond the "modest-growth plan" categorization and defines high-growth companies as those with annual growth, either in employees or in sales, greater than 20 per cent a year over a three-year period. In 2004, about 4 per cent of Canadian firms were classified as high growth in terms of employment and 8 per cent qualified as high growth in terms of sales.[4]

Although it is difficult to put a precise figure on the number of start-ups, it is certainly extremely small compared with the total number of new businesses.[5] This report highlights the experiences of very high-growth Canadian start-ups—the "hyper growth" companies—and how they manage innovation.

Research shows that two major distinguishing characteristics of high-growth small enterprises are export orientation and innovation capabilities, including their effective exploitation of intellectual assets, active networks, and adequate finance.[6]

Method: Focusing on Start-Ups

In this report, we use two methods to focus in on true start-up innovators in Canada. We parse data from The Conference Board of Canada's Centre for Business Innovation's (CBI) Innovation and Canadian

3 Grant, *Start Me Up,* 24.

4 Industry Canada, *The State of Entrepreneurship,* 10.

5 Grant, *Start Me Up,* 24.

6 OECD, *A Framework for Addressing and Measuring Entrepreneurship*.

Business Survey 2014 to get a better understanding of the number and operating characteristics of fast-growth young companies. (See box "About the CBI's Innovation and Canadian Business Survey, 2014.")

About the CBI's Innovation and Canadian Business Survey, 2014

In May and June of 2014, the Centre for Business Innovation worked with Forum Research, a leading Toronto-based survey company, to design and execute a random stratified survey of Canadian businesses in order to understand the relationship between innovation and business performance. This survey builds on the previous CBI survey, Innovation Metrics and Management (2012).

The stratified random sample design was used to ensure coverage of Canadian businesses by size and sector. A purely random survey would have a high probability of a disproportionate number of responses from small businesses and service businesses. Small businesses (defined by Statistics Canada as those with less than $25 million in revenue) account for over 99 per cent of all business establishments in Canada.[7] Service businesses account for about 70 per cent of business enterprises.[8] But much innovation is conducted by larger businesses (at least in terms of research and development activity) and non-services businesses. Hence, we oversampled medium- and large-sized businesses and non-service businesses to ensure that we would capture the crucial innovation activities of these businesses.

We received 1,102 responses to our survey. Using Statistics Canada's nomenclature, the distribution of our responses is 90.5 per cent small (under $25 million); 6.4 per cent medium ($25 million and over, but less than $75 million); and 3.1 per cent large ($75 million and over). Aggregate survey findings are considered accurate +/– 2.95 per cent, 19 times out of 20. Subsample results have larger margins of error.

We compared our top-level findings with Statistics Canada's recently released, large-scale *Survey of Innovation and Business Strategy*. For example, in the

7 Statistics Canada, CANSIM table 179-0005.

8 Statistics Canada, CANSIM table 527-0001.

Statistics Canada survey, 63.5 per cent of respondents describe themselves as innovative, which is very close to the 63 per cent who describe themselves this way in the Conference Board's survey.[9]

Second, we selected a number of successful start-ups to participate in interviews to learn first-hand about their founders and the management systems they have employed in order to be successful. We started with a list of a few hundred potential candidates—who were award winners for entrepreneurship, growth, and/or innovation—to participate in this research. We further refined this list using the high-growth and innovation criteria. And, in the end, 17 founders agreed to participate in the study. We wanted to interview the people who were responsible for these highly successful start-ups to understand how they had managed to make it happen. (See "Interview Participants" below for a list of founders and their companies, and Appendix A for more detailed company descriptions.) The in-depth interview method helps us to understand which managerial characteristics underlie fast-growth start-up companies.

Interview Participants

- Tony Abou-Assaleh, TitanFile
- Martin-Luc Archambault, Wajam
- Travis Blake, R3 Deconstruction & Demolition Inc.
- Stuart Bowness, MediaCore
- Simon De Baene, GSoft
- John DeHart, Nurse Next Door
- Jason Flick, You.i Labs Inc.
- Tharwat Fouad, Anubis Manufacturing
- Shelley Kuipers, Chaordix
- Krista LaRiviere, gShift Labs

9 Statistics Canada, CANSIM table 358-0221.

- Carol Leaman, Axonify
- Davis McGregor, Mobile Data Technologies
- Aman Mann, Procurify
- Shanu Mohamedali, Smoke NV
- Alkarim Nasser, BNOTIONS
- Byron Osing, Calgary Scientific Inc.
- Neil Simmonds, Corvus Energy

Source: The Conference Board of Canada.

The 17 companies selected for participation in this study qualify as true start-ups, as they far surpass the 20 per cent sales growth threshold suggested by Industry Canada for high-growth companies. The lowest average (over three years) sales growth for the interviewed companies was 70 per cent per annum, while the highest was 1,000 per cent. (See Table 1.) By any measure, these are hyper-growth companies.

Table 1

Interviewed Companies Annual Revenue Growth Over Previous Three Years

(number, n = 16)

Between 70 and 200 per cent	3
Between 201 and 400 per cent	5
Between 401 and 600 per cent	4
Between 601 and 800 per cent	1
Over 800 per cent	3

Note: One company declined to provide specific data.
Source: The Conference Board of Canada.

But we are not simply interested in fast-growing companies; they also need to be fast-growing innovators. Industry Canada states that a "high growth rate indicates exceptional innovativeness."[10] The CBI survey gauged the willingness of businesses to invest in innovation.

10 Industry Canada, *The State of Entrepreneurship,* 10.

We asked respondents in young companies (less than 10 years old) how they would spend additional funding equal to 10 per cent of their previous year's sales. (See Table 2.) Faster-growing companies were 50 per cent more likely than slower-growing companies to use all of the money to fund innovation projects. Slower-growing companies were 66 per cent more likely than faster-growing companies to spend all of the money for purposes other than innovation. This says a lot. Faster-growing companies are more willing than slower-growing companies to invest in innovation—in other words, fast-growing and innovation go hand-in-hand.

Table 2

Use of Money to Fund Innovation Projects

(percentage of companies < 10 years old; n = 125)

	Slower-growing (annual revenue increase < 20 per cent) n = 47	**Faster-growing (annual revenue increase > 20 per cent) n = 78**
Use all the money to fund innovation projects	21.3	29.5
Use part of the money for innovation projects and part for other purposes	42.6	48.7
Use all of the money for other purposes	36.2	21.8

Note: Young companies (less than 10 years old) were asked the following question: " What would the leadership of your company do if someone gave your company a cash infusion equal to 10 per cent of your previous year's sales?"
Source: The Conference Board of Canada.

Other CBI research has found that "innovation is a start-up's essence. Start-ups are unlikely to grow quickly unless they introduce products or services that are significantly better or different from those of existing companies. They also need to be extremely adept at marketing because they may need to ask customers to switch from existing providers or try something new—their product. Finally, if they succeed, they need to be able to scale their business model while maintaining customer satisfaction. Hence, a start-up needs multiple kinds of innovation capacity to be successful."[11]

A way to gauge whether a company is innovative is its self-declared innovativeness. The CBI survey found that approximately 30 per cent of young companies (less than 10 years old) admitted that they had not innovated in the past three years. (See Table 3.) As the questionnaire was primarily a survey of owner/operators who are intimately familiar with their company's operations, we can take them at their word when they say their companies are not innovative.

The CBI survey results also indicate that the fastest-growing companies (greater than 20 per cent annual revenue increase) were 30 per cent more likely to have innovated in the past three years.

Table 3

Has Your Business Innovated in the Last Three Years?

(percentage of respondents answering "yes" or "no"; n = 135)

	Slower-growing (annual revenue increase < 20 per cent) n = 52	**Faster-growing (annual revenue increase > 20 per cent) n = 83**
Yes	59.6	77.1
No	40.4	22.9

Source: The Conference Board of Canada.

The Institute for Competitiveness & Prosperity concluded that public policy-makers should avoid overemphasizing the importance of all small businesses. Instead, they should be helping, where necessary and possible, the entrepreneurial, high-growth, high-impact firms with the potential to become strong global players.[12]

11 Grant, *Start Me Up,* 11.

12 Institute for Competitiveness & Prosperity, *Small Business Entrepreneurship,* 7.

About This Report

Canada clearly has many small businesses. What it lacks is sufficient numbers of innovative, fast-growing start-ups. The premise of this report is that fast-growing start-ups are distinguished by the strength of their management. To understand these approaches, we interviewed 17 young (less than 10 years old), innovative, Canadian start-ups that have a proven track record of hyper-growth and have achieved it through significant innovation.

We set out to research young, innovative start-ups and to interview their founders about the challenges they faced in starting up their businesses and how they managed these challenges. We also wanted to understand the profile of these founders and why and how they decided to build a high-growth innovative company. It is our intention that others contemplating a start-up can learn from these founders' experience.

In Chapter 2, we point to the key challenges facing these unique companies. In Chapter 3, we discuss the founders' background, attitudes, and behaviours that are key to understanding why some small businesses pursue rapid growth. This is followed by chapters on funding, exploiting opportunities, and management systems. We conclude the report with a chapter on key takeaways.

CHAPTER 2

The Challenge of Success

Chapter Summary

- Rapidly growing companies are driven by their leaders to embrace global markets and competition. The leaders' ambitions drive business strategy.
- Fast-growing innovators are more likely to face financial challenges as they grow.
- These companies are often the victims of their own success. Growth can emerge in sudden and unexpected ways, which stresses their management systems.
- Successful start-up companies are those that are able to adjust their management systems to build enduring relationships with customers.

Two common assertions to explain Canada's lack of commercial innovation are that Canadian companies are more risk averse and set their sights on competing in Canada as opposed to globally, and consequently realize less growth.

Shelley Kuipers, founder of multiple technology start-ups, including Calgary-based Chaordix, agrees. "I do not think that Canadian companies operating only in Canada need to compete to the same level as other global companies and so are not as innovative when looking at ways to build brands or use technology," she says. Companies outside of Canada are under pressure to be more innovative. Kuipers cites the example of the telecommunications and banking industries in Canada, which have very little competition. "We are very comfortable as Canadians. Innovation at home is different from commercializing innovation for a global market. Canadians are averse to being vulnerable, which is necessary if you want to compete on a global level."[1]

This resistance to global ambition is not the case for the majority of companies interviewed for this report. There is evidence that international ambitions, at least in part, contribute to rapid growth and innovation. For example, evolving digital and cloud-based platforms have allowed service companies such as Chaordix to pursue global markets like never before.

Another example of a company that has been challenged and spurred on by global markets is gShift. Its sales outside of Canada comprise 70 per cent of its total sales, even though the company was only founded in 2009. Its presence in global markets means that it is up against global, not local, competitors and so must compete against the best in the world, which both helps and forces the company to be better.[2]

1 Shelley Kuipers (Founder and Chief Evangelist, Charodix). Interview by Catharine Johnston, July 2014.

2 Krista LaRiviere (Founder and CEO, gShift). Interview by Catharine Johnston, July 2014.

Most of the start-ups interviewed for this report are truly global and earn a significant share of their revenue from outside Canada.

Technology companies in Canada appear to be spreading their wings and going beyond national borders, which will help their competitiveness. A 2014 PwC survey of CEOs of young technology companies in Canada found that 62 per cent of the companies' revenue was from Canada, down from 68 per cent the previous year. This indicates that these companies are less Canada-centric. The survey also found that the proportion of the companies' revenue from outside of the U.S. and Canada was 14 per cent in 2014, up from 9 per cent the previous year. Their strategy is to grow beyond Canadian and, in some instances, U.S. borders and become more international.[3]

Most of the start-ups interviewed for this report are truly global and earn a significant share of their revenue from outside Canada. (See Chart 1.) Mobile Data Technologies' exports are 63 per cent of its sales. It primarily targets U.S. customers and has set up a facility in Texas to support those efforts. All of MediaCore's, Corvus Energy's, and Chaordix's revenue is from outside of Canada. Calgary Scientific founder, Byron Osing, knew from the beginning that his company had a global opportunity and so needed global partners. In recognition of this, Calgary Scientific opened offices in China and Europe in 2014.[4]

In 2013, EY published the results of its G20 Entrepreneurship Barometer.[5] The model is composed of qualitative information (from a survey of more than 1,500 entrepreneurs) and quantitative data based upon entrepreneurial conditions across the G20 economies. The purpose of EY's research was to assess the environments of the G20 countries in which entrepreneurs operate. The company's assessment is based on five pillars. (See box "EY Entrepreneurial Development Framework".) The focus of the company's study was entrepreneurship rather than

3 PwC, *Building Tomorrow's Giants, 8.*

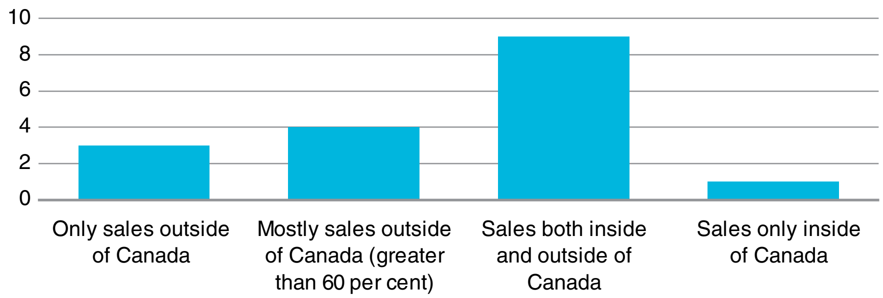
4 Byron Osing (Co-founder and CEO, Calgary Scientific Inc.). Interview by Catharine Johnston, June 2014.

5 EY Entrepreneurship Barometer, *The Power of Three*. For each pillar, excluding coordinated support, this information is weighted 50–50 between qualitative and quantitative inputs. For coordinated support, given a lack of quantitative indicators, this is based solely upon the survey responses.

Chart 1

Sources of Revenue: In-Canada Sales Versus Sales From Outside of Canada

(number of companies, n = 17)



Source: The Conference Board of Canada.

high-growth innovation. Given that there are overlaps between definitions of entrepreneurship and high-growth innovators, the EY study sheds some light on the macro state of entrepreneurship in Canada.

Canada placed in the top quartile overall across all five pillars. Our top scores were in Tax and Regulation, where Canada placed 2nd; Entrepreneurship Culture, where Canada placed 3rd; and Access to Funding, where we placed 4th. We were in the bottom half in Education and Training, where we placed 9th, and Coordinated Support, where Canada ranked near the bottom of the G20 at 16th.

EY Entrepreneurial Development Framework: Five Pillars That Foster Entrepreneurship

1. **Access to funding**

   Seed

   Start-up

   Expansion

   Growth capital

2. **Tax and regulation**
   Taxation incentives
   Ease of starting a business
   Business-friendly legislation/policies
3. **Education and training**
   Pre-university education
   University education
   Entrepreneurship-specific training
   Informal education/lifelong learning
4. **Entrepreneurship culture**
   Tolerance of risk and failure
   Preference for self-employment
   Innovation and research culture
   Celebration of self-made wealth
5. **Coordinated support**
   Mentors, advisors, networks, and clubs
   Business incubators, clusters, parks, business centres

Source: EY G20 Entrepreneurship Barometer 2013.

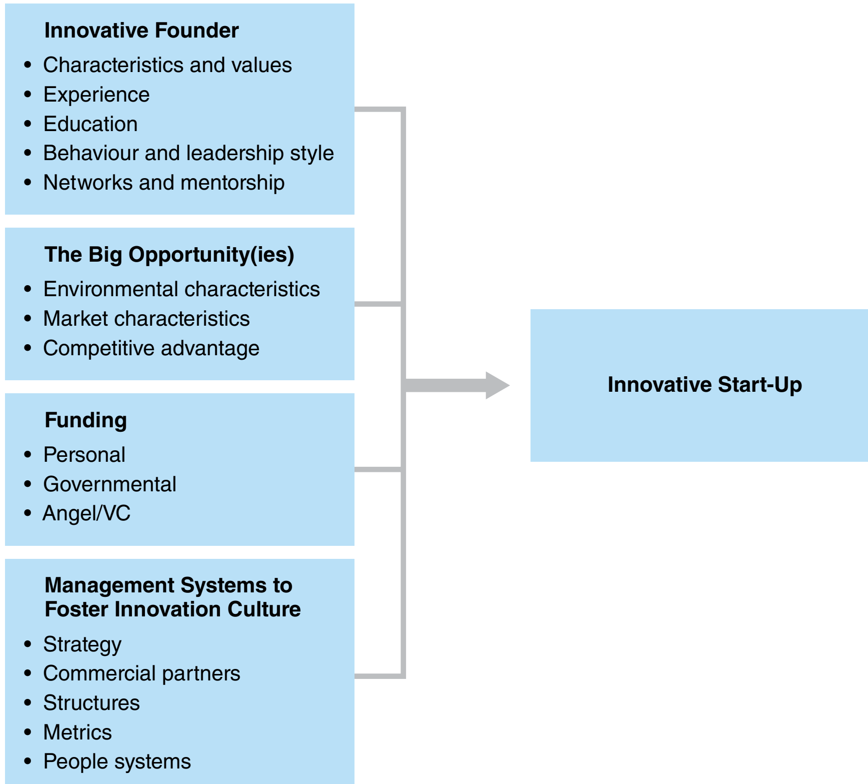
Some of the EY critical success pillars, such as culture and funding, were similar to what we heard from interviewees, but the start-up founders highlighted other critical factors. Exhibit 1 describes what we learned from these companies about the elements of a successful start-up.

There are four critical factors for start-ups.

First and foremost it takes an innovative founder. We found that the pre-business life experiences of founders had a powerful influence on their approach to management. Our report paints a picture of courageous, determined, and committed people who have been able to envision and start a thriving enterprise.

Second, a founder must see large opportunities in terms of product or service, delivery process, and/or markets. Those we interviewed have all come to understand that start-ups can only be successful if they solve a customer's problem. A new piece of equipment or new

Exhibit 1
Framework for Start-Ups' Success



Source: The Conference Board of Canada.

technology does not guarantee success. Many of the interviewees were serial entrepreneurs and had started successful companies—several times. They had repeated this success by identifying and seizing major opportunities within their existing companies.

Third, all the interviewed founders (and much of the literature on start-ups) talk about the challenge of raising sufficient funds to commercialize ideas. In all cases, the first step is putting up their own capital. The second, for many, is availing themselves of government funding and then, for some, going to third-party angel or venture capital (VC) investors.

Finally, with idea and money in hand, the founders described what they have been doing to take their ideas from the drawing board to the customer. Their management systems include various means to plan and execute their strategy and to build enduring, loyal relationships with their customers. The resultant company culture is quite different than in most established companies, in that it encourages innovating behaviours from all employees.

Each of these factors is explored in detail below, using examples from the 17 companies interviewed to illustrate.

Start-Ups' Biggest Challenges

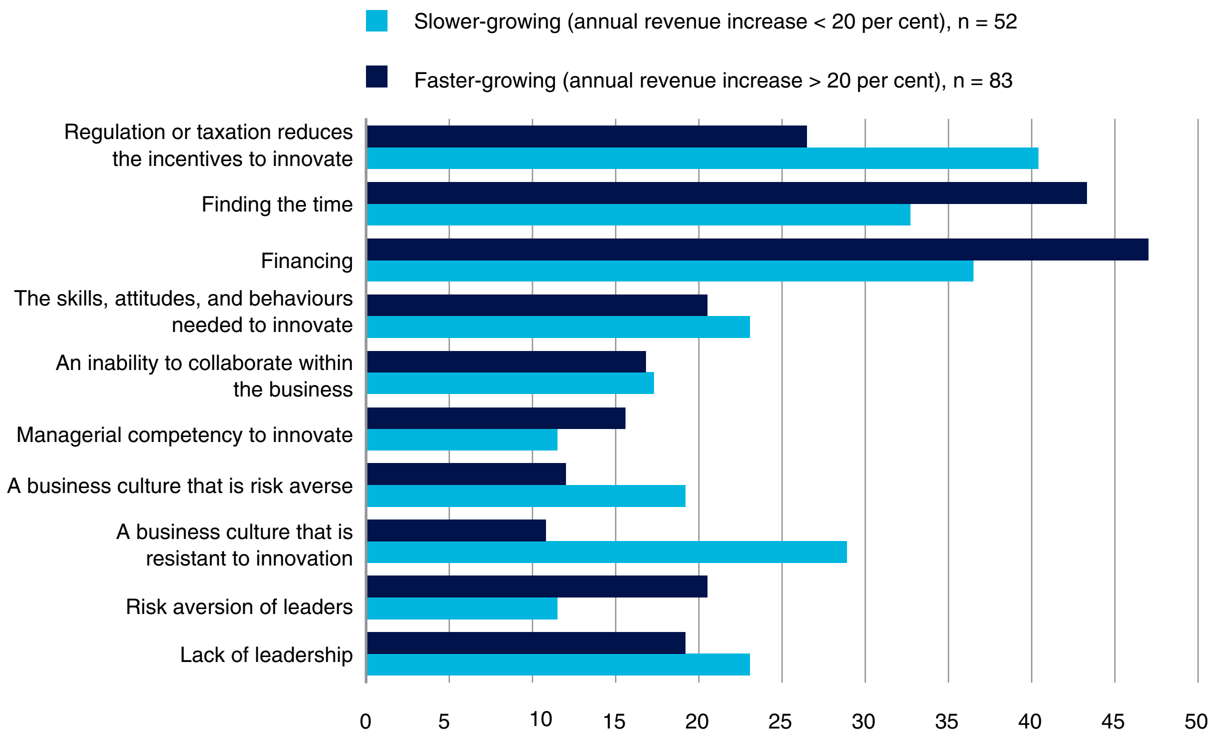
New innovative companies face numerous constraints. To get an idea of these, our 2014 survey asked businesses less than 10 years old about their innovation constraints. (See Chart 2.) The results show that there are significant differences in responses between fast- and slow-growing young companies.

The most critical constraints for fast-growing companies are financing and finding the time to innovate—a full 10 percentage points higher in both areas than for the slower-growing companies. Since they are growing faster, the demands on their time and on their financing are greater than for slow-growing companies. The next major difference is that more than 40 per cent of slower-growing companies report that regulations or taxation is a major or critical constraint; 15 percentage points higher than for faster-growing companies. This is logical, as many taxes and regulations act like a fixed cost on business and therefore disproportionately impact companies with lower revenue—typically, the slow-growth companies. Moreover, slow-growing young companies are much more likely to indicate that their business culture is resistant to innovation—a full 20 percentage points more than for faster-growing companies. They also are more likely to think that their business culture is resistant to innovation. Therefore, it is not surprising that companies with a business culture that is both risk averse and resistant to innovation are also slower-growing.

Chart 2

Companies' Major or Critical Constraints to Innovation

(percentage of companies < 10 years old; n = 135)



Source: The Conference Board of Canada.

What Interviewees Say About Challenges

We were interested in our interviewees' perspectives on their challenges. Overall, they indicated the main constraints to be funding, building markets, attracting and retaining excellent people, and managing the pace of change. The CBI survey provided some baseline information and the interviews were conducted to allow a much more in-depth study of these challenges for fast-growing companies. The following chapters describe how they addressed these challenges.

Shelley Kuipers, founder and Chief Evangelist of Chaordix, told us that her company faced two major challenges. First, Chaordix is an innovator in the crowdsourcing space. Its solutions are disrupting traditional market research methods and offering a new approach to marketing and connecting with one's stakeholders. In the early days, the task was convincing clients to try this new way of engaging customers in marketing—clients who were operating in old-style, arm's-length marketing regimes. Educating the market and its potential clients takes time. True innovators like Chaordix often find that they are ahead of the market and therefore need to invest time in preparing the market for their innovative solution. Often your first customers are the most important, as they serve as thought leaders alongside you.

Second, Chaordix needed to build a talented and driven team. Given the scale of new ventures, every single person is critical and so one needs to be able to attract and gain the confidence of the team and help them buy into the dream.

Finally, it is important to make a commitment to the culture and values, and lead from these values and culture. "When you find yourself without money, the tendency is to go into survival mode and lose your way in terms of principles. It is difficult but important to stay the course," says Kuipers.[6]

For the founder and president of Smoke NV, managing the very explosive growth has been his biggest challenge. We found that the "business was running us" says Shanu Mohamedali. Also, it was difficult to identify the types and skills of the people the business needed at any given time as it grew. The company found it needed to better anticipate the future in terms of skills it would require.[7] According to Aman Mann, co-founder and CEO of Procurify, understanding the tremendous power of people "... when they are looking in the same direction" was both the biggest challenge and the biggest surprise. People can negatively

6 Kuipers, interview.

7 Shanu Mohamedali (Founder and President, Smoke NV). Interview by Catharine Johnston, June 2014.

It is important to make a commitment to the company's culture and values, and to lead from these values and culture.

impact the company if they are not all pulling in the same direction. It is important that they understand why they are doing what they are doing and why they are critical to the company's success.[8] Communication was a key ingredient to address this challenge, which is explored in Chapter 6.

For young entrepreneurs like 20-year-old Simon De Baene, founder and CEO of GSoft, it can be difficult to earn credibility with the customers. Canada's culture tends to equate age with credibility and, by implication, trust. De Baene said it was hard to convince people to give him their software challenges. He looked too young and inexperienced.[9]

For TitanFile there were two challenges. The first was getting customers to validate the company's ideas. The founders did not want to just sit in labs building products. They needed to work with customers to develop and refine their products, but first needed to find the customers. At one point, the company advertised in Kijiji, inviting potential customers to meet them for coffee for a 25-minute interview to test some of their ideas. The company's second challenge was access to talent. Founder Tony Abou-Assaleh started the company in Halifax but found that the company needed to move to Waterloo to access talent. Waterloo has a deep pool of technical talent, plus a lot of people with good start-up experience who are willing to share their expertise.[10]

One challenge expressed by many of the companies interviewed was money: both capital and cash flow. This was also one of Tony Abou-Assaleh`s challenges. Because of a lack of funds he had to start his company part time. He had a day job to support him and his family and then worked the idea behind TitanFile part- time.[11]

8 Aman Mann (Co-founder and CEO, Procurify). Interview by Catharine Johnston, June 2014.

9 Simon De Baene (Founder and CEO, GSoft). Interview by Catharine Johnston June 25, 2014.

10 Tony Abou-Assaleh (Co-founder and CEO, TitanFile). Interview by Catharine Johnston, July 2014.

11 Abou-Assaleh, interview.

The challenge of funding their idea is shared by several of the founders interviewed for this study. Jason Flick, founder of You.i Labs Inc., says his biggest challenge was "navigating the river of cash."[12] According to Tharwat Fouad, founder of Anubis Manufacturing, his biggest challenge was also money—cash flow and capital. Finding the right people with the right skills, flexibility, and passion for the idea, and then convincing them to come on board, was his second. His third challenge was breaking new ground. Anubis Manufacturing's vision was clear but the path was not.[13]

According to Davis McGregor, co-founder of Mobile Data Technologies, the biggest challenge was the pace of change. McGregor said that you need to be able to keep up with the pace and not "let any balls hit the ground." In all of 2009, his company sold a total of 11 systems. In 2010, sales exploded. In August 2010, the company sold seven systems in one month. On November 17 of the same year, the business sold 11 systems in a *single day*. Other start-ups face similar challenges: sometimes growth happens extremely rapidly and it is very difficult to make changes to the management system to keep pace with explosive growth.

A major change is often required to deal with the pace of growth. In McGregor's case, the partners got together and decided it was time to make a big move. They were operating out of a 1,000-square-foot house with six full-time employees. On January 6, 2011, the company moved into a new shop. The business had ramped up to 20 employees in two months. During this time, the company was not doing any cash flow projections. As the partners focused on completing the orders, they stopped focusing on selling, so found themselves without any sales. "After ramping up to meet the influx of orders, we almost lost the company in February 2011," says Mr. McGregor. A couple of partners had to loan additional money to the company to get it through this period.

12 Jason Flick (Co-founder and CEO, You.i Labs). Interview by Catharine Johnston, June 2014.

13 Tharwat Fouad (Founder and CEO, Anubis Manufacturing). Interview by Catharine Johnston, June 25, 2014.

They then started managing cash on an Excel spreadsheet. "If I had done it earlier we would not have got into the February troubles," admits McGregor.[14]

This problem of managing during rapid growth was echoed by Alkarim Nasser, founder of BNOTIONS: "When you sign up for something fast-paced in the technology sector, it is not obvious how fast things change," he says. In 2008, the company committed to building in Flash technology. However, by the end of 2008, Apple no longer supported Flash and so the company needed to find a new technology. This required a new investment cycle to reposition the company. A second challenge is to ensure that your people are as adaptable as the technology. Often firms have to phase out people as technologies change. "Before, we hired technology-specific people. Now we look for unicorns—people who can pick up any new technology," says Mr. Nasser.[15]

Conclusion

Although all young companies face business challenges, fast-growing innovators are much more likely to be victims of their own success. In the early stages, these companies may have difficulty attracting customers. But, once the customers begin to embrace their product/service, growth happens very quickly and in unpredictable ways. This stresses the company's management systems. Getting through these periods of extremely rapid growth is key to determining which start-ups survive versus which fail.

The next chapter investigates the backgrounds, attributes, and roles of the founders of start-ups that faced these challenges. Chapters 4, 5, and 6 will discuss what the founders did to address their challenges.

14 Davis McGregor (Co-founder and President, Mobile Data Technologies). Interview by Catharine Johnston, June 2014.

15 Alkarim Nasser (Managing Partner and founder, BNOTIONS). Interview by Catharine Johnston, June 2014.

CHAPTER 3

Innovative Founders

Chapter Summary

- Start-up companies reflect the ambition and personality of their founders.
- Founders often had role models in their formative years who influenced their choice to become an entrepreneur. Later in life, they also look to mentors to help them deal with business challenges.
- Successful start-up founders are prone to see start-ups as a way of life and will often start several businesses (called serial entrepreneurism).
- No one can run a successful business on their own. Founders need to have strong interpersonal skills to engage people in their vision.

What is it about the founders of the 17 companies featured in this report that led them to start high-growth innovative companies? These founders:

- are incredibly bold, visionary, and tenacious;
- exude confidence, passion, and excitement;
- are charismatic, which attracts people to them who want to join their team;
- make things happen and are prepared to fail in order to be hugely successful;
- are not constrained by what has been done before;
- never mistake the rut in the road for the horizon.

The founders come from different backgrounds, education levels, and experience. And yet, as they described their backgrounds and their individual characteristics, many similar themes arose. Their formative years, their significant role models, their education, and early work experience all have contributed to who they are. We will explore who they are as people, the skills they bring as a founder that are key to the business, where they have turned for guidance, and the role they have played in their companies.

Demography

According to an analysis by Profitguide.com, publisher of the Hottest 50 Growth Companies in Canada, the average age of the Hottest Growth Companies' CEOs is 35 years.[1] This is considerably younger than for established companies. These new entrepreneurs are part of the Internet generation and are tuned into the technology world. This is certainly true of the majority of the founders interviewed for this report, some of whom are in their 20s.

1 Profitguide.com, *Profit Hot 50*.

Profitguide also reports that 11 per cent of the Hottest 50 Growth Companies in Canada have female CEOs. Of the companies interviewed, 3 of the 17 founders are women. Although still not reflective of the number of working women, this is much higher than for the top 100 CEOs in Canada at just 3 per cent.[2] Given the age of the founders in the Hottest 50 Growth Companies, their meritocracy focus, and how difficult it is for women to climb to the top in established companies in Canada, it seems odd that more women have yet to choose the start-up innovation career path.

"There are an underwhelming number of women in the CEO position in technology companies," explains Krista LaRiviere, founder of gShift. She belongs to a CEO group called AceTech (a group in British Columbia and Ontario) and she is only one of two women. Having founded gShift when her son was 6 months old and her daughter 17 months old, she wonders where all the women are. Even within her own company, only 4 of 17 employees are women.[3] When asked during the interviews why there are so few women, the founders suggest a couple of possible reasons. One is that fewer women than men are going into science and engineering—a common educational background for start-up founders. Two, women are less risk tolerant. It is difficult to assess the second hypothesis's merits, but there are some data around the first one.

In 1992, 56.4 per cent of all graduates from universities in Canada were women, and this figure had risen to 60 per cent in 2008. So there are a lot of women enrolled and graduating from university. Encouragingly, in the fields of business, management, and public administration, women are in the majority with 51.4 per cent in 1992 and 53 per cent in 2008.[4]

However, looking at fields where one might logically expect technologically oriented founders to emerge (e.g., engineering and computer science), the percentage of women is much smaller. In architecture, engineering, and related services, the number of women

2 McInturff, "Where Are All the Women on Canada's 100 Top CEO's List?"

3 LaRiviere, interview.

4 Statistics Canada, *Table 9*, *Percentage of Women*.

in 1992 was at 17.5 per cent, in 2008 it had risen to 22.2 per cent. In mathematics, computer science, and information science, the number was 35.2 per cent in 1992 but had fallen to 30.4 per cent in 2008. More specifically, women's enrolment in undergraduate engineering degree programs was just 18.1 per cent of the total Canadian enrolment in 2012—down from 20.6 per cent in 2001. Of these, just 9.9 per cent were software engineering students.[5] Although the percentage of women enrolled in technological university degrees is significantly lower than men, they make up for that by their majority enrolment in business schools. The significance of the founders' education background is considered later in the chapter.

In terms of women being more risk averse than men, the three women founders interviewed for this report clearly are not afraid of taking risks, as will be described later.

Personal Characteristics

We asked interviewees about the personal characteristics that they believe make them good candidates to build a start-up. When asked why they had chosen the start-up route, notable considerations were:

- need to control one's destiny;
- do not want to be an employee;
- want to build something new and different;
- unfailing belief they can do it better on their own than in an established business;
- want to work in a fast-paced environment;
- want to have significant impact;
- want to select their team.

It is clear that these internal drivers are likely to distinguish start-up founders from those who are more comfortable in an established business. Start-up founders are much more likely to see the enterprise

5 Engineers Canada, *Where It Starts.*

Leaman thrives in early-stage, high-growth companies—she loves having the creative licence to figure things out at a very fundamental level: markets, customers, and how to create value.

as an extension of themselves and less like "a job." In fact, very few distinguish their venture from themselves. They are self-actualized through their venture.

Consider gShift co-founder and CEO, Krista LaRiviere, who says, "I am unemployable." She comes from an entrepreneurial background where her family owned retail stores in Northern Ontario. She had a paper route from an early age. She has been an employee only twice and the first time she did not make it through the probation period. Her father was instrumental to her thinking and the way she approaches things. He made it clear that she could do anything she wanted to.[6]

Carol Leaman, founder and CEO of Axonify, had a chance to work for Google when she sold her previous company, PostRank, to them, but turned the opportunity down. Leaman thrives in early-stage, high-growth companies. She loves having the creative licence to figure things out at a very fundamental level: markets, customers, and how to create value. She sees she has day-to-day impact. "I have an opportunity to plant a seed and help it grow," says Leaman. "I derive personal fulfillment every day." Leaman gets to choose the people with whom she wants to work. "Every day is a fantastic new adventure."[7]

For Shelley Kuipers, starting an innovative company was an opportunity to create something from nothing, which was compelling. In her words, "I do not think I could be employed now. I have problems with authority. I am opinionated. I see the future and fight to be understood." It is interesting that she ended up in the digital area. Kuipers was always very creative, growing up as a musician and wanting to design clothing from an early age. She feared math and science. However, she points out that software development in the 1980s was creative and so she found a niche. "I wanted to do things my way. I wanted to be authentically female and to be sincere about what I did," she says.[8]

6 LaRiviere, interview.

7 Carol Leaman (Founder and CEO Axonify). Interview by Catharine Johnston, July 2014.

8 Kuipers, interview.

When asked why he started R3 Deconstruction & Demolition Inc., Travis Blake said he felt constrained in other companies. And, what came naturally to him was that he always challenged and questioned how and why things were done a certain way. In previous companies where he had worked, he could not get face time with management to be heard or to express his ideas. Nor did he understand how to approach management with solution-based ideas.[9]

Tharwat Fouad, founder of Anubis Manufacturing, wanted to be passionate about the business; wanted to think that his business could be the best; and, finally, wanted to make money at it. The engineering consulting company that he had started in 2005 could not fulfill these ambitions. The consulting business was not sustainable or scalable. The decision-making process in consulting business customers was too slow.[10] Manufacturing allowed him to realize the scale he was looking for.

Prior Experience

Role Model

Many of the founders interviewed for this report had an entrepreneurial role model in their early years—such as a parent, relative, or family friend—and so their appetite for the life of an entrepreneur was part of their early life experience. These mentors set an example of what it was like to start and operate their own company and painted an alluring picture of life as your own boss.

For example, Shanu Mohamedali's father owned a computer company and his uncle had several companies in Africa. Mohamedali was involved in their businesses and so learned about starting and running a business and, more importantly, got the entrepreneurial bug.[11]

9 Travis Blake (Co-founder and CEO, R3 Deconstruction and Demolition Inc.). Interview by Catharine Johnston, June 2014.

10 Fouad, interview.

11 Mohamedali, interview.

One example set by many of the founders' parents was that of hard work and tenacity.

Simon De Baene's (of GSoft) father was an entrepreneur and De Baene's mentor. His father started a company that he eventually sold to CGI, and then he started another company. He now works for GSoft. According to Mr. De Baene, a mentor is there to help you interpret the variables around you but not to make decisions.[12]

John DeHart's (co-founder of Nurse Next Door) father also owned a small business. According to De Hart, his father was highly influential in him becoming an entrepreneur. From a very early age, John was smitten with the entrepreneur's role. When he was eight years old he started to sell used golf balls to seniors on the golf course. He did that every summer until age 16. As an adult, he had lived in the U.S. and Europe, building technology start-ups, and he started a venture capital group. Before 2000, when he was still in his 20s, DeHart determined that he did not want to be in these types of businesses. So, he decided to start a new business providing care to people.[13]

Another example set by many of the founders' parents was that of hard work and tenacity. Alkarim Nasser was a young boy of upper middle-class parents who had previously lost everything in Africa. They wanted to ensure that their son understood that, through hard work and perseverance, they had rebuilt their livelihoods and that he should not take anything for granted. Nasser was allowed to make mistakes but, like his parents, learned how to rebound afterwards. His parents made sure he had a job starting at age 10. He also had an uncle who built a hotel business, which inspired him. After dropping out of university, Nasser did a short stint at RIM and then a bit at Bell. "That experience drove me to want to be in a more agile, fast-moving enterprise. I wanted to wear a lot more hats and get into parts of running a business that I did not know a lot about."[14]

12 Simon De Baene (Founder and CEO, GSoft). Interview by Catharine Johnston, June 2014.

13 John DeHart (Co-founder and CEO, Nurse Next Door). Interview by Catharine Johnston, June 2014.

14 Nasser, interview.

Early-Age Business Experience

Many of the interviewees started their own businesses at a very early age and so learned the tough lessons about what it takes to start a business. They stressed that the experience of going through the start-up process was instrumental to future successes.

Martin-Luc Archambault, co-founder and CEO of Wajam, thinks that he was born to be an entrepreneur. In elementary school, he was selling toys and firecrackers in the schoolyard. When he was 16 years of age, he was doing advertising online and making thousands of dollars a week. His parents bought him a computer when he was very young (his friends did not have one) and he came to understand the scale potential of selling online when he was still in high school. His mom was a vice-president of the grocer Metro and was always working late starting new stores. She gave him the business side of things. While Archambault was in business school at HEC Montréal, he had a day-trading website. When he finished school, he immediately began figuring out how to scale his new business.[15]

While in university in 2000, Shanu Mohamedali, founder and president of Smoke NV, also started launching a new business. He opened a cosmetic company that was the second company of its type in Edmonton. His mother was his first business partner, but he still owns the business. When Mohamedali graduated in 2005, he felt he needed to work for a company to learn the ropes, so he took a job at a large cosmetic company. It provided him with a good learning experience, good international travel and business acumen, and invaluable knowledge about sourcing and distribution channels. Mohamedali worked there until 2008. During this time, he also bought and rented out real estate. In 2008, many of his friends came home having completed their doctor residency abroad. Together, Mohamedali and his doctor

15 Martin-Luc Archambault (Co-founder and CEO, Wajam). Interview by Catharine Johnston, July 2014.

friends decided to purchase and operate a medical clinic, which they subsequently expanded to 12 clinics. They then branched into building medical buildings.[16]

Education

When trying to discern what makes the start-up founders tick, we need to look into their educational background. As Chamorro-Premuzic points out, "Formal education or training is essential for noticing new opportunities or interpreting events as promising opportunities. Contrary to popular belief, most successful innovators are not dropout geniuses, but well-trained experts in their field. Without expertise, it is hard to distinguish between relevant and irrelevant information; between noise and signals."[17]

The type of expertise required varies with the type of start-up. The Startup Genome report found that business-heavy founding teams are 6.2 times more likely to successfully scale with sales-driven start-ups than with product-centric start-ups. Technical-heavy founding teams are 3.3 times more likely to successfully scale with product-centric start-ups. [18] It follows then that an education in a business discipline or a relevant technological area would be beneficial depending on the type of business being established.

Which level of education do the start-up founders need? Which level do they attain? According to Profitguide, 72 per cent of the CEOs of their Hottest 50 Growth Companies in Canada completed university.[19]

CBI's Innovation and Canadian Business Survey found, in 2014, that the leaders of young companies had varied levels of education. Chart 3 shows the results split by faster- and slower-growing companies. A very small percentage of the leaders have less than high school education.

16 Mohamedali, interview.

17 Chamorro-Premuzic, *The Five Characteristics*.

18 Merner and others, *Startup Genome Report.*

19 Profitguide.com, *Profit Hot 50*.

Based on the interviews, the background and characteristics of the founder are a stronger predictor of entrepreneurism than training.

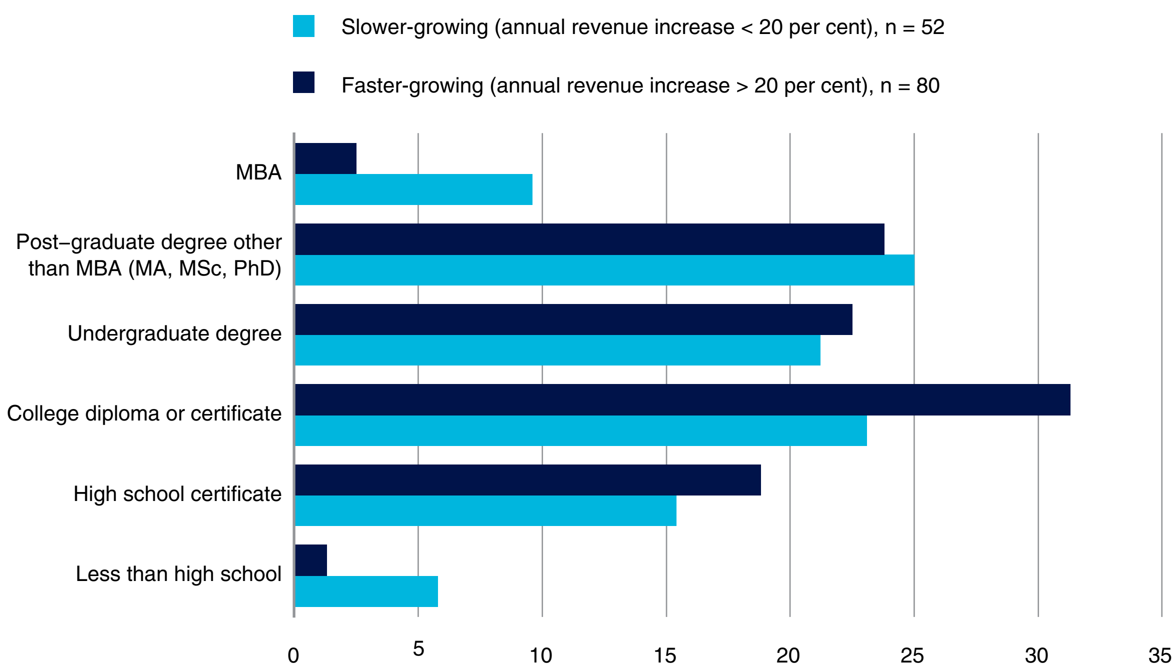
But leaders, in the slower-growing companies, are four times more likely to have less than a high school education than those in the faster-growing companies. More than 80 per cent of the young companies were led by people who had a college diploma or higher, the largest number with business-relevant credentials. The highest frequency of level of education for the combined groups was a college diploma or certificate. Over 50 per cent of faster-growing companies were led by people who had a college diploma or less versus 44 per cent in the slower-growing companies. There was little difference between faster- and slower-growth companies in terms of the proportion that were led by a person with an undergraduate degree or post-graduate degree. The big difference appeared in terms of MBA-led companies, where the faster-growth companies were one-quarter less likely to be led by an MBA than the slower-growth companies. Perhaps this is because the leaders of the faster-growing companies were more anxious to start a business in order to learn how to run a business rather than take more schooling. A second reason could be that most of MBA's target group are people who want to climb the corporate ladder rather than become an entrepreneur.

The founders interviewed for this report had very diverse education backgrounds (see Chart 4), so that it is not possible to conclude if any particular type of education is more conducive to becoming the founder of a start-up.

Based on the interviews, the background and characteristics of the founder are a stronger predictor of entrepreneurism than training. That is not to say that a potential founder doesn't need some core expertise, but the drive to take risks and succeed is probably more important. Education is less a ticket to entry for these founders and more a reflection of how they see getting answers to the things they are curious about or acquiring tools that they can use along the way.

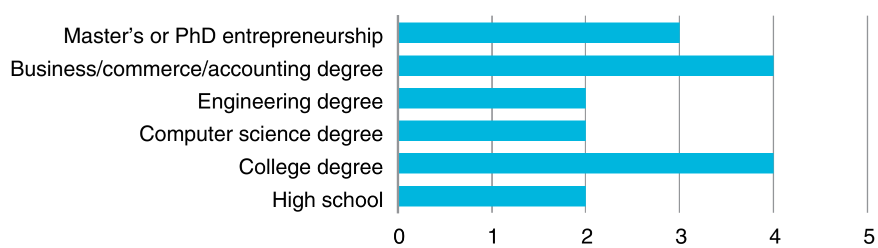
However, nearly all pursued studies that could be applied somewhat directly in the business world. It is interesting to note that the 11 founders with a university undergraduate or graduate degree had degrees in engineering, computer science, or some form of business. On top of their early-age experience in starting up a business, seven of these founders

Chart 3
Company Leader's Highest Level of Education
(percentage of companies < 10 years old; n = 132)



Source: The Conference Board of Canada.

Chart 4
Educational Level of Interviewed Founders
(number, n = 17)



Source: The Conference Board of Canada.

also benefited from formal education in business. Three had a master's or PhD in entrepreneurship. Four had formal training in engineering and technology and are now founders of technology businesses.

A number of schools offer education programs to start-up leaders. The Massachusetts Institute of Technology (MIT) has an education program that was previously called "the birthing of giants" but is now named the Entrepreneurial Masters Program. It is associated with the Entrepreneurs' Organization. Entrepreneurs or aspiring entrepreneurs attend school four to five days a year for three years. The program is focused on building the best practices so that one can build the right business. John DeHart and his co-founder of Nurse Next Door attended this program a few years into starting up their company. There are usually six or seven start-up entrepreneurs attending from Canada. DeHart now lectures at the program on its first day.[20]

Some education opportunities are less formal. In 2013, a year after they started Procurify, Aman Mann the co-founder of Procurify went to San Francisco for two months (he had planned to go for two weeks) to learn how to make his company prosper. He and fellow teammate, Herman Chandi, sent e-mails to companies they admired, angel investors, and VC firms. Mann told the companies that he and Chandi would like to talk with them to learn from them. They found other start-up companies were very willing to share. In this process, they met someone who became their first investor. Mann also graduated from Vancouver-based GrowLab's accelerator boot camp. He said his biggest takeaway from this experience was meeting other start-ups with whom he could network and share experiences.[21]

20 DeHart, interview.

21 Mann, interview.

Serial Entrepreneurs

The average number of firms started by the leaders of Profitguide's Hottest 50 Growth Companies in Canada is 3.6.[22] Nine of the seventeen founders interviewed were serial entrepreneurs, having started at least two previous companies. This is the fourth technology start-up for Carol Leaman, founder and CEO of Axonify Inc. Her most recent was PostRank, which she sold to Google after evolving the company from a free social web tool to a unique social media analytics play in 2011. Prior to PostRank, she led RSS Solutions (enterprise manufacturing software) and Fakespace (a high-end virtual reality company). Leaman took Fakespace from $3 million to $30 million in revenue before orchestrating its acquisition in 2003, and sold RSS Solutions in 2006. In her spare time, she is also a mentor of early-stage start-ups.[23]

Dr. Byron Osing, current CEO of Calgary Scientific Inc., is also a serial entrepreneur. He was the co-founder/CEO of Telebackup Systems Inc., which was acquired by Veritas Software. Osing was also the co-founder/CEO of Launchworks/180 Connect, which was acquired by DirecTV. DirecTV made an initial public offering (IPO) on both companies and then sold them.[24]

Stuart Bowness, co-founder and CEO of MediaCore, has founded a number of successful web technology companies—including UI/UX design consultancy, Simple Station, and @pandastream (sold to Copperio).[25]

Jason Flick, co-founder and CEO of You.i Labs Inc., brings 18 years of technical and business leadership to the role. His most recent success was Flick Software—a mobile solutions and products venture whose customers included Intel, Rogers Wireless, the U.S. military, and Sybase.

22 Profitguide.com, *Profit Hot 50*.

23 Leaman, interview.

24 Osing, interview.

25 Stuart Bowness (Co-founder and CEO, MediaCore). Interview by Catharine Johnston, June 2014.

Serial entrepreneurs have an advantage over first-time founders and have a great deal of hard-earned knowledge to share.

Flick is still running it separately from You.i Labs Inc. and the software company is still doubling in size every year. Prior to founding Flick Software in 2002, he was co-founder and CTO at N-able Technologies, which was recently sold.[26]

gShift was founded by Krista LaRiviere and Chris Adams, experts in search engine optimization (SEO) having founded CGK Technologies Group (Professional Internet Services, 1999) and Hot Banana Software (marketing web content management, 2004). Both CGK and Hot Banana were acquired by Lyris Inc. in 2006. LaRiviere has had the same co-founder with all of her three start-ups. He drives the engineering side and she drives the operations and sales and marketing parts.[27]

Founder and Chief Evangelist of Chaordix, Shelley Kuiper's first start-up experience was with Merak Projects. In 1999, the company was acquired by Schlumberger, the world's largest energy services and technology firm. In 2000, Kuiper co-founded Stormworks—a software development and digital marketing firm. Stormworks was acquired by Solium Capital, a publicly traded financial services company. Kuiper also co-founded Adventure Capital, an early-stage venture capital firm, and Material Insight, a consultancy of growth agents that help to grow tech start-ups.[28]

These serial entrepreneurs have an advantage over first-time founders and have a great deal of hard-earned knowledge to share. Many of the lessons shared in this report are a result of the repeated experiences of these serial founders.

Founder Attributes

Research has found that "80 per cent of [a] company's culture will be defined by its core leaders." Companies reflect everything about their founders—their personality, strengths, and weaknesses. "As a founder,

26 Flick, interview.

27 LaRiviere, interview.

28 CrunchBase, *Shelley Kuipers*.

the things that set you apart become your company's competitive advantages." [29] This section looks at the key attributes of founders of high-growth, innovative companies.

To begin, "founder" in some instances refers to more than one person. Twelve of the 17 start-up founders interviewed for this report co-founded their company with one or more people. Having multiple founders is desirable to share risk and to leverage different attributes. For instance, one founder might be good at the technical side of the business, while the other is good at sales and marketing. The value of multiple founders is reinforced by the Genome Report's findings that "… solo founders take 3.6 times longer to reach scale stage compared with a founding team of two, and solo founders are 2.3 times less likely to change their company's direction (called pivot). Balanced teams with one technical founder and one business founder raise 30 per cent more money and are 19 per cent less likely to scale prematurely than technical or business-heavy founding teams."[30] Having more than one founder can bring complementary attributes that will contribute to the success of the company.

Much research has been conducted to identify the most important attributes of entrepreneurs. For example, a list by one source emphasizes the value of the following nine interpersonal skills:

1. Communication skills
2. Ability to create rapport with others
3. Effective conflict resolution
4. Negotiation skills
5. Personal stress management
6. Persuasion skills
7. Team-building skills
8. Strategic thinking
9. Creative problem-solving[31]

29 First Round Capital, *80% of Your Culture Is Your Founder.*

30 Merner and others, *Startup Genome Report*, 5.

31 Contreras, *Interpersonal Skills,* 10.

However, this list misses the essence of some attributes that our founder-interviewees felt were critical. Our interviewees would agree with some of these attributes, such as team-building and creative problem-solving, but would add others. The combined list from all 17 founders includes the following nine attributes (in no particular order):

1. Perseverance and Resilience—Founders never give up and have the ability to pick themselves up when they fall. Simon De Baene started GSoft in Quebec as a consulting business in 2006, but realized that it had a very limited potential for growth. In 2008, he invested in GSoft's first product jointly with another consulting company. The project went poorly and GSoft decided to exit in 2009. In 2009, GSoft made a second attempt at launching a new product, but this time it was on its own. In the end, the business had only four customers and so it was also not successful. De Baene realized that the company focused too much on the product and not enough on building a business.

In late 2010, De Baene went to Argentina during the Christmas holidays and came back with a major pivot in mind. As a result, GSoft's first product offering, which was called Sharegate V1, was trashed. De Baene decided to change the business model again. Instead of starting with ideas for new products, he started with a question: "What is the problem we are trying to solve and for whom?" The new product was much simpler than the first. Three months later, the company was back with a brand new, much simpler product. For version two of Sharegate, the company had a marketing strategy and a marketing team. In the end, De Baene launched Sharegate 2 and sold more licences in the first month than in the previous two years with version one. Since its start in 2006, the company has launched 10 products, of which only 2 exist today. The founder needs to have the staying power to be able to achieve this. Through all these changes De Baene and his team had to persevere.[32]

2. Belief/Passion for Product and Business—For John DeHart of Nurse Next Door, 50 per cent of why he wants to work in a business is money and the other 50 per cent is being passionate about the purpose

32 De Baene, interview.

of the business: making a difference. “My co-founder and I had a passion to build something truly great. We initially built a big company but realized it was not great,” he explains. He walked away from a profitable part of his business because it was not where he wanted to be.[33]

3. Dissatisfied With the Status Quo—According to Davis McGregor of Mobile Data Technologies, the founder has to be dissatisfied with the status quo. In his words, “A true entrepreneur always wants to improve things and looks for opportunities for windfalls.”[34]

4. Risk-Taker—Founders cannot be afraid to fail. Failing to varying degrees is inevitable. Alkarim Nasser says the founder needs to be fearless to some degree. It takes a lot of risk to capitalize on an opportunity. “I was walking with a blindfold many times and hoping for the best,” he says. “It is not about IQ. Are you willing to fail and fail very hard? Always be memorable. Need to be able to differentiate oneself from the competition. Sometimes this means being more flamboyant or doing things that seem unusual according to conventional wisdom.” [35]

Byron Osing feels that a start-up founder needs to be able to justify the risks taken in order to earn a substantial reward. “You need investors that are born to take risks with you in order to get their rewards,” says Osing.[36]

5. Team Leader Who Enjoys Building Teams—According to Carol Leaman, it is important for her to foster a steady environment, but with everyone’s foot hard on the pedal. She has a very calm demeanor—it flows through the rest of the company and makes people not afraid to speak up and say that something is not working.[37] Alkarim Nasser says

33 DeHart, interview.
34 McGregor, interview.
35 Nasser, interview.
36 Osing, interview
37 Leaman, interview.

the founder must build a team, not just a product. Companies need a core set of values that will keep the group together: “If people trust you, they will do what it takes to succeed.” [38]

6. Problem-Solver—Many investors invest two to three times more capital than necessary in start-ups that haven’t reached a problem-solution fit yet.[39] According to Tony Abou-Assaleh, the most important characteristic is a laser focus on solving a problem: “Do not focus on starting a business; focus on solving a problem for a customer.” A lot of approaches you try will not work. “Do not focus on the solution; focus on the problem which will allow you to explore many possible solutions,” says the founder.[40]

7. Big Thinker—Some research suggests that the apparent lack of finance in SMEs is due to only a minority of firms wanting to grow. Furthermore, some research favours a financial contentment hypothesis, where the lack of growth in small firms could be self-imposed and not due to financial restrictions.[41] Other research has found that smaller firms will tend to have better access to external finance if they have above-average growth ambitions.[42] Martin-Luc Archambault, co-founder and CEO of Wajam, believes that the two key characteristics of a successful start-up founder are think big and don’t be discouraged by how hard it can be. When he invests in others, he looks for people that are stubborn enough—but not too stubborn.[43] It is critical that the founders set ambitious goals to motivate themselves and others to think big.

8. Creative—“Creative people tend to be better at identifying (rather than solving) problems, they are passionate and sensitive and, above all, they tend to have a hungry mind: they are open to new experiences,

38 Nasser, interview.

39 Merner and others, *Startup Genome Report.*

40 Abou-Assaleh, interview.

41 Vos and others, “The Happy Story.”

42 Cosh, Cumming, and Hughes, “Outside Entrepreneurial Capital.”

43 Archambault, interview.

nonconformist, and curious."[44] According to Shanu Mohamedali, the most important characteristic of the founder is ingenuity. "In life we are given non-direct cues from various stakeholders and as a business owner need to be able to hear what is happening," he says.

9. Networker—Travis Blake says one of the most important characteristics is a powerful capacity to build a dynamic network of people. "Being able to access my network and my network's network has been critical to my success," says Blake. Bankers, leaders in sustainability, and leaders of other companies are all critical to his network. He is a connector and part of his role is to build friends for his company. Blake also stresses that to foster strong relationships you need to give back to your network as well. He repays the favour by connecting other people.[45]

The Evolving Role of Founder

According to Tharwat Fouad, founder and CEO of Anubis Manufacturing, in the beginning the founder does pretty much everything. "You are not a company … you are a person with a dream," he says. Now, a few years later, he is trying to keep his eyes on the future and stay two steps ahead of today.[46]

The role of founder/CEO changes over time as the company grows, says experienced founder Krista LaRiviere. In the beginning, you have to understand how to evolve your thinking and your role as you bring on people. This is where a lot of founders flounder. They do not know what is required to do something and so they hang onto things too long before bringing in an expert to manage them. It is especially challenging for founders to develop the skill to "let go" at the right time.

44 Chamorro-Premuzic, *The Five Characteristics*.
45 Travis, interview.
46 Fouad, interview.

As the company evolves and grows, the founder needs to be flexible enough to perform different roles and fill gaps where skills and expertise may be lacking.

LaRiviere also found that the founder title is important but it does not mean that you always need to be the CEO of the company. For her, the CEO of a start-up stands for chief entrepreneur officer. "If you are not entrepreneurial in your leadership, you are going to fail," she says. "Some founders are great technologists but are not great 'CEO' material. Founders need to recognize that and bring in people who are. Once you figure out how to scale something, you can bring in someone to lead it." LaRiviere has just hired a chief operating officer (COO) to assist in operating the company and now she can return to thinking about and communicating what digital marketing can and should be. As she explains, "You need to hire someone that can do the things the founder is not good at or does not want to do, and the founder must be willing to step aside and let others do it."[47]

Shelley Kuipers' first role at Chaordix was as a "strong evangelist." Then she had to try to run the company. Now Chaordix has progressed to the point where the team around Kuipers can run the company and she can go back to being the evangelist. As the company grows and brings on new talent, the founder can (and must) let go of some aspects of the business.[48]

Aman Mann started out as the "sales guy"; then he switched to finding and motivating people. Next he focused on creating a vision for a better enterprise. Mann also focuses on finding the right investors and partners to help grow that vision.[49] As the company evolves and grows, the founder needs to be flexible enough to perform different roles and fill gaps where skills and expertise may be lacking.

Neil Simmonds, co-founder of Corvus Energy, has started many companies. He has focused on the technology side of every business he has started. His personal strategy is to come up with new ideas, patent them, turn the ideas into a company, and then sell the company. He claims this is more tax-effective than selling a patent. Simmonds does

47 LaRiviere, interview.

48 Kuipers, interview.

49 Mann, interview.

not run the company and does not want to run it. He wants to develop technology; so, from the outset, he ensures that he has someone other than himself in the CEO role. He is then left to do what he likes and is good at, which is being the chief technology officer.[50]

Simon De Baene changed his role from coding in the early days to being part of the development and growth of the customer base, including marketing and strategic leadership for the company. “Companies need someone with a clear overview of what is going on. Someone to fit the pieces together,” he says.[51]

As a company grows and evolves so too do the roles of the CEO and the executive team. Jason Flick has a seasoned executive team. He has gone from handling operations to managing people, and now he focuses on managing middle managers. Flick’s mantra is “what got you here won’t get you there.” Some of the original team are not suited to this change, but there are still very important things for people to do without them having to manage managers. Flick has hired coaches or mentors for some executives depending on whether it is technical (mentors) skills, or leadership (coaches) skills.[52]

Travis Blake`s role has also changed significantly: “When we started, I had to figure out how to get work in the door, get the phone to ring, get estimates, and I was out on the tools running the jobs/projects.” He admits he was running around doing everything in the company. He evolved off of the tools when he took the risk to hire someone with the experience to run the projects. Today, Blake works more on keeping his staff aligned with the company direction. “This has been a good change because it has stopped me from chasing shiny objects (new ideas, new projects),” he says.[53]

50 Neil Simmonds (Co-founder and CTO, Corvus Energy). Interview by Catharine Johnston, June 2014.

51 De Baene, interview.

52 Flick, interview.

53 Blake, interview.

In the early days, Alkarim Nasser was the business guy, developer, and salesperson—he played every role. As the company matured, there were other people who could perform those roles better than he could, and so he hired them. He then worked on crafting solutions, ideation, and working with customers.[54]

Importance of Mentorship

Not surprisingly, founders who learn are more successful. According to the Genome Report, "Start-ups that have helpful mentors, track metrics effectively, and learn from start-up thought leaders raise seven times more money and have 3.5 times better user growth. Start-ups with no helpful mentors raise very little money. Start-ups that find helpful mentors seem to be significantly more successful."[55] The majority of founders interviewed for this report would agree with this. At various times during their start-up journey, founders have actively sought out the assistance of others in a variety of ways, some formal and others more informal.

Mentors/Advisory Boards

A number of the founders interviewed for this report have put in place advisory boards to assist them with many aspects of running the business, as well as serving as a sounding board.

Two years after starting Procurify, the CEO decided to form an advisory board to help the company. It now has a diverse advisory board that provides motivation and experience, ideas on how to grow a culture, marketing know-how, and the ability to network.[56] gShift's CEO, Krista LaRiviere, has a full board of directors. There are five board seats. The company's partner, Growthworks, has one; the CEO of gShift has one; the founders of gShift nominate one; Growthworks gets a nominee; and, together, Growthworks and gShift get a nominee. They define a role

54 Nasser, interview.

55 Merner and others, *Startup Genome Report*, 5.

56 Mann, interview.

profile for what they need from a board member and then look for those skills. For example, in one instance they were seeking someone who had agency experience in the United States.

LaRiviere advises being very clear at the outset—before asking someone to be on the board—about what it is that you want from them. In her case, she was looking for people to open doors and network. She set explicit expectations that board members are expected to use their network list to help the company. The CEO needs to make sure they can bring issues to the table. “Having a board creates structure and process around reporting, which is a good thing as I then have material to share with the rest of the company,” says LaRiviere. Board members get options and out-of-pocket expenses, but they do not submit for the latter. The board meets a couple of times a quarter. The company also has an advisory board consisting of people who do not want to be on the governance board, but who are prepared to give advice if asked. The advisory board do not meet as a group; LaRiviere just taps into them when she has a question.[57]

Communities/Accelerators/Incubators

An EY study indicates that business incubators are a top-ranked tool for accelerating entrepreneurship, according to 36 per cent of entrepreneurs surveyed.[58] Many of the founders of the companies interviewed have, at some point, been part of an incubator and/or accelerator. *Start Me Up: Funding Canada’s Emerging Innovators*[59] describes the function of incubators and accelerators. (See box “Incubators and Accelerators.”)

57 LaRiviere, interview.

58 EY Entrepreneurship Barometer, *The Power of Three*, 11.

59 Grant, *Start Me Up, 17.*

Incubators and Accelerators

Incubators and accelerators are business mentorship innovations designed to deal with the management/finance conundrum. Although the terms are used interchangeably, these organizations are somewhat different in their modus operandi.[60]

An *accelerator* takes small (single-digit) percentages of equity shares in *externally developed* innovations. It is a form of seed funding and more. It provides start-ups with capital, advice, and mentorship, usually from seasoned business professionals who back the accelerator. Start-ups are also provided with office space that facilitates interaction with mentors and other aspiring entrepreneurs. This creates a support network. Mentorship is typically structured as a three- or four-month program from which innovators graduate. A cohort may include around 10 businesses (as few as 1 in 100 applicants is selected). Participants pay a small monthly fee to participate in the program. Fees can range from a few hundred to a few thousand dollars. As the name suggests, an accelerator is about speed: companies are given the opportunity to succeed or fail quickly.

An *incubator* innovates on its own account and brings in outside managers to develop and commercialize innovations. Incubator innovations tend to require longer development time and the incubator tends to take a larger equity stake in new ideas. However, an incubator has many of the same design features as an accelerator, in terms of the organization of office space and the creation of a community of mentors.

The Canadian Association of Business Incubation's "partial" list of incubators and seed accelerators lists almost 90 across Canada.

Source: Grant, *Start Me Up*, 17.

Some of the founders interviewed for this report have personal experiences with incubators and accelerators, as discussed below.

60 Desmarais, "Accelerator vs. Incubator."

In Waterloo Region, there are also businesses that promote technology start-ups, provide assistance, and contribute to the overall start-up community.

According to Axonify CEO Carol Leaman, there are a tremendous number of resources in Waterloo Region for the support of early-stage technology companies. They include the following three:

1. access to talent—three top-tier educational institutions in the region generating highly skilled grads, many of whom stay local;
2. three terrific incubators/associations in the Accelerator Centre (AC), Communitech, and Velocity;
3. a very supportive angel community that has invested millions in technology entrepreneurs.

The solid base of technology entrepreneurship in Waterloo Region is supported by three organizations—Communitech, the Accelerator Centre, and Velocity. Both Communitech and the AC have federal and provincial government funding, but the AC does not have corporate funding. Velocity is part of the University of Waterloo. Communitech has corporate sponsors such as BlackBerry, Google, and other large corporate enterprises. All three organizations support various stages and types of early-stage technology with different programs.

Communitech houses early-stage companies in its Hub and provides mentorship, learning programs, and many other benefits to the tech community. The AC also incubates companies and is focused on commercialization of product. These are independent organizations but they work together. Velocity is an incubator run by the University of Waterloo; to be eligible for its services, at least one of the company founders must be a U of W student or alumni. It was founded in 2008 with a goal to provide Waterloo's brightest students access to a community of mentors and like-minded peers, the latest equipment, and the resources to turn their business ideas into successful start-ups. In its early days, Axonify Inc. moved into the Accelerator Centre. Carol Leaman is now on the board of Communitech and is a former board member of the AC.

TitanFile was part of Communitech and the Accelerator Centre. It was with these two organizations for two years. Companies must apply to be accepted to Communitech, which then reviews the company's idea.

Once accepted, the co-founders of TitanFile were provided with office space and with an executive-in-residence. Communitech organized regular educational and networking events on sales, marketing, technical, etc. TitanFile paid a little for the office space but everything else was free. The Accelerator Centre had several mentors that were dedicated to work with TitanFile on strategy, finance, PR, access to legal, etc. “Absolutely worthwhile thing to do,” says TitanFile co-founder Tony Abou-Assaleh.[61]

In Waterloo Region, there are also businesses that promote technology start-ups, provide assistance, and contribute to the overall start-up community. One such example is Google for Entrepreneurs, which seeks to grow entrepreneurial communities and to equip entrepreneurs with skills and resources to pursue their big ideas. One of Google’s programs is called Tech Hubs. It partners with a network of seven tech hubs in North America (one of which is in Waterloo) to provide a venue for developers and the wider tech community to engage directly with companies and training partners. Tech Hubs hosts a range of events and workshops and provides co-working space for entrepreneurs.[62]

There are hundreds of other incubators and accelerators in Canada. Some of them are private, some are government operated, and others are run by not-for-profits. Examples include MaRS in Toronto; Founder Fuel in Montréal; and Saskatchewan Ideas Inc. in Saskatoon. In May 2009, Mobile Data Technologies got a small office in Edmonton in the business incubation centre at the Northern Alberta Institute of Technology (NAIT). According to Davis McGregor, the experience was very valuable. Membership included inexpensive office space, access to information and equipment, and meeting rooms. This looks more professional than working in one’s home. It also provided an opportunity to trade ideas back and forth with other entrepreneurs. During his residency, McGregor worked with an entrepreneur-in-residence. He went to the entrepreneur-in-residence’s boot camp where, along with others,

61 Abou-Assaleh, interview.

62 Google, *Google for Entrepreneurs*.

he pitched an idea for a product. After moving out of the incubator, McGregor continued to bring this person in on an annual basis to challenge the company's thinking and help them think big. In 2013, he invited him to join his board.[63]

Networks/Associations

According to EY's entrepreneurship study, nearly half (46 per cent) of entrepreneurs have used entrepreneur clubs and support groups to improve their skills.[64] Many of the founders in this report credit their membership in various groups as being a contributor to their success as a founder.

Jason Flick, co-founder and CEO of You.i Labs Inc., has been a member of the TEC group[65] for seven years. He notes, "They have excellent speakers who have been critical to my learning and I would be a far lesser CEO without this network."[66]

After Martin-Luc Archambault, co-founder and CEO of Wajam, sold his first business he joined a group called Anges Québec, an angel investing group with whom he now meets monthly and shares ideas. He is also a mentor for GrowLab Ventures (Vancouver)[67,68] and Founder Fuel (Montréal), which are run as private funds/accelerator. The goal is to spur people to start new ideas and rapidly test them on the market.

63 McGregor, interview.

64 EY Entrepreneurship Barometer, *The Power of Three*, 11.

65 TEC Canada, *About Us*. TEC Canada is a member-based community of over 900 chief executives, entrepreneurs and business owners. Their goal is to help senior executives take their leadership and their businesses to the next level through peer advisory and support.

66 Flick, interview.

67 GrowLab is a Vancouver-based startup accelerator that helps entrepreneurs build great companies through seed funding, mentorship, collaborative workspace, and three months of intensive programming.

68 Extreme Startups and Vancouver's GrowLab Ventures teamed up August 2014 to form Highline, the first pan-Canadian accelerator platform.

Archambault thinks that it is a good experience to stimulate new companies and it should be a three- to six-month relationship. He says he "would not trust government-run ones."[69]

Travis Blake found some good mentors in joining Entrepreneurs Organization. He had a mentor—a member of World Presidents Organization—who was a great listener and had very valuable advice.[70] Krista LaRiviere is a member of ACETECH, which is a training and leadership organization for CEOs of technology and life sciences, and innovative companies looking to grow their revenue faster with less risk. According to LaRiviere, this CEO school is a great use of time.[71]

One needs to build active, dynamic, and contributing networks to be able to gain from them. They need to be nurtured; and participation and giving back are critical to derive the full benefit. Some founders have regional networks and others build national and international ones, depending on their business objectives.

Conclusion

The most important ingredient of a successful start-up is its founders. These bold innovators thrive in a risky environment, building global companies from scratch. Entrepreneurs from a very early age, founders make this happen by thinking big, being dissatisfied with the status quo, and thriving on solving problems.

The next chapter will explore one of the challenges faced by most founders: commercializing their big, new ideas. It will look at how they put their personal finances at risk at the outset and convinced friends and family to back their ideas before they could hope to obtain outside financing.

69 Archambault, interview.

70 Blake, interview.

71 LaRiviere, interview.

CHAPTER 4

Funding

Chapter Summary

- Successful start-up businesses are more likely to have financial challenges than other new businesses. The reason is that growth requires a high level of capitalization.
- Most start-ups use informal finance to start their enterprise, including friends and family.
- As start-ups grow, they are much more likely to require formal equity financing. For the first time, this involves bringing in equity investors that the entrepreneurs do not personally know.
- Bringing in arm's-length investors is challenging because of the relationship between equity finance and governance. The trick is to satisfy outside investors while staying true to the entrepreneur's vision.

Funding their big ideas is a major challenge for start-up founders, especially for those doing it for the first time. The Conference Board's *Start Me Up: Funding Canada's Emerging Innovators* report deals extensively with the issues of funding start-ups. Here we examine how some of the 17 start-ups interviewed for this report have obtained funding for their ideas.

The founders have received funding for their ideas from three main sources: personal, family, and/or friends funds; governments and not-for-profits; and private equity (broadly defined here as angel or venture capital funds); or some combination of these. Berger and Udell (1998) suggest that SMEs pursue different capital structures during their life cycle, a long-term behavior that would result in the demand and consequent eventual supply of different sources of capital over time. Internal funds will be the favoured source of capital in the firm's early years of operations, whereas access to external finance becomes easier as firms grow older and larger.[1] Most of the companies interviewed for the report had tapped into several different sources of funds to get their companies up and running.

A 2014 PwC survey of Canadian technology companies found that 35 per cent of the companies had raised funds in the previous 18 months. Of those, 56 per cent raised less than $500,000; 36 per cent raised between $500,000 and $2 million; and 8 per cent raised between $2 million and $8 million in their last round of financing. Fifty-one per cent of the money raised came from angel investors, 18 per cent from Canadian VCs, and 11 per cent from a combination of U.S. and Canadian VCs. Of the 65 per cent that did not raise money during that time, the

1 Berger and Udell, "The Economics of Small Business Finance."

two main reasons stated were that it was too early to attract investors (39 per cent) and that they did not want to dilute their ownership or were not interested (29 per cent).[2]

Self-Funding

At some point, most of the companies interviewed have had to rely on their own personal funds or that of friends and family to get started. Mobile Data Technologies was owned originally by its first four partners. The first two years when they were developing products, the company was funded by the partners' personal bank accounts.[3] When Alkarim Nasser started BNOTIONS in 2008 he did not have any money. He had collected lots of credit cards while in university. He maxed out every one of his credit cards to pay employees and rent to get his business up and running.[4]

Some companies interviewed for the report have completely self-financed their business. GSoft, for example, has no debt and no financial backing.[5] The founders self-funded the business from the beginning.

A number of interviewed company founders had visions, from the outset, of building and selling a product. But, because of a lack of capital, they were not able to do so. Instead they started off as a consulting business to accumulate some money, knowing full well that this was not their goal and that they would not be able to scale it.

To move from operating a consulting business to building Anubis Manufacturing, founder Tharwat Fouad tried to bring in external capital. However, he found that as he previously had a consulting business, he was not considered as a start-up and so was not eligible for certain government-backed programs. He and his two partners had to foot

2 PwC, *Building Tomorrow's Giants,* 13–14.

3 McGregor, interview.

4 Nasser, interview.

5 De Baene, interview.

the bill themselves to start. Fouad re-mortgaged his house. Eventually Business Development Canada gave the company a small loan and it received some SR&ED tax credit assistance.[6]

Government Funding

The founders were often able to access funds from a variety of federal, provincial, and municipal government sources that are available to young companies.

You.i Labs Inc. received backing from the Ontario government-funded Investment Accelerator Fund, which now owns 5 per cent of the company. Through Natural Sciences and Engineering Research Council (NSERC) and Scientific Research and Experimental Development (SR&ED) tax credits, the company has benefited to the tune of approximately $3 million to $4 million. The company received $150,000 from the National Research Council Canada's Industrial Research Assistance Program (IRAP), a federally funded initiative to support innovative Canadian firms. The Business Development Bank of Canada (BDC) has been very helpful to You.i Labs Inc. BDC has three programs: equity (not the most successful); subordinate debt (they charge an interest rate but also with a sweetener on future revenue, no equity); and traditional debt. You.i Labs Inc. has found the subordinate debt program very useful. According to Jason Flick, they needed this money in order to get traction to search out other private funds. He says that it is very difficult to attract venture capital in Ottawa since the 2008 market crash. According to Flick, there was $2.1 billion available in VC in 2000 in Ottawa and now there is just $20 million to $50 million.[7]

6 Fouad, interview.

7 Flick, interview.

gShift was seed funded by its two founders when it started in 2009. Next it received funding from the Investment Accelerator Fund (IAF)[8] through the Ontario Centres of Excellence and MaRS (government sponsored) in April 2010. In May 2011, the company received federal government funding via FedDev IBI.[9] At the same time, it also received funding from a private equity investor, GrowthWorks.[10] In the summer of 2014, the founders successfully closed another round of financing from a venture capital firm, Brightspark Ventures.[11,12]

Like many start-ups, Corvus Energy first raised several million dollars from friends and family at the outset. In 2011, the company received $1.2 million in conditional funding from Sustainable Development Technology Canada (STDC)[13,14] In May 2014, Corvus Energy entered into a partnership with BW Ventures' Green Marine Capital,[15] a Maritime Technology investment partnership, for a strategic investment of $5 million to fund working capital. Green Marine Capital is also assisting with marketing of the product.[16]

In August 2011, TitanFile secured a $250,000 CAD seed financing round from Innovacorp, Nova Scotia's technology commercialization agency, which manages a venture capital fund that invests in early-stage,

8 The IAF funded by the Province of Ontario invests up to $500,000 in early-stage companies that have the potential to be global leaders in their field and provide sustainable economic benefits to Ontario.

9 FedDev Investing in Business Innovation (IBI) is a Government of Canada program that provides mentorship, entrepreneurial support, and financing to help new businesses grow and succeed.

10 A Canadian retail venture capital manager, GrowthWorks identifies, analyzes, and structures investments in companies with high-growth potential.

11 Brightspark Ventures is a venture capital firm based in Canada that invests to build and grow early-stage software companies.

12 gShift, *Company.*

13 SDTC is a federal government program designed to support the commercialization of clean technology.

14 Simmonds, interview.

15 BW Ventures' Green Marine Capital is the investment arm of a shipping company based in Norway.

16 Corvus Energy, *Corvus Enters Into Term Sheet.*

high-growth companies. Members of the First Angel Network[17] and other private investors joined with Innovacorp in 2012 in another round of investment in the company.[18]

In 2012, Mobile Data Technologies (MDT) got a $300,000 operating line of credit from the bank to finance orders. In 2013, it received an investment of $400,000. Of that, $200,000 came from angel investors and was matched by funding from the Alberta government through the Accelerate Fund.[19] In December 2013, the company was bought by C&J Energy Services in Texas. It still operates as MDT.[20]

Private Equity Funding

Over half of the companies raised capital through either angel investors or venture capitalists (VCs). Of those that raised third-party capital, more than half received either part or all of those funds from investors outside of Canada. Several of the founders have found that the Canadian angel and VC communities are quite small and, in some instances, reluctant to invest in new ideas. But, across the border the founders find a more receptive investor. A number of the start-ups with markets primarily outside of Canada have found that investors in those countries are more interested in investing than are Canadians with capital.

Like many start-ups, Chaordix received its initial funding—$750,000 from 2009 to 2012—from the founder, Shelley Kuipers, as well as from family and friends. Many people refer to this group as the 3 Fs—family, friends, and fools. In 2012, Canadian venture capital firm Yaletown Venture Partners and the Business Development Bank of Canada invested $1.5 million in Chaordix. Since then the company has done a couple

17 The First Angel Network Association (FAN) is a not-for-profit organization formed to bridge the capital gap for companies in Atlantic Canada that have extraordinary potential.

18 Abou-Assaleh, interview.

19 The Accelerate Fund was launched in 2012 with the assistance of a $10-million commitment from Alberta Enterprise and has, to date, invested in three early-stage companies, including MDT. It is managed by Canadian venture capital firm AVAC.

20 McGregor, interview.

Angel investors try to ensure that the innovation is original and not just a copy of someone else's idea.

of debentures (loans with intent to convert). In the summer of 2014, Chaordix was closing a deal for VC funding for $4.5 million. Included in this last round will be a new VC firm from outside of Canada. Kuipers is not enamored with the VC process. Her advice to others is to decide who you want to invest in your company and then pursue them; do not get swept up with others pursuing you. "Imagine yourself spending a lot of time with that firm and/or partner—and if this is not positive, do not do it. As a result of this last round of financing, we are going to identify the companies that we would like to work with and then we are going to go after them," says the founder.[21]

In 2011, when TitanFile moved to Kitchener, Ontario, the company found that there are a number of angel groups in Waterloo Region that were prepared to help them. One of TitanFile's mentors at Communitech helped the company build a presentation to the angel community. As the mentor sat on the boards of several angel firms, he then invited TitanFile to present to the angels. Many of the angels in Waterloo Region have started up tech companies themselves. According to Tony Abou-Assaleh, the founder of TitanFile, "Rather than poking holes in your plan or putting you on the spot, they help you and guide you. Very value-added."

In his experience, different angel groups manage differently. Some will indicate an interest at the initial meeting; others will think about it. You have only 15–20 minutes to talk about your business. After 20 minutes, if an angel group is interested, there will be further discussions. The angels then review your products, finances, and business and marketing plan. Usually, it is six months from when a company starts to seek money to the time where a deal is signed. In Abou-Assaleh's experience, angel investors are risk averse but look to innovation as the way to mitigate this risk. Innovation is one of the primary differentiators. Angels try to ensure that the innovation is original and not just a copy of someone else's idea.

21 Kuipers, interview.

In Ontario, the various angel groups work closely together. After the company presentation, they may try to form a syndicate with other angels. One of the angel groups would typically take the lead. In the past, contacts were made to each angel group individually and they would compete. Now, in 2014, an entrepreneur looking to raise funds presents to a selection committee that represents many angel groups. “You can apply online to any of these groups but it is better to be introduced” says the founder of TitanFile.[22]

Aman Mann, the founder of Procurify, advocates the direct route when looking for funders and claims that perseverance pays-off. He cold e-mailed Mark Cuban (a star of “Shark Tank”) looking for an investment. The entire deal was conducted by e-mail. In April 2014, Procurify received $1.2 million in seed funding. The investors included India’s Nexus Venture Partners, Mark Cuban, and the Business Development Bank of Canada. Cuban now sits on Procurify’s board of advisors.[23]

According to Byron Osing, co-founder and CEO of Calgary Scientific Inc., investors say that they want disruptive technology. But, when actually faced with it, they do not understand it, and so back off and do not want to fund. They want to classify and value your product using historical analysis, which may be inappropriate for a genuinely new technology. Osing and another board member funded Calgary Scientific initially. Then they brought in high-net-worth angels to help them. In 2010, Aston Hill Financial, an asset management firm in Canada, gave the first infusion and since then have done two more. Aston Hill is not an active VC investor. Calgary Scientific was hesitant to get involved with VCs as they can be too restrictive and too controlling. In Mr. Osing’s opinion, “Most VC firms think that no company is worth anything until they are in

22 Abou-Assaleh, interview.

23 Mann, interview.

But the right mentors significantly influence a company's performance and ability to raise money.

it."[24] Investors who provide hands-on help have little or no effect on the company's operational performance. But the right mentors significantly influence a company's performance and ability to raise money.[25]

Because of her success with previous companies, Carol Leaman was able to quickly attract an early seed round of financing for Axonify amounting to $1.7 million from three sources. The sources were Bridgescale Partners, a Menlo Park, California VC firm; MarS Investment Accelerator Fund in Toronto; and Leaman and her co-founder. Bridgescale was familiar with Leaman, was interested in the human capital management space, and moved quickly to offer funding. In Leaman's experience, because of the significantly larger availability of capital, there are more opportunities to procure investment from the U.S. than from Canada. The second round of funding came from Kaplan Ventures in Florida and Harmony Partners in New York to the tune of $3.3 million.[26]

Other companies interviewed have also found success raising capital outside of Canada. In 2012, MediaCore raised an additional $2.5 million in funding from private angel investors in the U.S. and the U.K., including Alex Khein (chief executive officer at BlueBay Asset Management in London, England); and Pierre Andurand (managing partner of Andurand Capital, a private fund management company in London, England). These investments brought the start-up's total raise to $3 million since it began.[27]

Serial start-up founder Carol Leaman's recommendation to first-time founders is that they need to have a great idea, a huge measurable market opportunity, and the right team. Her advice to entrepreneurs: "You might have the best idea in the world, but investors won't invest in it if the team isn't great or the market isn't huge. More weight tends

24 Osing, interview.
25 Merner and others, *Startup Genome Report.*
26 Leaman, interview.
27 Bowness, interview.

to be given to a team who can execute." She believes that, unlike the larger VCs, angel investors have more of an appetite to invest in a cross-section of ideas that don't necessarily have to be billion-dollar ideas.[28]

For a few of the companies interviewed, raising money has not been an issue. Wajam did not have to raise capital. The only funding has come from CEO Archambault and his partner. He considers himself fortunate as he doesn't have to explain their changes in direction. Every week people ask to invest in his company. But, he does not need them as he has all the money he requires for now. However, eventually he may need to go outside for funding.[29]

Conclusion

This chapter has explored how the start-up founders have been successful in raising funds for their businesses. Some started with the 3 Fs financing (colloquially known as family, friends, and fools). In some cases, they go directly to private equity funding and in other instances there is an intermediary stage where they seek help from federal and provincial governments. Many of the founders, especially the serial founders, have successfully secured private funding from outside of Canada.

Next, we will look at where and how these founders came up with their impressive ideas and the types of innovation they carried out in order to capitalize on them.

28 Leaman, interview.

29 Archambault, interview.

CHAPTER 5

Exploiting Opportunities

Chapter Summary

- The difference between successful start-up businesses and other new businesses is that start-ups are able to move from an idea for a business to a successful execution of the idea. In innovation parlance, start-ups are good at commercialization.
- Fast-growing start-ups often need to innovate significantly in order to compete.
- Great new ideas are driven more by internal sources—leaders, managers, employees, and R&D—than by the demands of competition or supply chains.
- Successful innovators often use business model and business organization innovation as a means of market entry.

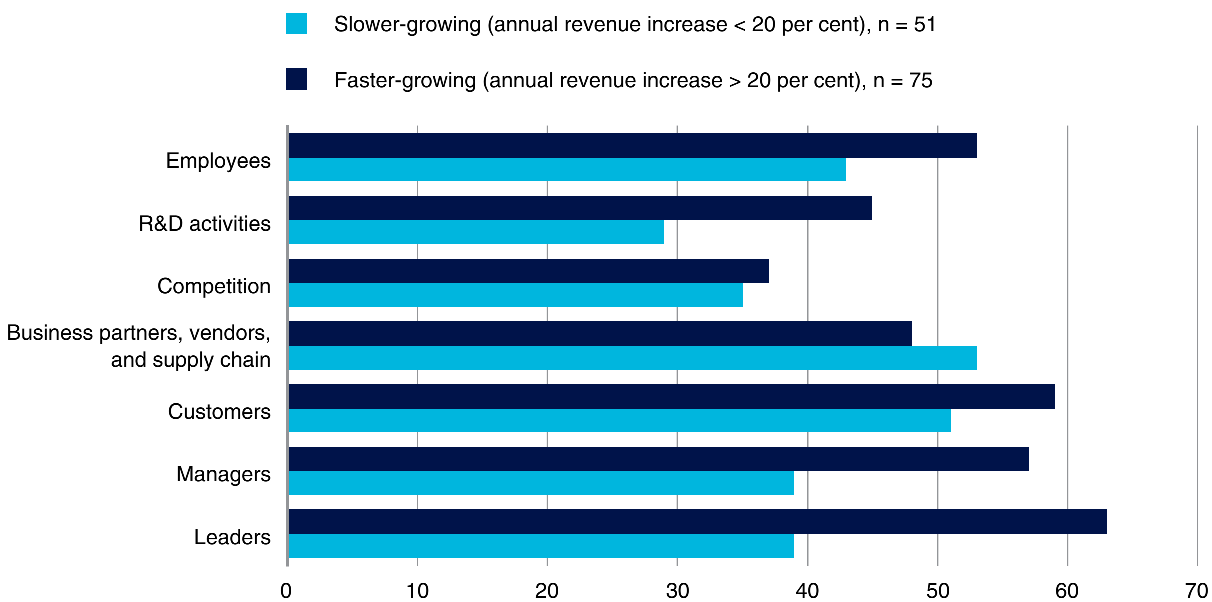
The founders talked at length about how they initially came up with their exciting new ideas and then the process they underwent to make their ideas come alive. Each aspect of exploiting opportunities is important. A great idea without the ability to implement is just a good idea. Financial suicide is putting in place the machinery and processes to commercialize a product that no one wants or is willing to pay for.

The first step is coming up with the clever new idea. Ideas might surface from a problem or "pain point" that a customer or market is experiencing, or it might be an untapped upside benefit (an unarticulated need) of which the customer is not even aware. The second step is defining the innovation necessary to take advantage of the idea. The tendency for many young companies is to focus on product or service innovation that can be a solution to an idea. In some instances, a product or service may be part of the solution. But for many of the interviewees it was process, organization, and business model—as well as marketing innovations—that resulted in the real breakthrough for their companies.

What the Survey Says About Idea Generation

The Conference Board's Canadian Business Survey asked companies what the origin of innovative ideas in their company was. (See Chart 5.) There were differences in the responses of slower- and faster-growing young companies. Slower-growing companies are more likely to originate their innovative ideas from business partners, vendors, and supply chain partners. For faster-growing companies, their biggest source of innovation comes from their leaders, and this source is a much larger contributor in faster-growing companies than in slower-growing companies. Innovation in faster-growing companies is more often internally generated by their leaders, managers, employees, and research and development (R&D) than is the case with slower-growing companies. Faster-growing companies also rely on their customers for innovative ideas.

Chart 5
Innovation Origin of Companies Less Than 10 Years Old
(percentage of respondents; n = 126)



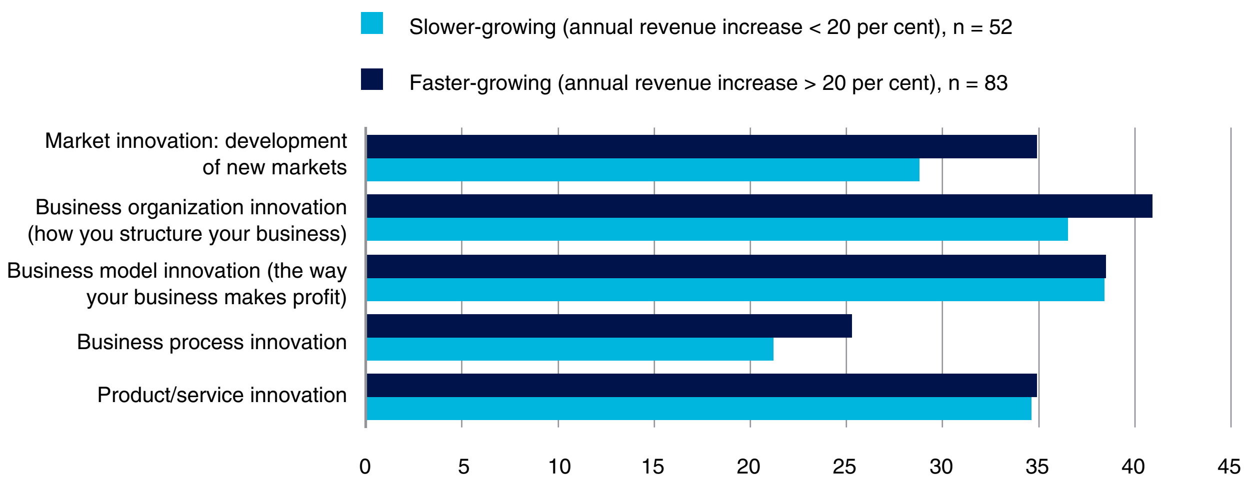
Source: The Conference Board of Canada.

We analyzed which areas of innovation are important to businesses less than 10 years old and compared the responses of faster- and slower-growing young companies. (See Chart 6.) We found that for these young companies the two areas of greatest importance for innovation are business organization and business model innovation. In some ways, this is surprising, as some research and many founders said that one of the tendencies in young organizations is to get engrossed in the product or service and add bells and whistles—many of which the customer does not want. On the other hand, it may be a reflection of the fact that a new company needs to ask all the questions about what one's business model should look like and which commercial partnerships are important. The one area of difference between faster- and slower-growing young companies is that faster-growing companies said that market innovation is also very important. This reflects their focus on analyzing the potential markets and defining which they would target.

Chart 6

Areas of Innovation That Are Very or Extremely Important to Interviewed Companies

(percentage of companies < 10 years old; n = 135)



Source: The Conference Board of Canada.

How do companies first come up with their big idea and which innovations do they rely on to commercialize the idea?

Nurse Next Door has undergone two major innovations designed to address pain-points. It started when their two founders, John DeHart and Ken Sim, struggled to find adequate home care for their loved ones and realized there was a major gap in the market. This was pain-point number one. “Competitors were all focused on home care tasks, which to most people meant the cooking, bathing, vacuuming etc.—all those things needed to allow a senior to stay in their home. What we discovered was that over 50 per cent of those who needed home care were depressed or lonely. Our challenge was how to deliver happiness," says Mr. DeHart.[1]

So their first innovation was a product innovation. The two founders chose to focus on how they could help clients live life again by finding out what they once loved doing but, for whatever reason, had stopped. Now the business became helping people get back to swimming, golfing, or biking again—while also taking care of their medical needs.[2] Addressing the first pain-point, the company went from $0 to $25 million in the first four years of business as owners and operators. They had two businesses by this time—home care and the staffing of long-term care facilities—but only $3 million of the $25 million was in the home care business. The major learning through this growth period was that if they were going to be world-class at something, they had better focus on just one thing. As a result, DeHart and Sim sold off the staffing business, which was the majority of their business at the time, in order to focus on home care.

Their second innovation was a major business model change. After growing the company to 1,000 employees in just four years, and without needing outside capital while managing all operations across Canada, they asked themselves how they could scale up the business quickly. During this time, the co-founders also began a three-year entrepreneurship program (designed for leaders of hyper-growth companies) at the Massachusetts Institute of Technology. When trying to answer the founders' question "… how to be great while getting big," the MIT program mentors told them they would hit the wall if they continued hiring and growing in the same way as they had in their first four years. Mulling this over and talking with their advisory board, DeHart and Sim decided to go the franchise route in Canada in 2007. The franchise

1 DeHart, interview.

2 Elias, "Nurse Next Door."

Today, Nurse Next Door has a turnover rate of 7 per cent for its franchisees and caregivers.

model allowed them to grow quickly and build a brand. As the business is one of caring, engaging each community had to be done by people in that community. They had 50 franchises by 2010.

They also wanted to start franchising Nurse Next Door in the U.S. but were told that they would need a broker in order to break into the U.S., which meant another business model innovation in terms of working with an intermediary. The broker also told DeHart and Sim that they would need a unique service offering in order to make headway in the U.S., which necessitated yet another business model and product innovation. The founders focused on two key areas: brand positioning and communicating the value of their 24/7 centralized booking and on-call logistics.

Today, Nurse Next Door has a turnover rate of 7 per cent for its franchisees and caregivers. That's lower than the 15 per cent average in the franchising industry and more than half the rate in the home care sector. A franchise that might take 3 months to open in Canada typically takes a year to 18 months in the United States. The challenges of the U.S. launch have pushed back Nurse Next Door's business plan by two years, estimates DeHart. And, this year, he concluded, it would require him to virtually split the business. "We're a pure start-up in the U.S.," he says. "We're a mature operation in Canada. They're different companies." That means having different financial statements, management teams, and investment decisions.[3] And, yet another innovation.

Shanu Mohamedali, founder and CEO of Smoke NV, was introduced to e-cigarettes in the U.S. in 2006. At the time he wondered why people continue to smoke long after the nicotine is out of their system. Through research, he discovered that any alternative to smoking cigarettes needed to address the psychological aspects of addiction.

Hence the pain-point he would address was a psychological dependence on having a cigarette in hand. Mohamedali saw the need of those people who wanted to quit smoking but were psychologically unable

3 McCullough, *Canada's Smartest Company 2014.*

to do so. In 2009 the e-cigarette industry was very young in Canada and not well understood, served, or regulated. Mohamedali decided to position his product as an alternative to other smoking cessation products. He wanted to have the product promoted and endorsed by medical officers. To do this, he needed to ensure that the product was safe. He patterned his product after the pharmaceuticals industry and did things such as putting in a product expiry date. Tests were provided to pharmacists (certificates of analysis) to attest to the safety of the product. He eventually got to a point where trusted pharmacists recommended Smoke NV's product.

Mohamedali has worked with the U.S. Food and Drug Administration, Health Canada, and other concerned groups to understand their concerns. Smoke NV made a conscious decision to promote nicotine-free e-cigarettes as an alternative to smoking cigarettes, which was different than the competition that sold their products with nicotine. Smoke NV proactively enforced its own voluntary policies not to sell or promote Smoke NV to minors. The end result is that the product is approved by health authorities.

Another difference is that Smoke NV's largest competitor for the Canadian market sells its products online. Smoke NV made a business organization innovation and, as a result, sells through retailers such as grocery chains and pharmacies. Smoke NV has 10,000 retailers in Canada with which it has worked closely to promote its policies. It has done this by holding educational workshops and by clearly indicating, on all packaging, advertising, and marketing materials, that Smoke NV products must not be sold to persons under the legal age. The company now dominates the nascent e-cigarette market in Canada. Smoke NV also decided to focus on only selling into countries where e-cigarette products with nicotine were prohibited, such as Canada, Australia, and South America. In 2013, exports were about 20 per cent of the company's sales, which were poised to double in 2014.

Smoke NV's first major innovation was a product developing a new nicotine-free e-cigarette that was endorsed by the medical community. Its second innovation was an organizational innovation when it

According to Martin-Luc Archambault, co-founder and CEO of Wajam, "all ideas come from a pain point."

contracted out sales to a third party. The third innovation was also organizational as the company entered into a manufacturing partnership in China. The innovation Smoke NV is working on today is a process innovation. It currently takes 800 people to make a million pieces of equipment a month. The company now has patented technology whereby 10 people can make the same number through automation.[4]

For Aman Mann, co-founder and CEO of Procurify, to be successful, "a start-up must find an answer to a question or problem." He and his two partners were randomly assigned to work together on a project for a company while studying at the British Columbia Institute of Technology. While doing the project, they found that the company provided its customers with complex, expensive solutions and did not even measure customer satisfaction with its offering. As part of the project, the students discovered the pain experienced by the customers due to the complexity of the company's offering. The innovation the students came up with was to simplify the company's processes, put them on technology, and make sure people wanted to use these processes. The main innovation stemmed from understanding the processes and simplifying them.[5]

According to Martin-Luc Archambault, co-founder and CEO of Wajam, "all ideas come from a pain-point." He was working on a project before he started the company and was not able to share with his friends what he was learning. He discovered by accident that one of his friends was working on something similar, but they did not know this as they had no way of sharing. He soon realized that others probably had this same need to share. When Archambault started to figure out how to address this pain-point, "I did not like that we only had Google as a search engine and that it was not making itself better all the time, and that Facebook and Google would not cooperate." So he came up with a technology innovation that took all archived data on Facebook and connected them with Google—and Wajam was born.[6]

4 Mohamedali, interview.

5 Mann, interview.

6 Archambault, interview.

Krista LaRiviere and her co-founder started gShift because they understood that organic search optimization had the reputation of being "black box," and an art rather than a science. After spending 10+ years delivering organic search services to clients, the founders also understood the struggle a service provider goes through every month when attempting to deliver search engine optimization (SEO) results and reports to an end client. They also knew that marketing professionals in small to mid-sized businesses often do not have control over their web presence or their organic ranking efforts. One of the least innovative tactical areas in 2009 was SEO, and so that is where LaRiviere decided to focus. SEO needed innovation and technology applied to it.

Massive changes in digital technologies are opening innovative products and services to new global markets at a staggering pace. This creates opportunities for some companies, like Chaordix, that see the potential and are willing to take a risk. Gartner forecasts that, by 2017, over half of consumer goods manufacturers will achieve 75 per cent of their consumer innovation and R&D capabilities from crowdsourced solutions. And they further predict that by the same year, 80 per cent of Fortune 500 companies will have an active customer community.[7]

Companies like Chaordix are trying to capitalize on the emergence of new markets made possible by the broad adoption of these digital technologies. Their focus on crowdsourcing will play into the changing role of the marketing and technology functions. When Chaordix launched in 2009, the company focused on its technology rather than what the customers wanted and needed. The ensuing two years were spent trying to figure out which problems customers were trying to solve. After two years of market testing, the company re-launched in 2011 and has since emerged as a global leader in the crowdsourcing space. In 2013, Chaordix tripled its growth. Now, "the 'Chaordix *Big Hairy Audacious Goal* (*BHAG*)' is: We will lead the disruptive change in the marketing industry by making it easy and social for people to participate in, and

7 Gartner, *Gartner Reveals Top Predictions*.

It is not a current need or problem expressed by customers that is driving its innovation—it is the anticipation of a future need.

help shape the future of the brands they care about."[8] In the company's case going forward, it is not a current need or problem expressed by customers that is driving its innovation—it is the anticipation of a future need.

MediaCore was originally started in 2010 by Stuart Bowness and Damien Tanner as an open source initiative to help businesses organize and deliver media content in a way that was secure and private within the institution. At first they were just playing around with open source software to get their name known. Then, in 2011, they spent time trying to understand the players, the competition, the problems they were trying to solve, and the gaps in the market, as well as the gaps in their software. They started working with a U.K.-based company that had cloud-based experience at a time when cloud was in its early stages. They decided to merge the companies and, in August 2011, having undergone a business model innovation, the founders re-launched the platform as a cloud-based educational media service.

The year 2012 was about finding the product market fit for Media Core. The founders knew there were many potential industries they could enter and had many educational institutions expressing an interest in the product. They realized that these institutions managed video poorly. As a result, in 2012, Bowness and Tanner decided to focus on the education market—K–12, high schools, universities, and corporate education. By mid-2013, they had further narrowed "education" down to higher education. This process was both organized and serendipitous.

Mobile Data Technologies started with four engineers running an engineering consortium doing projects in mills in the wood products industry. An individual in the oil and gas business approached one of the partners at a Christmas party asking for help in solving a problem with their data acquisition on a pressure truck. Would Mobile Data Technologies be willing to look at the pressure trucks to see if there was something they could do to help? There was a laptop in the truck with some software but it was not easy to use. Mobile Data Technologies

8 Chaordix, *Chaordix Information Memorandum*, 15.

worked with the owners to define the perfect software, which they completed in 2009. Given the customer's need, their goal was to keep the interface simple. By the end of 2010, they had sold 60 systems in the oil and gas business. "Whatever you do, do it well and then eventually other people will think of things that you might be able to help them with," says Davis McGregor, co-founder and president.[9]

Corvus Energy`s first innovation was a product innovation figuring out how to put together lithium batteries in large packs in order to provide industrial-sized power. With this new product, the company first started targeting the automotive industry but realized that its technology was too expensive for cars. Through market innovation, Corvus Energy re-directed its efforts to commercial marine, transportation, ports machinery, remote community, off-grid, and grid-connected energy markets. The next major innovation was a process innovation around the production of the batteries. Corvus Energy has a local manufacturing strategy and training program that makes wide-scale production more efficient and accessible. A Corvus production line can be deployed and set up anywhere in the world with a minimum of time and cost. Customers can build their own batteries using their own local staff and supply chain.[10]

Conclusion

In start-ups, great new ideas are driven more by internal sources—leaders, managers, employees, and R&D—than by the demands of competition or supply chains. These companies and their leaders are vanguards in new businesses and in new markets. Unlike established businesses, the majority of the innovation carried out in these start-ups is business model and organization innovation. They are, in many instances, involved in creating industries that did not previously exist.

9 McGregor, interview.

10 Simmonds, interview.

Chapter 6 looks at how start-up companies address one of their biggest challenges—attracting and retaining talent. It also describes some of the most important aspects of companies’ management systems and how they have evolved over time.

CHAPTER 6

Management Systems That Support Innovation

Chapter Summary

- Although start-ups may begin with informal management systems, they move to more formalized management systems as they grow.
- Business metrics are as important to successful start-ups as they are for established companies.
- Start-up founders are in the position to shape culture through their managerial systems. Culture is key to innovation.
- Start-ups need to have a business strategy that guides their initial efforts. But the strategy needs to be flexible to account for changing circumstances.
- Start-ups often use the Agile Methodology to move from ideas to product. They look to outside partnerships as an adjunct to their capabilities.

All companies, regardless of size, have a management system—by design or happenstance. Established firms are likely to have formalized management systems that have been built up over many years. For several reasons, management systems in young start-ups are different than those found in established companies.

Start-ups are often led by relatively young people who may not have experience in established firms and so may not know about formal management systems. These people are often more interested in and motivated by innovation than by formal management. As start-ups are usually small in terms of number of employees, it is feasible to have more informal management systems. It is easy to communicate by sitting around a table once a day when there are only 10 people in the company. For many, the very reason they are starting out on their own is to avoid the trappings of large bureaucratic organizations. For some, it is almost a badge of honour at the outset that everything in the company is informal. Hence, in the early days, start-ups tend to have a lack of systematic management systems and only as various needs arise do they begin to implement aspects of a more formal management system.

But informal management only takes you so far. The long-term viability of a business depends on building company value and that usually involves formalizing the management system as the company grows. As we say in *Start Me Up*, "the key for innovative companies is to improve their valuations. A company's valuation improves when it innovates to produce a unique product, service, or process that is difficult for rivals to copy. However, innovation needs to be combined with managerial competence in two areas: sales and marketing (which generates higher sales) and business processes (which allows the firm to scale up)."[1]

1 Grant, *Start Me Up, 11.*

Management Systems Result in Culture

The start-ups interviewed for this report found that circumstances led them to formalize their management systems for a variety of reasons. First, in seeking customers or external capital, the companies found that they needed to be able to clearly, concisely, and coherently describe their business and their markets. Having the ideas in their head was insufficient to attract potential long-term customers or investors. All the companies quickly realized that one of the keys to their success was attracting and retaining top talent. Many of these people were young and initially valued the informal management system and the thrill of being in on the ground floor. As the companies grew in size and started to make money, they began to look for and expect some form of formal contracting with their employees and to share the wealth.

As companies grew in size, not everyone could be "at the table" all the time, and so founders recognized they needed structures to make decisions and transfer information. Many of the first-time founders realized that they had a brilliant idea, but did not have an efficient engine to commercialize that idea. In some cases, that meant changing the internal structure and, in other instances, it meant seeking outside partners. Finally, in some instances, as the company grew from a small group to a larger organization, the founders discovered that they did not like working in the company they had created.

R3 Deconstruction & Demolition Inc.'s second innovation involved the process for dealing with people. Founder and CEO, Travis Blake, now advocates a triple-bottom-line principle of "people, planet, and profit." As the company started to gain some traction in the market, it was disheartening for him as the people he hired, although the same age as him, had not been afforded the same opportunities in life. There was too much turnover and not enough commitment, accountability, and responsibility. Blake realized these people did not have a road map on how to be successful in the company. He had learned this as a student working in a garden nursery where the owners involved all staff, even part-time students, in planning the outcomes of the business. He realized

R3 Deconstruction & Demolition provides a one-year development process for employees called the US program—Unskilled to Skilled program.

he needed to give his staff the same transparency into how the business worked so they could see growth for themselves and how to advance out of the company after a year. Blake's goal became instilling his people with a good work ethic so that when they left the company to go elsewhere, they were equipped with marketable work skills.

R3 Deconstruction & Demolition has put together a program that develops each person. The company provides a one-year development process for employees called the US program—Unskilled to Skilled program. They lay down a road map for each person: being a positive team player, being punctual, being at work on time every day, working safely, getting involved in meetings, and being responsible. As part of the process, each employee has formal meetings with the president and regular performance reviews. After one year, if the person has performed well but there is no road for advancement in the company, Blake personally makes introductions to other companies for the person.[2]

The co-founders of Nurse Next Door started out wanting employees to like their job. Despite experiencing hyper-growth, four years into the business the founders realized they did not like working in their own company. They were not happy entrepreneurs. Thus, John DeHart and his partner sat down and decided they wanted to quit their own company. A culture had grown up around them that they did not like. People weren't doing things the way they wanted them done. The founders had built a company they did not want. They had an accidental management system. They outgrew their people but did not provide them with leadership and training along the way. The two partners were entrepreneurs but did not have the expertise to build a great company. "We did not like our people and they did not like us," says DeHart. "We had 25 people in our head office and we fired 10 that day. They were the people with bad attitudes. We had individuals who were turning customers away. We did not have core values defined at the time but the values in the company were antithetical to what we believed in." As a result of that day, they set a goal to become one of the top 10 best

2 Blake, interview.

employers. They did not know how to do that and so spent the summer studying the most enduring brands they knew. They rebuilt the company from the ground up with great attention to the management systems in the company.

The partners discovered that they needed to build a great culture inside before being able to serve their customers. “We are maniacal about our core values,” says DeHart. “We hire and fire according to them. When you use your core values to answer the tough questions, people then know what they should do.”

Their core values are admire people, wow customer experience, find a better way, and be passionate about making a difference. They make their decisions based on these core values. As a result, they find that their culture is caring, kind, fun, and thought-leading. When the values are alive and people are aligned with the core values, they make the right decisions. The co-founders learned the hard way that “a company’s culture can be built by design or by default.” Five years later they were the number one employer in B.C. according to *BCBusiness*. In year six, they were selected as one of Canada’s 10 Most Admired Corporate Cultures as presented by Waterstone Human Capital. [3]

This focus on building a culture through living a set of values was repeated in many of the companies interviewed for this report. As a result of benchmarking successful companies in the U.S., CEO Aman Mann and his co-founders purposefully defined the culture they wanted to achieve for Procurify:

- Have a desire to create things better.
- Be willing to sacrifice yourself for the person beside you; be there for your team, which creates trust.
- Achieve happiness—your team is still there at 8 p.m. and all are laughing and having fun.

3 DeHart, interview.

- Be open.
- Be fearless. "What is the right number of times to fail before you quit?" is a question Mann asks in interviews.[4]

In order not to have an accidental culture, the companies in the report have, at some point, implemented formal management systems. For the experienced serial entrepreneurs, this implementation has come sooner rather than later as they have learned from past experience.

One CEO of a hyper-start-up suggests five rules for managing hyper-growth companies. The rules are to focus first on sales, innovate with caution, standardize structures and processes, delegate decisions to field managers, and reward action and initiative.[5] This list is very similar to what the founders interviewed for this report described as the key aspects of their management systems. This is also the subject for the remainder of this chapter.

Strategy/Business Plan

For many of the start-ups, strategies and business plans tended to be more informal, less long-term, and more iterative in nature—especially at the outset. Unfortunately, many founders are consumed by the day-to-day activities of their young companies with little time left to contemplate or focus on the future. For many of the more-seasoned founders, business and strategic planning—albeit shorter-term than for large established companies—came earlier on in their subsequent start-ups.

Other research supports the learnings of these more experienced founders. According to Osiyevskyy, "Developing and communicating an inspiring business vision (i.e., what the business will be like in two to four years) is found to have the strongest relationship with achieving high

4 Mann, interview.

5 Izosimov, *Managing Hyper Growth*.

growth rates…. A system of marketing planning, including development and regular tracking of an executable marketing plan, was found to be the second most important pillar of SME growth."[6]

Four years into its business, Mobile Data Technologies is now focusing on three-years-out versus back in 2010 when it was day-to-day. "Weekly and monthly planning back in 2010 was long-term planning," says founder McGregor.[7]

For Krista LaRiviere of gShift, her first strategy document set benchmarks for the next 30, 60, and 90 days. This has evolved. She now reports to a formal board of directors and having a strategic plan is a requirement. The board conducts a formal planning process twice a year, including sales and marketing priorities. "Having a comprehensive strategy facilitates the management of the company as there are more people involved—employees, board, and investors who need information," says LaRiviere.[8]

Like most start-ups, at the outset Chaordix had an informal strategy. After being in business since 2009, the company just wrote a detailed business plan for the first time. According to the CEO, plans need to be defensible so that the company can globally scale the business. Until recently, Chaordix had been market testing the potential of their product while, at the same time, doing business. Like many of the companies in this report, Chaordix went to market before their product was ready in order to figure out what the market appetite for this kind of product/solution could be.[9]

Some start-ups did, however, begin with a business plan. Shanu Mohamedali believes the most important part of his management system was the development of a business strategy. He was a business student and so did the marketing plan, business plan, and SWOT analysis. He

6 Osiyevskyy, "Planning to Grow?"
7 McGregor, interview.
8 LaRiviere, interview.
9 Kuipers, interview.

Too much analysis, and the company does not move forward; too little, and it may make costly mistakes that might put it at risk.

met with colleagues who said it could not be done and then worked to define why it could be.[10] Another exception to the more casual start-up business plans was at TitanFile. In the early days, Tony Abou-Assaleh and his partner built a business plan and entered a contest run by the Ministry of Economic Development in Nova Scotia, winning the $10,000 prize, which served as the seed start-up money for the company. They have used elements of this business plan throughout their life, but with many changes.[11]

Premature scaling is the most common reason for start-ups to underperform. They tend to lose the battle early on by getting ahead of themselves.[12] In their enthusiasm to grow and their need for sales, they sometimes omit critical steps to vet their product. Fast-growing start-ups seem to be more willing and comfortable producing a prototype of their product, testing it with potential markets, and then re-vamping it according to market reaction. They do not wait until the product is perfect before distributing it to the market to learn from key potential customers. This is an important balancing act. Too much analysis, and the company does not move forward; too little, and it may make costly mistakes that might put it at risk.

A critical part of any start-up's strategy is a definition of market. As discussed in Chapter 1, for many founders a key element of this is the decision to extend their market boundaries beyond Canada. Many new small businesses tend to focus their efforts locally and regionally—or, at most, nationally. Most of the founders we interviewed have not been constrained by geographic boundaries. MediaCore has never focused on Canada as it is too small a market for its product. The company quickly realized that it needed to go elsewhere to prosper. Over the last eight

10 Mohamedali, interview.

11 Abou-Assaleh, interview.

12 Merner and others, *Startup Genome Report*.

months, the business has done much work collecting and analyzing market data in order to size the market. As a result, it has determined that its largest market is the U.S. and within that, the east coast.[13]

MediaCore has been strong at building a successful product with small investments in R&D. The company is efficient in developing software. Its strategy now is to do more work in marketing going forward, and to grow that area of expertise. For every engineer it hires, the company will hire two people in sales and marketing. Two of the companies it competes with are much larger public companies that have a broad horizontal focus. MediaCore's strategy has been a specific focus on the higher-education customer and providing them with a positive customer service experience.[14]

All start-up founders agree that a business strategy needs to be flexible. According to Slyce founder Cameron Chell, "Start-ups never end up where they start off. The shrewdest seed investors understand that, what the company starts out as, inevitably won't, by any stretch of the imagination, be where the company ends up. The pivot is a necessary part of the start-up life cycle, and nowhere is it more important than in the seed stage. As start-ups go through their ideation and initial concept development, they have to be willing to move and adapt."[15]

The goal of remaining flexible is reinforced by other research, but with the caveat that a company can also change too often. Startup Genome's research found that start-ups that pivot once or twice raise 2.5 times more money, have 3.6 times better user growth, and are 52 per cent less likely to scale prematurely than start-ups that pivot more than two times or not at all. [16]

13 Bowness, interview.

14 Ibid.

15 Chell, *The Secrets to Seed Investing*.

16 Merner and others, *Startup Genome Report*.

Not everyone is enamored with the term "pivoting," but everyone agrees that start-up companies need to be willing and able to change.

You.i Labs has gone through at least three major changes: helping low-end companies compete with the iPhone; pivoting to higher-end companies; and then, in the past three years, moving into the media space. How did it know to pivot? The company found that the low-end market is cheap and it could not make any money. You.i Labs initially picked the low end because they could do it—but just because you can do it does not mean you can make money at it. The company could put great apps on low-end software, but low-end companies did not want to pay for beautiful. High-end customers started to come to You.i Labs as they found they could not do it for themselves regardless of how many engineers they had. Now You.i Labs only deals with tier 1 brands.[17]

Not everyone is enamored with the term "pivoting," but everyone agrees that start-up companies need to be willing and able to change. Shelley Kuipers hates the word pivot and claims that it has become the new management fad. Of course, as a start-up, you are always tweaking your business as it is dynamic. It is not a new way of doing strategy.[18] It is a buzzword according to Carol Leaman at Axonify Inc.[19] Axonify Inc.'s strategy is based on product, market, and team. Strategy needs to start with a great product idea, but one also needs a market opportunity that exists and a team that can execute. Product and market fit are essential. The product Carol Leaman acquired from the original founders of Axonify Inc. served a customer need in a basic way. But when she did a deep dive on the market opportunity, she discovered that the market was much bigger than she had thought and was extremely underserved. After taking it over, Axonify upgraded the product to continue to provide value to target customers. [20]

17 Flick, interview.

18 Kuipers, interview.

19 Leaman, interview.

20 Ibid.

Calgary Scientific made a change in strategy. It started with two directions in mind but, due to regulatory concerns and market research, it decided to go down a more commercially viable road after two years.[21]

According to Travis Blake, the initial approach focusing on the triple-bottom-line (people, planet, profit) was aimed too heavily at the “planet” element. This confused the market and R3 was overlooked for various projects. “I believe we ended up branding ourselves as a ‘green’ company, and some thought we wouldn’t look at any projects that didn’t have an element of that in it,” he says. R3’s big breakthrough came when the focus shifted to putting their “people” first. “It’s my belief you have to execute in the order the triple-bottom-line is written: people, planet, and profit,” says Blake. Having the right people in the field and office allowed the company to start engaging clients on approaching some of the demolition projects in a more sustainable manner. In his words, “We will be the first to tell you it’s not always possible to execute sustainability on demolition projects, but our estimating and project management team can tell you first hand that sustainable considerations were brainstormed in the start-up phase.”[22]

The difference between start-ups’ flexible strategies and those of most established companies is remarkable. One of the core values of Alkarim Nasser’s company is “If it lingers, it will kill you—if you hang on to something too long, it will hurt you.” Nasser believes that everyone needs to be able to operate in that type of environment. He hired someone as part of management from an established, more traditional company. This new person’s telling observation was that “every time you send me in a direction, you change it.”[23]

Strategies in these hyper-growth businesses can and must be able to change—call it pivoting or not. As companies learn about their markets, they need to be able to react fast. The key is staying sufficiently nimble to be able to react quickly and positively, and not be entrenched in

21 Osing, interview.

22 Blake, interview.

23 Nasser, interview.

previous beliefs. They also need to build into their organizational fabric that willingness to hear bad news about their offering and then to be able to react quickly.

Structures, Partnerships, Processes, and Metrics

Structures

As most of the start-ups have a fairly small number of employees and an entrepreneurial environment, organizational structures are quite flat and often informal, especially in the early stages. Most founders talked about a gradual increase of structure as the company got larger. Wyatt Jenkins, V-P Product at Shuttercock, summarizes his view on structure: "We're still in love with the two-pizza team … if it takes more than two pizzas to feed the team, the team's too big."[24] In the early days, Procurify put in place some formal structures but they found that they were inhibiting work.[25]

Because of her history in the early-stage tech space, Leaman was able to raise capital quickly when she started Axonify Inc. She received $1.7 million in seed capital and quickly hired 15 people to re-architect and re-launch the product. Hence, Leaman needed to think about organizational structure earlier than most.

As You.i Labs Inc. grew its structure, it also changed how decisions are made. The company does a yearly off-site, where it focuses on doubling the business. In the first few years, it was the entire company (up to 20 people) that attended. Now it is just the executives. They have facilitated off-sites once a quarter where they set strategic objectives (e.g., attracting a specific profile of companies). The results are also shared with employees at all employee meetings.[26]

24 Regan, *Wisdom From Hyper-Growth Companies*.

25 Mann, interview.

26 Flick, interview.

As organizations grow and mature, the number of people in the company and the depth and variety of skills increases, and so the organizational structures need to change to reflect these differences.

As organizations grow and mature, the number of people in the company and the depth and variety of skills increases, and so the organizational structures need to change to reflect these differences. The first CEO Neil Simmonds hired for Corvus Energy was very entrepreneurial. Simmonds is now handing the position over to a new CEO who is more in tune with running an established company. As he explains, "Our product is mature and so it is time to cash in on that product." Simmonds is trying to stop developing the product and find the commercial application. He recognized that the time had come to change their style of business. The previous CEO spent money developing new products. The new CEO will be stricter on spending: instead of developing new markets and trade shows, his focus will be on building business with specific customers and servicing them properly.

In terms of structure Simmonds says, "You need a good CEO who will work hard, a solid CFO in order to have money, a first-rate marketing group to find customers, and a great fundraiser." His job as the founder is putting together a first-rate team with all of the skills.[27]

Part of the structure debate is about the senior management team. Over the last six years, Alkarim Nasser has met people who could augment or enrich the company and he has invited them to join. He now has six partners in total and he gave each of them 5 per cent of the business.[28]

BNOTIONS organizes around projects. BNOTIONS created a little start-up within the company—e.g., engineers, client manager, customer, and the like. People are dedicated to a project and so they can move very quickly. Customers are part of daily scrums and weekly sprints. It is a 100 per cent transparency model. Every day, the sum total of the day's work gets compiled into an app and then e-mailed to anyone working on the project, including management, and the customer. As a result, they never need to do a project update.[29]

27 Simmonds, interview.

28 Nasser, interview.

29 Ibid.

Idea-to-Implementation Processes

Another type of structure used in most of the companies interviewed involves the process of turning ideas into products. Almost every company interviewed for the report uses the Agile Methodology. Agile is discussed in detail in the CBI report *Innovation Management for Established Businesses.*[30] Agile is a more evolutionary and piecemeal approach to product development than is the stage-gate approach. It also engages the customer directly in innovation and relies much less on project bureaucracy. In traditional project management, a project manager is responsible for balancing the project scope, cost, quality, personnel, reporting, and risk and for adapting the project as the requirements change. According to CEO Carol Leaman, "If anyone is not using Agile these days, they probably aren't executing as nimbly as they could."

The founders of MediaCore were looking for more efficient and effective ways to develop software. They were open to other ideas on how to do it better and so read *The Lean Startup* by Eric Ries,[31] which gave them a number of interesting, lean-based ideas—among which was Agile. They then sent three people to a one-week Agile workshop in Vancouver given by CollabNet. The end result was that in 2012, the founders decided to do some significant process innovations along the lines of lean startup and Agile. They also sent people to workshops by Steve Blank on building a customer canvas. The workshops were very instrumental on how they defined and narrowed strategic options and views of the customer needs.[32] These process structures help to ensure that what is being produced will meet customers' needs and can be produced in an effective and efficient manner.

30 Johnston and Grant, *Innovation Management*, 84–88.

31 Ries, *The Lean Startup*.

32 Bowness, interview.

Commercial Partnerships

Start-up structures are sometimes extended to include third parties. Many start-ups develop business partnerships to help scale their businesses. These partnerships include franchising, third-party manufacturing, and various forms of marketing and sales arrangements.

For example, Nurse Next Door decided that to grow its business significantly, the business had to be franchised. (See Chapter 5, "What the Survey Says About Idea Generation," for further details.)

The company now has over 80 franchised locations across North America and more than 3,500 staff. When the founders went to the franchise model, the key was to select the right franchisees for their business who would be able to uphold their brand. For every 100 franchising inquiries, says DeHart, one or two are successful and then face a four- to five-month evaluation and training process. Candidates have to prepare their own market and competitive analysis before they draw up a financial plan. Once that is satisfactorily completed, they do a 12-hour interview at "heartquarters." Once accepted and trained, they are assigned a business coach to help them through the start-up period.

The company charges a number of different fees to franchisees. There is a $40,000 franchise fee up front, a 5 per cent royalty on gross sales, and also technology and service fees. If franchisees do not live up to the franchise standards, they are let go.[33]

Another form of third-party partnership involves marketing and sales. TitanFile is currently focused on Canadian and U.S. markets. Given that brand recognition for the security of their product is vital, the company has forged a partnership with Hitachi, which is well known in the security world. In addition to lending credibility by affiliation, Hitachi helps TitanFile with marketing around the world.[34]

33 DeHart, interview.

34 Abou-Assaleh, interview.

Calgary Scientific has also opted for a marketing partnership as its customers are large hospitals that do not buy from small companies. The company finds brand name companies to partner with, such as Siemens and Hitachi Data Systems. One of Calgary Scientific's key business metrics is how many big partners they sign. According to CEO Osing, "It takes three years to build these partnerships and so revenue is a lagging indicator of the success of our ability to form these partnerships." At the time of the interview, the company had signed over 45 global OEM partnership agreements[35]

Smoke NV is an interesting and successful example of how to partner with others to gain competencies that enable the business to be scaled quickly. The company has both sales and manufacturing partners. When Smoke NV started in business in Canada, it had a sales force of five people. Smoke NV wanted to focus on innovation, quality control, and manufacturing. It did not want to focus on sales to the detriment of these three focal points, and so the company decided to find an external partner in the same vertical. Consequently, Smoke NV has now contracted out the sales function in Canada. The company has given the Smoke NV sales and brand promotion in Canada to House of Horvath, which already has well-established sales connections with gas stations and convenience stores. Smoke NV has another partner that sells to grocery stores and pharmacies, but it too goes through the House of Horvath. Smoke NV has a senior executive inside the company that manages this partnership with House of Horvath. According to founder and CEO, Shanu Mohamedali, the company isn't afraid of losing control and realizes that to grow fast, it needs a competent, experienced sales force.

35 Osing, interview.

Corvus Energy realized that as a small company selling outside of its home country, it needed to rely on collaboration arrangements with other companies around the world.

Smoke NV also has a manufacturing partnership in China. It owns 39 per cent of a manufacturing company in China with a Chinese partner. A Japanese food company makes the liquid for the product and then they send it to China where it is combined. In 2009, the business was manufacturing elsewhere; in 2010 it went to China with this new model.[36]

Corvus Energy, started in 2009 in British Columbia, also has both sales and manufacturing arrangements with third parties. The founder realized that as a small company selling outside of its home country, it needed to rely on collaboration arrangements with other companies around the world. As a result, Corvus Energy has a number of international manufacturing and sales partnerships. In 2013, it entered into a joint venture partnership with Green Park Management Limited ("Green Park"), a Nigeria-based energy and infrastructure firm, to form Corvus Energy Africa Ltd. The new company will manufacture Corvus's advanced batteries in Lagos and provide reliable power solutions in Africa. Corvus has also formed Corvus Energy South East Asia Pte Ltd., which is a joint venture between Corvus Energy Limited and System Electric (S) Pte Ltd, incorporated in Singapore to assemble, distribute, sell, and service superior energy solutions throughout Southeast Asia. It is interesting to note that despite its headquarters location in Canada, the company actually has no customers in Canada. It sells its products to ferry companies in Washington State and in Europe, but has had no luck in its home province.[37]

MediaCore has a very strong partner strategy. Its partners include Single Sign On partners, Capture partners, and Solutions Partners. The company identified areas where it is really strong and can compete against big players like Desire2Learn. But the company realized it cannot build everything. The partners asked themselves: "What can we do where customers get what they want and we do not have to supply everything?" It became clear to them that partnerships had to be an important component of this. They seek out the best of breed in

36 Mohamedali, interview.

37 Simmonds, interview.

a variety of areas such as Platform partners. In this area, for example, they partnered with Pearson Canada Inc., a large educational company. MediaCore brings its expertise in video to the relationship with Pearson Canada. MediaCore gains access to large customers because of its partners. Sometimes it also finds new partners when working with customers. For example, when working with Yale University, the company had to work with one of Yale's suppliers. As a result, the supplier is now a key partner. Strategic partnerships are important as they give the company validity. However, warns CEO Stuart Bowness, "You are your best salesperson. A partner is not a replacement for your own sales team. They augment it."[38]

Metrics

The companies in this report all use metrics to gauge progress. Some put metrics in place from the outset, while others waited for some time before spending resources to formalize the measurement. Research has found that start-up companies, which track metrics, average a monthly growth rate that is seven times greater than companies that are not tracking metrics. Those firms that have metrics in place are 60 per cent more likely to raise funds than companies that don't track metrics.[39]

Having founded several very successful start-ups, Carol Leaman advises founders whom she mentors that they need to measure from the outset and not to wait until they have time. "You need metrics to know if what you are doing is working and to keep you realistic, as too many founders think things will happen three times as fast as they do and for one-third the cost that it does," she says. Axonify Inc. measures its success by the following metrics, with the first one being most important:

- customer acquisition
- sales cycle length
- customer churn
- revenue growth

38 Bowness, interview.

39 Merner and others, *Startup Genome Report*, 10.

- cost of customer acquisition
- lifetime value of customers

The metrics show that, in less than two years, Axonify has acquired over 40 global brand customers and has achieved $40 million in revenue.[40]

Neil Simmonds of Corvus Energy says the metrics for his type of business follows stages. In his words, "The first four years is about survival. So the metric is, are we still here? The second stage is about growing and there we measure new customer attainment. And the final stage is going forward and here success is measured as making money."[41]

gShift uses a typical growth metric of revenue growth—quarter over quarter. Employee bonuses are not tied to this except for the sales team. In addition, the company has recently implemented the Net Promoter Scoring[42] system and the bonus of the entire company will be tied to this metric. The company will survey 25 per cent of its clients every quarter. gShift will administer the five-point scale survey itself, rather than use a third party.[43] Co-founder and CEO of Wajam, Martin-Luc Archambault, uses four main metrics to gauge success. The metrics are the number of new users per day, how many customers use their product every month, revenue, and employee retention.[44]

Many off-the-shelf analytics tools are available through Google, Twitter, and other online sources, which enables smaller firms to analyze web traffic and social media mentions. Google's service, for example,

40 Leaman, interview.

41 Simmonds, interview.

42 The Net Promoter Score (NPS) is a customer loyalty scoring system based on the question: How likely is it that you would recommend our company/product/service to a friend or colleague? The scoring for this answer is usually based on a 0 to 10 scale. Someone is deemed to be a promoter if they give a score of 9 or 10. Detractors give a score of 0 to 6. Scores of 7 and 8 are passive. So, for the purpose of calculating, NPS is ignored. NPS is calculated by subtracting the percentage of customers who are detractors from the percentage of customers who are promoters.

43 LaRiviere, interview.

44 Archambault, interview.

provides a wide range of reports on everything from the performance of online ads to a breakdown of what customers search for when they visit your website. Both Facebook and LinkedIn have tools for tracking sponsored pages and groups, while TweetReach—from Union Metrics—creates reports on how tweets travel through cyberspace. Data-driven marketing programs like MailChimp give users the ability to segment e-mail lists and track results.[45]

Although some early start-ups are hesitant to put in place formal structures, partnerships, process methodologies, and metrics, all of the companies interviewed have implemented, at some point in their early years, a few or all of these formal structures.

People Systems

As described in Chapter 2, attracting and retaining great people is one of the greatest challenges for the interviewed founders. They believe that given the challenge of a start-up, including limited resources, it is imperative that every employee is top-notch and feels like an integral part of what the company is trying to do. A critical part of the role of the start-up founders is ensuring employees understand the plan, and know where they are in relation to the plan; getting input on how to make things happen; and making sure all employees feel responsible and accountable for the results. In the beginning, with fewer employees, most founders tend to keep people systems at a minimum. However, with growth in numbers, it becomes increasingly difficult to achieve all of these things with every employee on an informal basis. The start-ups have implemented some more formal people systems to address some of employees' needs.

45 Lorinc, *How Small Biz*.

Over time, Alkarim Nasser has found that there are some things like employee development and performance reviews that need to be more structured. People want to work for his company because it is fast-paced, and yet it needs to have some of these things formalized.[46]

In addition to having a clear business strategy that sets the direction for employees, structures that define how decisions are made and processes that enable people to innovate efficiently and effectively, there are specific people-focused systems that the founders have implemented to meet the challenge of attracting and retaining great talent. This section will share what some of them have done in terms of culture and values, selection, communication, training, and recognition.

Values and Culture

The first step for many founders was deciding what they wanted their organization to look like. In building a company from the ground up, the question is, what does the organization truly value? Most well-established companies have a set of values, many of which have been around for a long time and have survived changes in leadership. Some value sets in large organizations exist in spite of the current leaders. A start-up is different. It is up to the founders to decide from the outset what they believe in and what they want their organization to stand for.

In 2009, GSoft decided it wanted to be the top place to work in Quebec. Getting the best people is very difficult and so the company decided to foster a casual environment where people would be encouraged to stay themselves. GSoft wanted people to have fun and to feel at home. GSoft people do not take themselves seriously but they are professional. When doing their team hiring, the question the interviewers are asked to consider is: “Would you have a beer with that person; if not, do not hire them.” Friday afternoons are times for events such as staff BBQs. GSoft takes the entire team and their families on an annual trip. To date, they have gone to Las Vegas, Miami, and NYC.

46 Nasser, interview.

The company provides transportation passes for employees in Montréal and three free lunches a week. GSoft recently implemented an unlimited vacation policy whereby employees can take whatever vacation they want. This is unheard of in Quebec; more common in Silicon Valley. The resultant culture has attracted talented people and turnover is less than 4 per cent at GSoft, which is low in the industry. “Because of its great culture, GSoft now can build products in three months that would take other companies two years to build,” says De Baene.[47]

Chaordix’s core values are respect, accountability, learning, invention, excellence, celebration, and inspiration and lead. “We hire and fire by these values. We communicate them by telling stories,” says the founder. For example, the value of respect means that they want to have debates and challenge each other, but they do not ever want to have things personalized. Chaordix has asked people to leave the company because they were disrespectful of their peers. Now that the company is larger, these values need to be better communicated so that they permeate an ever-expanding and diverse team.

In building Chaordix’s organizational culture, Kuipers benchmarked with the founder of Zappos. She learned from them that they subscribe to the principles of organizational democracy of Worldblu. (See “WorldBlu’s 10 Principles of Organizational Democracy.”) Chaordix has been certified as a member of the Worldblu List of Most Democratic Workplaces from 2010–14. Chaordix participates in this designation by asking all employees to complete a survey, anonymously, and to evaluate the company based upon freedom-centred values as set by WoldBlu.[48]

47 De Baene, interview.

48 Kuipers, interview.

WorldBlu's 10 Principles of Organizational Democracy

1. **Purpose and Vision:** A democratic organization is clear about why it exists (its purpose), where it is headed, and what it hopes to achieve (its vision). These act as its true north, offering guidance and discipline to the organization's direction.
2. **Transparency:** Say goodbye to the "secret society" mentality. Democratic organizations are transparent and open with employees about the financial health, strategy, and agenda of the organization.
3. **Dialogue + Listening:** Instead of the top-down monologue or dysfunctional silence that characterizes most workplaces, democratic organizations are committed to having conversations that bring out new levels of meaning and connection.
4. **Fairness + Dignity:** Democratic organizations are committed to fairness and dignity, not treating some people like "somebodies" and other people like "nobodies."
5. **Accountability:** Democratic organizations point fingers, not in a blaming way but in a liberating way. They are crystal clear about who is accountable to whom and for what.
6. **Individual + Collective:** In democratic organizations, the individual is just as important as the whole, meaning employees are valued for their individual contribution as well as for what they do to help achieve the collective goals of the organization.
7. **Choice:** Democratic organizations thrive on giving employees meaningful choices.
8. **Integrity:** Integrity is the name of the game, and democratic companies have a lot of it. They understand that freedom takes discipline and also doing what is morally and ethically right.
9. **Decentralization:** Democratic organizations make sure power is appropriately shared and distributed among people throughout the organization.
10. **Reflection + Evaluation:** Democratic organizations are committed to continuous feedback and development and are willing to learn from the past and apply lessons to improve the future.

Source: WorldBlu.

Alkarim Nasser describes the culture of BNOTIONS as “amazing,” and there are good reasons for this. Foremost, the company values employee happiness. To contribute to this happiness, BNOTIONS are big on naps and have a nap pod that vibrates and shakes and puts one to sleep. The company has a basketball league and does talent shows. It has a totally open office with standing desks that are motorized and can be moved up and down. The company bought a $150,000 Tesla auto, completely outfitted. Anyone in the company can book the car for anything they want to do. BNOTIONS is also keen on keeping up with the latest trends. To do this, it does something called the open source classroom, in which employees are expected to participate but also give workshops. Visiting people from Silicon Valley say they have not seen anything like BNOTIONS culture in Toronto. Similar to a Japanese restaurant, all employees applaud when a visitor comes into or leaves the office.[49]

Mobile Data Technologies employees have flexibility to work when they want. All employees have to be at their work station from 9:00 to 3:30, but other than that they can start and end when they want. This is apparently a big hit with the young workforce.[50]

Every day at Wajam, all employees have lunch together—paid by the company. Every Friday, they do a Q&A at the end of lunch and the CEO gives them an update. Monthly, he shares all the financials of the company with his staff. Some added perks of working for Wajam are foosball, pool, ping pong, health insurance, and six 80-inch TVs with Xbox. In terms of continuous learning, employees do “lunch and learns” and “hack-a-thons.” Wajam organizes “meet ups,” where all Scala software developers in Montréal—from various companies—meet to share ideas every month. This is also a great tool to help with recruiting, as it profiles Wajam’s people and the interesting things they are working on.[51]

49 Nasser, interview.

50 McGregor, interview.

51 Archambault, interview.

Selection

A 2014 survey of Canada's emerging companies by PwC found that 42 per cent of the CEOs said that their biggest talent management issue is identifying and recruiting new talent.[52] Given the small number of staff on each of these start-up founding teams, it is critical that each person hired is the best they can be. There is no room for mediocrity, from the senior management down to the individual coders.

The leading companies have redefined what they are looking for in terms of skills and competencies. Aditya Agarwal, the person responsible for scaling engineering at both Dropbox and Facebook, suggests that when hiring, look for people who are quick learners, very comfortable with change, and who can roll with ambiguity and improvise.[53]

When Carol Leaman was setting up her senior team at Axonify Inc., she selected a number of key people with whom she had previously worked. She had stayed in touch with them over the years, and when she was ready to launch Axonify she was able to attract them to the opportunity. The team operates based on trust and, according to Leaman, they have an "awesome working relationship." At a non-management level, the team was also able to attract others that various people had worked with, and a significant number of employees have come through personal relationships. The fact that Leaman previously had several successful start-ups made it much easier to recruit people. "People trust you and want to be part of what you are building," she says.[54]

Nurse Next Door decided that it needed robust systems to select people with whom it would want to work. It follows a system called top grading (à la GE). As a result, the company is 90 per cent accurate in its hiring practices versus the North America average of 50 per cent. Nurse Next Door has a long and comprehensive hiring process based on a formula of 50 per cent cultural fit and 50 per cent great at your role. The

52 PwC, *Building Tomorrow's Giants,* 19.

53 Agarwal, interview.

54 Leaman, interview.

You.i Labs does the Myers-Briggs assessment for everyone they are contemplating hiring.

company gets many applicants for each role—sometimes 200 for a single job. Nurse Next Door does not advertise. It is by word of mouth and recommendations. The first interview is a group interview. The company interviews eight people at the same time (1-800-GOT-JUNK? does this as well). At this point, Nurse Next Door is looking for culture fit. From this round, about 20 per cent of the interviewees are selected for a second interview. The second interview is 30 minutes about talent and then 30 minutes as to whether the candidate is a culture fit. From here, about 15 to 20 per cent of the people will make it to the third interview, which is two to three hours.[55]

Every company interviewed for this report emphasized the importance of collaboration and teamwork. When hiring, Corvus Energy brings in a third-party person who screens candidates for their ability and willingness to work in teams.[56]

You.i Labs is cautious about hiring people out of a large company, as their skills and work ethic often do not match those of the innovative start-up. The company does the Myers-Briggs assessment for everyone they are contemplating hiring and then, if a person is hired, You.i Labs shares the assessment with the team.[57]

According to Martin-Luc Archambault, to be successful you need to "surround yourself with people smarter than you; that complement you." When hiring at Wajam, the company does a number of interviews for all potential candidates, with existing staff. Archambault is the last to interview. Wajam does not use recruiters. Once Archambault has a good employee, he asks them, "Who is the smartest person you know?" and then he tries to hire that person. The company does not pay people more than the average going rate. That's because the company needs people who want to be part of a team that will make a difference, and will want to disrupt the market.[58]

55 DeHart, interview.

56 Simmonds, interview.

57 Flick, interview.

58 Archambault, interview.

At Calgary Scientific Inc., most of its talent comes from its networks. Calgary Scientific Inc. encourages its own employees to bring in people, and gives them bonuses if they do.[59]

BNOTIONS has found key talent in large part by creating and hosting educational events that enable the company to meet possible new recruits—especially younger workers, who are enthusiastic about learning and sharing ideas. Nasser devised this approach by accident. He began with an altruistic motive: to make it fast and affordable for people to get training for a digital-media career. Nasser created Yorkville Media Centre to offer a free, nine-week course on topics such as design, development, and information architecture. When Nasser saw how smart and passionate some of the students in the first course were, he hired them. It dawned on him that educational offerings are a way to give back to his sector and spot promising talent. Today, BNOTIONS stages or hosts several events that give the company access to a stream of keen and technically gifted people. This includes giving half a dozen local tech-user groups complimentary access to an entire floor of BNOTIONS' offices for workshops and meetings. The firm also stages AndroidTO, a conference about the latest trends in that platform. AndroidTO debuted in 2010 as a free event with 250 attendees; by 2011, more than 800 people each paid $100 or more to attend. Next February, BNOTIONS will launch a second conference, jQueryTO, about a new code that simplifies HTML scripting. And every Tuesday and Thursday, the firm hosts Lean Coffee, an informal event at which the first 40 people to sign up meet at BNOTIONS' offices to talk about lean software design.[60]

59 Osing, interview.

60 Profitguide.com, *Recruiting by Stealth.*

Communication

In the early days of a start-up, communication is not an issue as the group is small enough that everyone can sit around one table, exchanging ideas and making decisions. As the number of employees grows, however, companies find that they need to change their processes of communication.

As part of Nurse Next Door's transformation, its founders spent months studying some of the companies they most admired and learned some good lessons. One thing that they discovered was that they were poor communicators. So, they designed and implemented a structured robust communication system with a daily, weekly, and annual cadence. They implemented a daily seven-minute huddle stand-up meeting every day at "Heartquarters." This allows them to communicate with their employees every day. The senior management team meets weekly, and then each senior team member cascades the information from the meeting down to the next level. Every month, senior management meets for a few hours and then cascade the results of the meeting down into the organization. Every quarter, senior management get together to define the next quarter's goals and then these too are deployed down. Every year, senior management does an off-site for three days to define the business's goals and plans. These goals and plans are then deployed to all employees. This rhythm has helped Nurse Next Door grow "the right way" and keep all employees informed about where the company is going.[61]

Every six weeks, Krista LaRiviere does an update for gShift staff on what is happening in the company and the upcoming plans for the next six weeks. This helps keep everyone engaged.[62]

A number of the interviewed companies work to ensure that they keep communications open with their employees, even as the company grows. At You.i Labs Inc., each staff member must have a one-hour, one-on-one

61 DeHart, interview.

62 LaRiviere, interview.

session with their supervisor to talk about anything that they would like. The company wants to find out what people think and if people are happy or not. You.i Labs Inc. has co-op students from Waterloo, Carleton, and University of Ottawa. And, when they leave, the CEO does an exit interview with each of them.[63]

To help with communication at Axonify, Carol Leaman has regular, very open, and transparent conversations with the company as a whole. Every two weeks, the company has a team lunch. Leaman asks people, “Who has done something great in the last two weeks that we should recognize?” She also gives them updates as to where the company has been successful and where they have hit road blocks, and asks for suggestions. Axonify does a full-day meeting once a year for all staff. The end result is that people feel like they know what is going on. According to their CEO, “... when people are in the dark they can’t perform at peak; they guess and make stuff up.”

Communication is also a two-way street and many companies have formalized mechanisms for obtaining input from their employees. Axonify Inc. does a company survey every year, asking people what they want the culture to be. Employees respond that they want to work in a positive, open, transparent, collaborative, fun, high-performing, exciting, friendly culture. They say they want to feel like they belong, have autonomy, and are free to discuss ideas in a trusting environment where people are valued.

Recognition and Rewards

Certainly one of the most hotly debated parts of a management system in established companies is rewards and recognition. Current Canadian management practices tend to discourage collaborative innovation by an unwillingness to reward innovation high performance. *Canadian HR Reporter* notes that “Despite the acknowledgement of the importance of collaboration, many Canadian businesses seem unwilling to share the

63 Flick, interview.

resulting risks and rewards. Only 11 per cent of Canadian executives surveyed said their firm would be open to sharing the revenue stream or losses that could be generated through a collaborative innovation. That's the lowest of all countries in the survey (global average is 28 per cent)."[64]

The start-up founders interviewed also said that rewards and recognition was a key component of their management system. But, unlike most established companies, they want a system that encourages collaboration and entrepreneurship by ensuring that if the company won big, every employee would also win big. Instead of attracting people to join their company with large salaries (most founders say they pay at or slightly below market) start-up founders want to create a fun, open, and innovative environment that attracts people to work for them and then reward them when the company becomes a big success.

Stock options were one of the main instruments employed by start-ups to share the risk and reward. gShift provides all employees with stock options, so they stand to gain monetarily when the company is a success.[65] Everybody gets stock options at Axonify Inc. Employees are granted options that vest over four years. The options are a right to purchase shares in the company at a specific price. These shares start vesting in one year and, in theory, employees could turn them in at any time—but they almost never do. On a potential company exit, they would benefit. Employees have the choice of buying shares after one year. Axonify will institute a bonus plan next year. [66]

Everyone at Wajam gets options and thinks that they will get a bunch of money when the company is successful. So they buy into the company's goals. To demonstrate that he is there to make the company successful, and that he is taking the biggest risk, CEO Archambault does not pay

64 *Canadian HR Reporter*, "9 in 10 Executives."

65 LaRiviere, interview.

66 Leaman, interview.

Stock options were one of the main instruments employed by start-ups to share the risk and reward.

himself a salary. Every dollar he makes is re-invested in the company. This gives the team the idea that everyone should be there for the right reason, which is to make the company a huge success.[67]

The CEO of Calgary Scientific talks about taking risks and having no fear of failure. All of the people who set up the company have been successful in the past and "they wanted to swing for the fence" says Byron Osing. They started with this message right upfront with all investors and all employees before they joined. "Taking calculated risks is a daily endeavour here," says Osing. An internal innovation summit is held twice a year. Employees get to work on a technical project of their choice for a week. Projects are then presented to the rest of the company. People are motivated by the opportunity to work on new ideas.[68]

A survey of the Hottest 50 Growth Companies in Canada (many of the companies interviewed for this report are on this list) by Profitguide.com found that 84 per cent of them offer individual performance bonuses.[69] For example, You.i Labs Inc. has a bonus plan. When it has a big success, it pays a cash bonus to all employees based on their contribution. The company also spends the time to find out what each employee values in terms of rewards (e.g., favourite restaurant). Then, when the company wants to recognize an employee, the reward fits what that person values, and is doubly appreciated because the company has bothered to find out what makes the employee tick.[70]

As start-ups evolve and grow, so too do their need and appetite for more formal management systems. The systems are tempered by the companies' desire to keep the company flexible, fun, and innovative. The reality of more employees, customers, and sometimes investors, however, necessitates more formalized business plans, structures,

67 Archambault, interview.
68 Osing, interview.
69 Profitguide.com, *Profit Hot 50*.
70 Flick, interview.

processes, metrics, and people systems. Overlaid on this, in many instances, is a need for external commercial partners in order to scale the business.

Conclusion

Every start-up has a management system. Some aspects may be serendipitous while others are by design. In the start-up's early days, the former type of system is more common. But, as the company grows in numbers or if it is led by an experienced founder, it becomes more common for many aspects of management to be consciously planned and implemented. One of the most frequent aspects of a start-up's management system is commercial partnerships that allow the company to scale the business. In addition, from the outset, many start-ups put in place rigorous people systems in order to attract and retain top-notch talent.

The last chapter will highlight and summarize the main take-aways from the experiences of the founders of 17 of Canada's most dynamic start-ups.

CHAPTER 7

Take-Aways

Chapter Summary

- Given the uniqueness of innovative start-ups, this report has focused on the experience of 17 successful Canadian start-up innovators.
- Start-ups reflect the personality of their founder(s). That feature shapes the company's ambition, competence, and culture.
- Founders do not shy away from challenges. They address them early and directly.
- Start-ups deal with financial challenges through multiple sources of funding. They are innovative in the way they blend public and private sources of funds.
- No one person can create a successful business. Start-up founders need to find a way to build a team that is dedicated to their vision. And they need to work with outside partners to extend their capabilities.

This report has focused on the experiences of 17 founders of Canadian start-ups, many of whom are very successful serial entrepreneurs. As they have been helped and mentored by others in their various journeys, they want to share their learnings with other people who are contemplating building a start-up. We provided the founders with a platform to do so in this report. All the interviewees agree that the challenges are many and no doubt daunting for the majority of Canadians. Yet these people clearly demonstrate that it is possible to build a company from the bottom up that can take its place on the global stage.

In this chapter, we summarize five of the key take-aways.

The Founder Is Everything

It is abundantly clear that the top three determinants of a successful start-up are the founder as the inspiration behind the great idea, the founder as the connector to critical funding and business networks, and the founder as the motivator to take risks and bounce back when things don't work out (in that order).

Although from varied backgrounds, in terms of upbringing and education, these people share and exemplify the attributes of great founders—perseverance, excited by their product, dissatisfied with the status quo, risk-takers, team builders, network builders, problem-solvers, and big and creative thinkers. Often in the vanguard of a new idea, these people are bold and determined to succeed. Most have had an entrepreneur role model in their environment as they grew up and they were all business people at a very early age.

Many of the founders have a proven track record at starting up businesses and so have learned valuable lessons along the way. They have also built enduring networks of financiers, former employees, and other businesses that give them a leg up when launching yet another new company.

Founders Meet Challenges Head-On

The main challenges encountered by start-up founders were funding, building a market for the product, attracting and retaining skilled people, and managing the pace of change. They needed to plan for and be prepared to address these challenges from the outset.

Successful founders do not shy away from addressing these challenges head-on. Indeed, the same ingenuity that they apply in creating their businesses is also used to overcome barriers. They persevere through the challenges and are very good at learning as they go. For serial entrepreneurs, this is key, because it helps them to lower the costs of subsequent start-ups by applying learnings from earlier ventures.

Mixing Funding Fuels Early Development and Growth

One of the biggest challenges faced by founders is finding money to support the development and commercialization of ideas. There are actually two financing challenges. One is in the very early stage of development. When a company may generate very little cash flow, the founder needs money to get things going. A second is when the business begins to take off. At this point, the founders' need to build capacity quickly may actually outstrip their internal capacity to fund growth.

Founders have received funding for their ideas from three main sources: personal sources (which includes themselves, family, and/or friends); private equity (defined here as angel or venture capital investors); and governments or not-for-profits. They regularly mix these sources of funding. For some founders, the company had to be sustained on their personal funds for quite some time. Therefore, they were digging deep into their own pockets, sometimes mortgaging their house, maxing out credit cards, and/or working in other businesses to get cash to fund their ideas. Some were more fortunate and could also tap into friends and family. Government programs were helpful to obtain early money for some of the companies. Although in most cases not a huge amount, it was often enough to enable the company to take the next step of looking for various types of private equity funding.

It's People Who Innovate

Another huge challenge encountered by the founders was how to attract and retain the talent that they needed in order to grow and be successful. Although many companies started out on the dining room table or in a garage, these companies quickly evolved to a point where they had a significant number of people, customers, and, in some instances, investors who needed to be aligned. This was critical for decision-making, communication, explaining the direction of the company, and keeping people enthusiastic and motivated about where they were going.

Having experienced this previously, the serial entrepreneurs took early steps to design their management systems. This entailed developing their company's values, building a strategy and business plan, working out how to make communications effective, creating a fun working environment that would attract creative people and foster collaboration, and keeping the "risk" in the rewards system for all employees.

Commercial Partnerships Are Critical

High-growth young firms are always looking for ways to extend their resources, often in ways that allow them to focus on their core business.

Start-ups are limited in terms of resources, for both people and money. It is also usually very difficult for them to be an expert at everything in the early years. For these reasons, enterprise growth is stunted unless start-ups are able to partner with third parties who complement their skill set. Many of the start-ups developed business partnerships to help them scale their businesses and build global companies. These partnerships took several forms—from franchising, to third-party manufacturing, to various forms of marketing and sales.

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APPENDIX A
Company Profiles

Anubis Manufacturing Consultants

Anubis Manufacturing Consultants started in 2005 as a consulting firm in Mississauga, Ontario. In 2012, the firm changed its business model to focus on 3-D additive manufacturing, completing the transition in 2013. The shift was driven by a revolution in the manufacturing industry. The technology at the centre of the revolution is a suite of techniques known collectively as 3-D printing, or additive manufacturing. While the shift was difficult, requiring 14 people to be laid off, it has allowed Anubis to be more innovative and better-positioned for growth. Most recently, Anubis developed, patented, and commercialized a mass flow meter for particulates. The device is primarily used in chemical and food and beverage industries, and can measure the "flow of everything from pellets to powder to potato chips."[1]

Founder Tharwat Fouad has experienced many challenges, most notably finding the right staff with the right skills. To combat this, Anubis's management system focuses on talent acquisition. Anubis looks for people "who are willing to put everything on the line, be flexible, multi-task, and not require a job description." By focusing on trust and transparency, Mr. Fouad is able to attract people who want to be a part of growing something new.

As the company has grown, Mr. Fouad's role has also changed. In the beginning he was "not a company, but a person with a dream," and was responsible for much of the day-to-day work. Now his role is to

1 EOS, *Industry.*

focus on the future and keep two steps ahead of the competition and growth. The future for Anubis will be determined by continuing to grow the additive manufacturing division. This will require the company to continue to innovate and to find new industrial applications for additive manufacturing. Recently Anubis won the Best Lifestyle & Fashion Product award at the Macworld Asia event in Beijing.[2]

Source: Tharwat Fouad (Founder, Anubis Manufacturing Consultants), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

Axonify

Axonify is a web-based e-learning platform led by serial entrepreneur, Carol Leaman. While successfully leading three technology starts-ups over the last 15 years, she continued to mentor early-stage tech companies in her spare time. It was through this process, and after selling the last company to Google in 2011, that she was introduced to the original founders of Axonify. Leaman saw an opportunity and purchased the company with a business partner. Today, the company offers its Fortune 1000 clients a daily, personalized, gamified learning experience for employees that completely changes the way companies think about driving knowledge. It is a “combination of real brain science, adaptive learning technology, and ‘gamification’—resulting in a knowledge transfer and behaviour change that gets massive financial outcomes for clients.”[3] Axonify’s analytics also provide customers with learning data they have not seen before: active participation rates, specific knowledge gaps, and resulting knowledge growth. Axonify has been hugely successful; in the space of less than two years, it has acquired over 40 global brand customers and reached $4 million in revenue. In 2013, the company was awarded the CIX Top 20 Showcase and the Moonshot Award’s Digital Media Globalizer of the Year.

Ms. Leaman’s successful strategy is based on product, market, and team. Product and market fit is essential, as is a strong team that can execute. Not only does a market need to exist, but it also needs

2 Anubis, *News.*

3 Axonify, *How it Works.*

to be gigantic. After doing a deep dive market analysis, she realized the opportunity for employee-focused learning solutions was over $100 billion a year in North America alone. Then it was a matter of refining the product and leveraging a strong team to drive sales. A strong culture coupled with past success has made recruiting top talent easier. In parallel with a strong strategy, Axonify tracks many metrics, including customer acquisition, sale cycle length, customer churn, revenue growth, cost of customer acquisition, and lifetime value of customers. Tracking key performance indicators (KPIs) from the beginning has allowed Axonify to better understand not only the company's growth but also its costs.

Source: Carol Leaman (CEO and co-founder, Axonify), telephone interview by Catharine Johnston, July 2014. (Unless otherwise cited.)

BNOTIONS

BNOTIONS was founded in 2008 when consumer online presence and demand were growing extremely fast and few companies were able to take advantage. Alkarim Nasser founded BNOTIONS to help companies keep up and better leverage the Internet. Consumers were moving faster than businesses and they needed help. Since then, BNOTIONS has grown from helping companies with current technology to pushing and developing emerging technology. Today, BNOTIONS helps major brands expand their innovation capabilities through mobile strategy development and data analytics. In 2013, the company was ranked 11th on the Profit Guide's 50 Hottest Start-Ups, was listed on Google Play Top Picks, and built two of the top 14 Android apps.[4] Clients include American Express, TD, RBC, Johnson and Johnson, and Indigo.

Mr. Nasser found that starting a business in the fast-paced technology sector came with a number of challenges. Initially, it was not obvious to him just how fast change occurs and how quickly technology can become obsolete. It has been a constant battle for BNOTIONS to stay ahead of the curve and invest in what will be the next new technology.

4 BNOTIONS, *Company Awards.*

BNOTIONS' organizational structure allows it to stay nimble and pivot easily. The company breaks into teams dedicated to each project, similar to micro start-ups within the company. The teams can move very quickly and allow customers to be a part of daily scrums and weekly sprints. The culture of BNOTIONS is also relied upon to support flexibility and speed. Employee happiness is vital, so the company has several programs aimed at creating a positive culture—such as a nap pod, talent shows, and an open source classroom. Projects are also completely transparent so employees feel involved at all levels.

Source: Alkarim Nasser (President and founder, BNOTIONS), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

Calgary Scientific

Calgary Scientific is a global leader in providing medical imaging software—as well as web, mobility, and collaboration enablement technologies—to industries looking for secure access to their applications. After founding two technology companies, both of which were successfully sold, Byron Osing was approached by a doctor about the challenges in the medical world. From this interaction, Mr. Osing founded Calgary Scientific, in 2004, to help solve mobility, compatibility, and big data problems in the medical industry. Calgary Scientific has two main product lines. The first is ResolutionMD®—diagnostic medical imaging software that allows doctors to securely view patient's information on any mobile device.[5] The software also allows practitioners to collaborate and diagnose from any location. The second product is PureWeb®, which can be used in a variety of industries including health care, oil and gas, and design.[6] It offers cloud computing capacity for existing software applications without requiring code rewrites. These two products have been very successful, landing Calgary Scientific on Alberta's Top 25 Most Innovative Organizations in 2013 and helping it to more than double in size from 2013 to 2014.[7]

5 Calgary Scientific, *ResolutionMD.*

6 Calgary Scientific, *PureWeb.*

7 Eldridge and others, "Alberta's 25 Most Innovative Organizations (2013)."

For Calgary Scientific, flexibility has been crucial. Initially, the company started with two directions, but over time, determined which one was commercially viable and pivoted. Mr. Osing finds that entrepreneurs " …. make the mistake of thinking that a business plan is like a recipe, when in fact a business plan is constantly changing document. …business plans are meant to be living documents that are modified quarterly." Now that Calgary Scientific has found its market it continues to look for new ways to innovate. Calgary Scientific is an Agile company and has a full-time patent agent on staff as part of its formal process for innovation. Calgary Scientific strongly encourages risk and innovation. As Mr. Osing stated, "In this company, you will never be punished for taking a calculated, smart risk and failing. All we expect is that you get back up and try again."[8]

Source: Byron Osing (CEO and co-founder, Calgary Scientific), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

Chaordix

Chaordix was launched in 2009 with a plan to use crowdsourcing to help businesses collaborate with their stakeholders and take advantage of new markets. After two years in the field, trying to figure out which problems its clients needed solved, Chaordix rebranded and launched Chaordix Crowd Intelligence™. The new technology pairs the power of crowdsourcing with more innovative market research processes. It helps clients meet and co-create with their stakeholders and drive market research, brand loyalty, and innovation.[9] In the beginning, founder Shelley Kuipers underestimated how innovative the company's ideas were and how early they were to the market. To find a client base, the firm had to mobilize the market, which involved presenting the Chaordix story at thought leadership conferences all around the world. At the time, many potential clients did not understand the potential of Chaordix's offering, although today crowdsourcing is being embraced by many leading companies across industries.

8 *Canadian HR Reporter*, "Risks and Rewards Part of Innovation."

9 Chaordix, *Chaordix Information Memorandum.*

However as Chaordix's innovative solutions gained traction, the company has experienced significant growth, either doubling or tripling its revenue each year. It was ranked as one of WordStream's 150 Top Internet Marketing Companies in 2012, recognized by The Advertising Research Foundation (ARF) for Quality in Research in 2013, and has made the WorldBlu List of Most Democratic Workplaces™ for five years in a row.[10] This success is largely connected to Ms. Kuipers' prior experience. In 2000, she co-founded Stormworks—a software development and digital marketing firm that was acquired by Solium Capital, a publicly traded financial services company. She has also co-founded Adventure Capital, an early-stage venture capital firm, and Material Insight, a consultancy which helps to grow technology start-ups.[11] However, as a company grows, Ms. Kuipers sees the need to surround herself with people who are good at things she is not. The development of a strong team with similar values and goals has been paramount.

Source: Shelley Kuipers (founder and Chief Evangelist, Chaordix), telephone interview by Catharine Johnston, July 2014. (Unless otherwise cited.)

Corvus Energy

In 2009, serial entrepreneurs Neil Simmonds and Brent Perry founded Corvus, a designer and manufacturer of large-scale lithium-ion batteries for heavy industrial and commercial application. Prior to starting Corvus, the founders were focused on making batteries for cars. Eventually they shifted away from that industry when they realized that the economics were not right and there was a bigger opportunity with large industrial clients. Today Corvus's clients span a number of industries, including commercial marine, transportation, ports, and energy markets.[12]

To support its initial innovation, large-scale batteries, Corvus developed an international training program that utilizes local manufacturing. The program allows for a production line to be quickly created anywhere in the world with minimal time or cost. This strategy has allowed Corvus to

10 Chaordix, *Awards.*

11 Chaordix, *Our Team.*

12 Corvus Energy, *Applications.*

leverage international opportunities and grow quickly. Corvus's revenue grew 260 per cent between 2013 and 2014, reaching $65 million, with 100 per cent of revenue coming from outside of Canada. In 2013, Corvus was named one of the Top 10 Innovators in British Columbia and was selected to provide energy storage for the SuperTruck built by Peterbilt. The SuperTruck was recognized by President Obama, in 2014, for having a 75 per cent improvement in fuel economy.

Corvus's success is largely due to the lessons Mr. Simmonds has learned in the process of starting a number of companies, some of which have been sold and others he has had to walk away from. He has found that a company must be ready for its strategy to evolve and change until it can find the right market. Building a strong team has also been very important. For example, Mr. Simmonds is the chief technology officer (CTO) and not the CEO. Mr. Simmonds surrounds himself with people who have the right skills to run the company, allowing him to focus on innovation and technology development.

Source: Neil Simmonds (CTO and founder, Corvus Energy), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

gShift

Founded in 2009 by Krista LaRiviere and Chris Adams, gShift provides marketers and agencies with web presence analytics through its software called Web Presence Optimizer™. Essentially, gShift provides "one platform with big data to inform, optimize, and report on content marketing in search, social, and mobile."[13] The name "gShift" stands for two things. The marketing shift Google has created and the mind shift the software will create when marketers and agencies think of and perform organic search optimization.[14]

13 gShift, *Company.*

14 ibid.

The company was founded on the vision of changing the way companies "monitor, measure, and report on brand discoverability in search, social, and mobile."[15] In addition to gShift's SEO software, Web Presence Optimizer™, the company offers both coaching and managed services through its client success management team. Services are based on gShift's hierarchy of web presence optimization methodology.

Ms. LaRiviere and Mr. Adams are both serial entrepreneurs who founded two other, now acquired, technology firms. gShift has found much success in its approach to online, content-marketing, performance metrics with over 70 per cent of its sales as exports and a three-year average annual growth rate of 581 per cent (2010–12). In 2013, gShift was also ranked 29th on Profit Guide's 50 Hottest Companies and named as one of The Next 50 Canadian ICT Companies by Branham300.[16] The biggest challenge for gShift has been data management, but it has now become a competitive advantage for the firm. gShift collects web presence data every day and uses them to create analytic dashboards for clients.

Source: Krista LaRiviere (CEO and co-founder, gShift), telephone interview by Catharine Johnston, July 2014. (Unless otherwise cited.)

GSoft

GSoft is a software engineering company, based in Montréal, with more than 100 employees. Initially, GSoft was founded as a consulting firm. Founders Simon De Baene, Sebastien Leduc, Maxime Boissonneault, and Guillaume Roy wanted to develop software, but they lacked the capital to fund development and experience. By starting GSoft as a consulting business, they were able to build the financial resources and industry experience they needed. In 2008, GSoft invested in the launch of its first product. Launching new products has required GSoft to learn from its mistakes and pivot quickly. The first product launch (Sharegate Version 1) was not very successful. Soon founder and CEO, Simon De Baene, realized they were too focused on the product and not focused

15 gShift, *Company.*

16 gShift, *Awards and Associations.*

on building a business. GSoft needed to "identify a problem, solve the problem, and market it." Subsequently, GSoft launched a much simpler version of Sharegate with a clear marketing strategy. Version 2 sold more products in its first month than Version 1 did in two years. Since then, GSoft has doubled in size every year for four years and increased sales in 90 countries.

Out of the 10 products launched in the last six years, only one has been a major success: Sharegate. However Mr. De Baene "is okay with the founders' success rate, because they learned so much and continue to get better every day." GSoft used its very own in-house expertise to design Sharegate, one of the most simple management products for SharePoint on the market. Sharegate was created to help users migrate site collections, sites, lists, and libraries. Now Sharegate has more than 10,000 client organizations in 90 countries. Clients include NASA and Coca-Cola.

Source: Simon De Baene (President and co-founder, GSoft), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

MediaCore

MediaCore has transformed from an open source initiative for higher education institutions into a company with over a million dollars in revenue. Founded in 2011 by Stuart Bowness and Damien Tanner, MediaCore provides an integrated cloud platform for students, staff, and faculty. Initially, the founders used open source software to promote MediaCore's name in the market and gained users such as Harvard, Yale, Stanford, Genentech, Mentor Graphics, Columbia University, Vienna University, Rice University, and Penn State.[17] During that period, MediaCore studied the market and determined its gaps, which the founders then leveraged to determine the right market fit for MediaCore's products. Since then, MediaCore has grown rapidly and was listed in Fast Company's 2013 Top 10 Most Innovative Companies in Digital Video, alongside Hulu, Vimeo, and YouTube.[18]

17 CrunchBase, *Stuart Bowness.*

18 Fast Company Staff, "The World's Top 10 Most Innovative Companies Digital Video."

From the beginning, MediaCore has been a cloud-based technology company. Being cloud-based means the company has no on-site technology, which would require expensive housing and maintenance. The cloud has allowed MediaCore to innovate and to perform software updates faster. MediaCore has also used partners to grow and help build capacity. Early on, the founders realized they could not build everything themselves. Therefore, the company will often use platform partners that have capabilities MediaCore does not, such as video. Using partners has not only helped expand MediaCore's capacity without capital investment, but also has improved its access to large customers otherwise outside of its networks. Partnerships have helped to give MediaCore validity and gain traction in the market.

Source: Stuart Bowness (CEO and co-founder, MediaCore), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

Mobile Data Technologies

Mobile Data Technologies (MDT) provides oil and gas clients with data acquisition and control products that enable the collection of well-servicing data.[19] The four founders initially ran an engineering consortium in the wood products industry. Since that time, the founders shifted to MDT where they saw a market gap. The company now specializes in data collection on frac pumps, blenders, pressure trucks, N2 pumpers, and hot oilers. MDT is launching its full suite of frac equipment control systems in early 2015.

To address the market gap, MDT developed a suite of products that allow clients to monitor and record real-time pressure, temperature, and flow rate, while also providing safety capabilities such as high-pressure shutdowns and audio alarms. The demand for MDT's products and services has increased steadily. From 2010–12, MDT experienced 896 per cent growth, ranking it 19th on Profit Guide's 50 Hottest Start-ups for 2013 and 22nd on Alberta Venture's 2013 Fast Growth 50.[20, 21]

19 Mobile Data Technologies, *Mobile Data Technologies.*

20 Profitguide.com, *Profit Hot 50.*

21 Eldridge and others, "Alberta's 25 Most Innovative Organizations (2013)."

Managing MDT's finances has been one of the most critical aspects of MDT's growth. Fast-paced growth has many growing pains, mainly in the form of cash flow challenges. Sales management has also been very important to MDT's success. From the beginning, MDT has used Salesforce.com, a customer relationship management tool, enabling MDT to track sales and gain traction. As MDT has evolved, so too has the company's long-term planning. In the beginning, "weekly and monthly planning was considered long-term planning." Now Mr. McGregor is able to take more time to plan and look further out.

Source: Davis McGregor (President and co-founder, Mobile Data Technologies), telephone interview by Catharine Johnston, June, 2014. (Unless otherwise cited.)

Nurse Next Door

In the beginning, Nurse Next Door, a Vancouver-based company, had two lines of business: providing home care, and staffing for long-term care facilities. Under this model, the company grew to $25 million in sales within the first four years of operation. However, the founders, John DeHart and Ken Sim, realized that if they were going to be world-class at something it was better to focus on one thing. Therefore, Nurse Next Door divested the staffing side of the business, which accounted for the majority of revenue, to focus on home care. In order to scale the business as quickly as possible, the founders decided to move to a franchise model. A franchise model allowed Nurse Next Door to grow quickly while building a brand. Nurse Next Door now has 3,500 employees in 80 locations across North America, was named one of Canada's Most Admired Corporate Cultures by Waterston Human Capital, and named Canada's Smartest Company in 2014 by Profit Guide.[22, 23]

For Mr. DeHart, part of his motivation is money and the other is the purpose of the business. The passion to create something great and impactful is what kept him building and focused for 13 years. Originally, the founders had created a big company, but not a great company.

22 Nurse Next Door, *Awards.*

23 McCullough, *Canada's Smartest Company 2014.*

To create a great company, they had to focus the company, improve communications, and attract the best people. In fact, DeHart set a goal to become one of the top 10 best employers in Canada. They did not know how to do that, so the founders spent a summer studying the most enduring brands they knew and rebuilt the company from the ground up.

Source: John DeHart (CEO and founder, Nurse Next Door), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

Procurify

Procurify offers clients a cloud-based procurement solution that helps to manage internal procurement processes by streamlining internal purchasing processes while reducing the dependency on paperwork.[24] The company was founded in 2012 after the founders, Aman Mann, Kenneth Loi, and Eugene Dong, worked on a project together at the British Columbia Institute of Technology. During the project, they discovered that most companies have a complex and expensive procurement/purchasing process. To address this issue, the founders developed software with a focus on mobile technology and functionality to simplify the process. Procurify's innovative solutions have been extremely successful. In the past year, Procurify's user base has grown to include clients in more than 50 countries, the team has more than doubled in size, and the company was listed on the CIX's 2013 Top 20 Hottest Innovative Companies Across Canada.[25]

Procurify's success stems from a culture of wanting to improve the status quo. Creating a trusting, happy, and open team has enabled the company's idea development and execution. The Procurify team also strives to be fearless—unafraid to fail. Mr. Mann will often ask in interviews: "What is the right number of times to fail before you quit?" Three of the characteristics that he feels have made him an innovative entrepreneur are being unafraid of failure, never giving up, and integrity. An example of this in action is when Mr. Mann motivated Amarinder Sandhu (now VP of International Business Development) to cold

24 GetApp, *Procurify.*

25 CIX, *Top 20 Showcase.*

e-mail Mark Cuban, a prominent American businessman and investor, looking for an investment—and the approach was successful. Software companies must also be able to understand the end user and not just the functionality of the program. Focus on simplifying the technology and more people will want to use it.

Source: Aman Mann (CEO and founder, Procurify), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

R3 Deconstruction & Demolition

R3 Deconstruction & Demolition is a mid-sized demolition company based in Edmonton, Alberta. It is focused on environmental sustainability. Traditionally, materials from a demolition are sent to a landfill, but R3's founder, Travis Blake, had the "naïve" idea that demolished materials should be recycled. In 2009, the company was founded on the principles of "waste diversion and sustainable demolition." So rather than simply knocking down a building, R3 salvages, reuses, and resells as much of the contents as possible. Mr. Blake was new to the demolition industry; he had a unique idea but he was an outsider. To make his vision a reality, he leveraged his networks and surrounded himself with experts that knew the trade. A huge strength for Mr. Blake as an entrepreneur has been his ability to act as a connector and attract a network of dynamic people—such as bankers, leaders in sustainability, and other companies.

R3 has experienced significant success, growing 453 per cent from 2010–12 and being ranked 43rd on Profit Guide's 50 Hottest Start-Ups for 2013.[26] The company was also named the Alberta Venture Trade Contractor of the Year (under $15 million) and, at the 2013 DeconExpo, it was awarded the LAPIDARY Award for training and education in the field of deconstruction. However, not every project has been a success for R3. From the beginning, R3's innovation strategy has been to "fail gently" as a method of tinkering with processes overtime. R3 accepts small failures, allowing innovation to occur incrementally as it refines

26 Profitguide.com, *Profit Hot 50.*

its products and services. To supplement this strategy, Mr. Blake also continually asks, "… why do we do the things we do?" He believes his desire to question everything is one of his most successful attributes as an entrepreneur. Creating an environment where employees can ask the right questions and nothing is "red taped" is at the core of R3's innovation management.

Source: Travis Blake (CEO, R3 Deconstruction & Demolition), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

TitanFile

In 2011, TitanFile was founded by Tony Abou-Assaleh and Milan Vrekic, two researchers who were looking for a secure way to transfer files. After meeting in 2010, they began to collaborate trying to solve their problem and TitanFile was born. Today the company provides clients with a safe and secure method of communication and collaboration online; it is also the only cloud-based document transfer solution that is fully compliant with Canadian privacy laws. TitanFile has had significant market success. And, it won second place in the 2012 Alpha Exchange Innovation Campaign competition; was named as one of the Top 25 Up and Comers by Backbone Magazine; was recognized in Canada's Top 25 ICT Up & Coming List by Branham300; and was listed as a 2012 finalist in the national Manning Innovation Awards competition.[27]

TitanFile's goal is to change the way organizations approach file-sharing. The company is led by Dr. Abou-Assaleh and his passion to make a difference though innovation. To be successful in the start-up world, he has found that the company needs to be laser-focused on solving a problem. "Do not focus on starting a business; focus on solving a problem for a customer," he says. TitanFile has been extremely successful at doing so by using flexibility and perseverance. For example, in 2012 the company pivoted to a "freemium model" where users could register for a free basic subscription. This kind of access has

27 TitanFile, *About Us.*

opened up TitanFile's client base and increased client engagement. Dr. Abou-Assaleh has found that product development isn't enough; ideas need to be validated by customers.

Source: Tony Abou-Assaleh (CEO and co-founder, TitanFile Inc.), telephone interview by Catharine Johnston, July 2014. (Unless otherwise cited.)

Wajam

Wajam was founded in 2009 around software that connects archived data, from social media platforms, with search engines. The technology allows users to access their friends' shared content on Facebook, Twitter, and Google+ when they are searching sites like Google, Bing, Yahoo, Amazon, and Wikipedia. Co-founder and CEO Martin-Luc Archambault saw a gap when he was working on a project and was unable to search through the information his friends had shared online. Wajam was created from this "pain point." Since then, Wajam has been awarded the 2013 Deloitte Technology Fast 50 Companies-to-Watch award for revenue growth; PwC's 2013 Vision to Reality Top 10 Up-and-Coming Technology Company award for innovation; three awards at the 8th annual Hot Companies & Best Products Awards in Las Vegas, including Innovative Company of the Year and Best Information Technology Company; and four Stevie's at the 2013 International Business Awards.[28] Martin-Luc Archambault also won a 2012 Ernst & Young Entrepreneur of the Year Award.

Mr. Archambault's strategy has been to "sell things before he builds them." He likes to take ideas to potential customers to see if they would like the product before he builds it. This has allowed Wajam to continually innovate and pivot until the product mix is right. Similarly, the company has never had a formal business plan and uses a 6–12 month road plan, which helps to keep up with the constant evolution of the company. Wajam's unique culture also supports the nimbleness of the firm. The culture is built on three pillars: fun, participation, and learning. Each pillar helps to attract and retain the right people while also

28 Wajam, *Wajam in 2013.*

driving innovation. For example, Wajam organizes "meet ups" where all Scala software developers from various companies meet to share ideas every month.

Source: Martin-Luc Archambault (CEO and co-founder, Wajam), telephone interview by Catharine Johnston, July 2014. (Unless otherwise cited.)

You.i Labs

You.i Labs is a company that blends art and technology together, by providing an engine that allows designers to develop unique and natural-looking interfaces for any operating system. The founder, Jason Flick, started the company in 2008 after founding Flick Software and N-able Technologies. From the beginning, the strategy for the company has been "to make every device and every app fun and easy to use." The strategy has worked and in 2013 You.i Labs was ranked 25th on Profit Guide's 50 Hottest Start-Ups, with 689 per cent growth from 2010–12, and it won Intel's SME Innovation Award.[29, 30] You.i Labs' clients include Netflix, KOBO, Rogers, and Sony.

While You.i Labs' core strategy has remained solid, the company has gone through at least three major pivots. Initially, the company focused on helping low-end companies compete with iPhone. It then focused on higher-end companies and, in the past three years, it has moved into the media space. All three pivots have been driven by commercial viability. As Mr. Flick stated, "Just because you can do it does not mean you can make money at it." By being adaptable, You.i Labs has been free to innovate and change the direction of the company. Communication is a large part of what has allowed You.i Labs to be flexible and pivot. Each month, the company has a meeting for all employees—giving an update on what is going on and where the company is headed. The executive team also meets off-site once a quarter. They focus on developing and revising the company's strategic objectives.

Source: Jason Flick (CEO and co-founder, You.i Labs), telephone interview by Catharine Johnston, June 2014. (Unless otherwise cited.)

29 Profitguide.com, *Profit Hot 50.*

30 You.i Labs, "You.i Labs Wins Intel SME Innovation Award."

APPENDIX B

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