

SMALL BUSINESS BEAT



The State of Small Business: 2006

PEOPLE Drive Small Business GROWTH in Ontario's Robust Economy

Ontario's buoyant economy is creating a challenge for some small business owners: finding the right employees in a tight labour market. As these same small business owners start to retire in record numbers, succession planning will also be crucial. Savvy small business owners can take advantage of free tools that will help them meet these challenges.

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"We commissioned a special report on succession planning a couple of years ago," says Judith Klein, Manager of Partnership and Business Development at the Ministry of Small Business and Entrepreneurship. "We surveyed 169 CEOs of leading growth firms, and found that fewer than half of them had a succession plan in place. Using the survey findings and experiences shared by CEOs, we developed a list of best practices for succession planning."

The report details five steps to succession planning:

- Prepare a written succession plan.
- Allow plenty of time for the succession process.
- Build a management team consistent with the CEO's own plans.
- Be clear on what is required from a successor.
- Get professional advice on how to structure the deal.

A Succession Checklist

"There are many details to consider in the process," says Klein, "and our report, *CEO Perspectives: Planning for Succession* (available online at www.sbe.gov.on.ca), has a complete checklist and profiles of companies that have achieved a smooth succession. It's a great resource for those who are starting the succession process."

As small business owners strive to meet these new challenges, they now have enhanced support from the Ontario government in the form of a single ministry dedicated to small business issues. Harinder Takhar, Minister of Small Business and Entrepreneurship, has many years of direct experience in the small business sector.

Dedicated to Small Business

"The fact that we now have Ontario's first ministry dedicated to small business shows that the government recognizes and values the achievements of this vital economic sector," he says. "Small business increases prosperity for all Ontarians through job creation, innovation and investment. Our enhanced dialogue with the small business community is already helping us respond quickly to both challenges and opportunities."

Klein's observations about succession planning are shared by Elspeth Murray, the CEO of Queen's Centre for Business Venturing in Kingston, Ontario.

"Succession is part of a larger staffing challenge that small businesses will continue to face over the next few years," says Murray. "A good portion of small business owners are now retiring, and there is a lot more to come. They not only have to have succession plans in place, they have to find talented, energetic staff who will work for them now and for their successors."

Small business is facing increased competition in the quest for that talent. With a shrinking labour pool, many job hunters look to larger firms for what they perceive as greater job security and opportunity for advancement. Small business is competing with the major players and their enticing packages of salaries, benefits, and perks.

"The larger companies are very aggressive in recruitment," says Murray. "Small businesses have to take a hard look at their employment practices to attract and retain the best employees."

Minister's Message



Small business is everywhere. Walk along any main street. There are retail shops alongside restaurants beside consulting firms next to mom-and-pop corner stores. Look around any neighbourhood. People are busily working in their home offices. Witness the downtown cores and commercial districts—office towers, factories and warehouses are all hubs of activity. Each small business caters to its own customer base. Each meets a specific consumer need. And each was started by an individual with a unique idea and with the ambition to carve their own niche in the business world.

Ontario has designated October as Small Business Month to celebrate the small business community and the hundreds of thousands of entrepreneurs who take up the challenge of small business ownership. These are the people who have helped make our province economically diverse, rich in innovation and globally competitive—not only creating their own opportunities but ensuring jobs and quality of life for millions of others. These are the people who own and operate the 99 per cent of all Ontario firms that are small and medium-sized enterprises and are such major contributors to our province's success.

This issue of *Small Business Beat* salutes Ontario's extraordinary small business community. We profile small business success stories. We highlight the many programs and services that are available to help even more entrepreneurs succeed. We offer practical advice on building a successful business. And we take a look at how Small Business Month is being celebrated in the province—and there is indeed a lot to celebrate.

I saw that first-hand this summer. As the new Minister of Small Business and Entrepreneurship, I took the opportunity to visit many small business owners across the province and observe the results of their innovation and hard work. I salute you all. I salute your commitment, your dedication, your achievements. And I join Premier Dalton McGuinty in recognizing the great contribution of the small business community to the strength and prosperity of Ontario.

Our government will continue to build on the many steps we've taken to support entrepreneurs and to ensure small businesses across Ontario can grow and thrive. We look forward to joining you in celebrating Ontario's Small Business Month.

Harinder Takhar

Minister of Small Business and Entrepreneurship

...They not only have to have succession plans in place, they have to find talented, energetic staff who will work for them now and for their successors.”

Attracting the Best Employees

How can the small business owner compete in the recruitment wars? The first step is finding out what your current employees *really* think about working in the business. Queen's Centre for Business Venturing now offers a free employee survey (in association with human resources consultants Hewitt Associates) that helps small businesses benchmark their own performance as employers. Companies get a current snapshot of their employees' engagement and satisfaction levels, and a report on their organization's ranking among small businesses across Canada (see sidebar).

“Knowledge is power for the small business striving for the best employees,” says Murray. “Our survey of best employment practices is a free tool that small businesses can use to assess their own performance.”

One example of a small business that takes its employment practices seriously is Toronto-based High Road Communications, which placed second on the national survey in 2006. High Road's 63 employees provide marketing and public relations services for high-tech companies across Canada. The 10-year-old company has grown quickly because of its best practices in career opportunities, employee motivation and senior management leadership. At High Road, a program called Operation Lunch Hour encourages VPs to lunch with staff they don't normally work with. Employee turnover is only 4 per cent, an astounding achievement in the highly mobile PR industry.

“Being a “best employer” is vital in this labour market,” says Murray. “If you can't attract and retain the talent you need, your long-term viability is in question.”



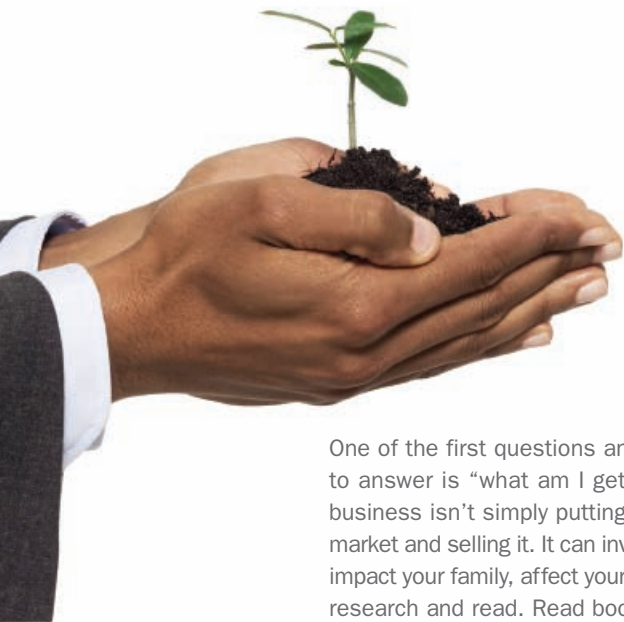
DO YOU WANT TO BE ONE OF THE BEST SMALL AND MEDIUM EMPLOYERS IN CANADA?

The Queen's Centre for Business Venturing (QCBV) offers a free service for small and medium-sized businesses that want to determine how they stack up as an employer. Confidential online surveys in three areas (leadership team, HR practices, employee opinion) provide the data that ranks your company against others across Canada. The top 20 companies are profiled in *Report on Small Business* magazine, and all participants receive a report that identifies major findings on the organization and reflects the current reality of the workplace environment.

For more information, visit
www.business.queensu.ca/qcbv/sme
or call 1-877-955-1800.

Starting and Maintaining

a Successful Small Business



Anyone can start a small business. The challenge comes with turning it into a profitable, thriving enterprise and long-term success. And that doesn't just happen automatically! Small business success depends upon many factors. Ontario has the people, programs and resources to help entrepreneurs navigate the pitfalls—and realize the dream.

One of the first questions an entrepreneur must be able to answer is “what am I getting into?” Starting a small business isn't simply putting a product or service on the market and selling it. It can involve a whole lifestyle change, impact your family, affect your security. So as a first step—research and read. Read books on entrepreneurship and by entrepreneurs. Talk it through. Talk to your family members and to others who have taken the plunge. Know yourself. Are you the type of person who is suited to entrepreneurship? Know what's involved. The Ontario government's popular publication *Your Guide to Small Business* (available on the Ministry of Small Business and Entrepreneurship website) provides an excellent overview.

Once you've determined that small business ownership is indeed for you—that's when the real work starts. It's important that you examine your business idea in detail to determine its viability. Judi Riddolls, Executive Director for the Guelph-Wellington Business Enterprise Centre, emphasizes three key areas.

1. Do the research to identify your target market and verify what's currently happening within that market.
2. Determine what you can offer the target market that your competition does not. This leads into developing marketing messages.
3. Develop an operating plan to position your business appropriately within the target market. This leads into a financial plan as you begin to cost things out.

“It's not until these three areas come together and you have the full picture, that you can objectively determine whether your idea is worth pursuing,” says Riddolls. “And no matter what you may think, there is *always* competition.”

Ontario's 44 Small Business Enterprise Centres are designed to help entrepreneurs with every aspect of

business start-up, including market research, business plan development, financial planning, opportunity evaluation, and building a network, through mentorship and one-on-one consultations with business advisors. For many entrepreneurs, their local Centre remains a valuable point of contact throughout the first few years of business development and operation.

“Many people don't realize that the product or skill offered becomes the base minimum when operating a business,” says Riddolls. “An owner must always be thinking of the future: the next technology or next target market or next price increase. If you get bogged down in the day-to-day and don't plan ahead—growth becomes impossible. We help with that.”

To effectively maintain and grow a business, an owner must:

1. Set pricing that has profit. Profit is how you will finance new directions and growth.
2. Keep detailed records. It's important to understand your cash flow and where it's going. Budget and plan for any seasonal aspects of your business. For instance, retailers will have fewer sales and less income in January than during the pre-Christmas rush.
3. Keep up-to-date with your target market and be sensitive to any shifts.

“The key factor in business success is planning, planning, planning,” says Riddolls. “The entrepreneurs who do their homework, work closely with business professionals and mentors, set goals, follow a strategy, and really understand what they're doing and why are the entrepreneurs with the highest rate of success.”

For information on the nearest Small Business Enterprise Centre, Business Advisory Services and resources for starting and maintaining a small business in Ontario, please visit www.sbe.gov.on.ca.

Regulatory Compliance and Tax Administration

Made Easier for Small Business Owners



Stepping into the world of business ownership can bring with it a whole series of “firsts.” The first time developing a business plan. The first time negotiating a business loan. The first time marketing a product or service you’ve created yourself.

For most, it’s also the first real awareness of the taxation and regulatory requirements of operating a small business in Ontario. And from the initial registration of a new business, to reporting and remitting appropriate tax amounts, to ensuring compliance with industry-specific regulations—the time required to deal with administrative requirements and paperwork can be as daunting to a first-time business owner as all the other firsts put together.

The McGuinty government is committed to making the process easier—and has established the Small Business Agency of Ontario to help do just that. A key responsibility of the agency, set up last year to champion the interests of the small business community within Queen’s Park, lies in easing the regulatory and paper burdens on small business, and improving interactions between small business and government.

“This past summer, I traveled across the province meeting with small business owner-operators. And I heard loud and clear that the government’s paper and regulatory burdens can pose a real challenge to a small business trying to grow its operation,” said Harinder Takhar, Minister of Small Business and Entrepreneurship.

“I’m working closely with the Small Business Agency of Ontario to reduce these barriers.”

The government has responded to business owner concerns that finding information on both new and existing regulations and compliance requirements can be a time-consuming and frustrating experience. A one-stop, online Regulatory Registry (www.sbe.gov.on.ca/registry) has been introduced that allows members of the business community and others to review regulatory proposals that could affect business and submit comments directly to the ministry developing the regulation. The approved regulation is then posted and accessible through the site. The Regulatory Registry also helps government decision-makers keep track of new regulatory requirements on business.

Earlier this year, the McGuinty government introduced legislation with the potential to ease the regulatory burden even more. If passed, the Regulatory Modernization Act, 2006 (Bill 69) would allow 13 Ontario ministries and other government organizations that enforce a wide variety of laws to share regulatory information among themselves. This would help reduce duplication in government compliance activities and reduce the overall burden on businesses.

The legislation is part of a larger plan to modernize business compliance in Ontario, which includes assisting small businesses to achieve compliance by helping them gain a better understanding and awareness of their regulatory responsibilities. As part of this, a pilot project in partnership with the auto body repair industry is now underway. The Auto Body Repair Compliance Information Centre is a “one-stop-shop” that compiles all the regulatory information a shop owner would need in one user-friendly site (www.serviceontario.ca/autobody).

Work continues within government to simplify and streamline the tax administration processes. For example, the Small Business Tax Administration Advisory Committee, comprised of members who represent small business owners and Ministry of Finance representatives, meets regularly to explore ways to improve the tax administration processes and requirements—particularly for Retail Sales Tax. Audit processes have also been simplified and consolidated; and work is ongoing between Ontario and the federal government on opportunities to harmonize corporate tax collection.

“The small business community is a major partner in the success of Ontario,” says Takhar. “Our government is listening to their concerns, reducing the regulatory load and paper burden, and letting entrepreneurs concentrate on what they do best—innovate, deliver first-class products and services, and create jobs and prosperity for the people of this province.”

Small Business Enterprise Centres— Supporting Ontario's Entrepreneurs

Tanya Moore was pretty sure she had a good business idea. Executing it, she knew, was going to be the challenge.



"I was having trouble finding fresh, organic baby food for my children and I figured there were lots of other parents with the same dilemma," says Tanya. "I decided the only solution was to start my own business."

A pharmaceutical rep by profession, Tanya knew she needed help if she was going to be successful, so once she'd done some preliminary research, she headed to the Business Advisory Centre Durham, a Small Business Enterprise Centre (SBEC) in Oshawa.

"They were great," she says. "They helped me develop my business plan, steered me to possible financing and put me in touch with important business contacts like the Guelph Food Technology Centre, which proved to be an essential first step in helping me develop my product for retail."

There are 44 SBECs across the province operating in 53 locations, and every year thousands of entrepreneurs like Tanya make use of their services.

SBECs, which are operated in partnership with local municipalities, promote and support small business by giving entrepreneurs the tools they need to start and grow their businesses. Each centre is staffed with dedicated business professionals who provide advice and counsel to entrepreneurs on a variety of levels.

"Our services centre around the business planning process," says Carol Ann Walker, Executive Director of the Business Advisory Centre Durham. "A good business idea is just the first step. To be successful, entrepreneurs need to identify the things they have to do before, during and after launching their business—and that's what we help them do."

SBECs offer a single point of access to important resources for entrepreneurs at all stages of their business

development. This includes development of business plans, guidance on documents required to start and build a business, access to consultants such as lawyers, accountants and marketing experts, and import/export information. SBECs also offer access to current resource materials and mentoring and networking opportunities.

"We're always trying to improve our service," says Carol Ann. "We meet annually to explore how we can better serve our clients and we also hold regional meetings to discuss issues of particular importance in our areas."

It took Tanya 18 months from business idea to launch, working three days a week. She had to learn how to develop her product—"making organic baby food in my own kitchen was one thing, producing it in mass quantities was quite another"—source suppliers of organic produce, find a facility that would prepare and package her products and locate a distributor. She also had to convince stores to carry her products.

It was hard work, but Healthy Sprouts is now a going concern. The organic baby food, which uses organic produce that's harvested, pureed and flash frozen to preserve the nutrients and flavour, is available in stores across Ontario and in Quebec and Nova Scotia.

"I love running my own business. It's exciting and it allows me to be at home more with my children," says Tanya. "So far, Healthy Sprouts is available only in health food stores, so the next step is to get it into mainstream food stores."

As Tanya discovered, when you're a small business operator, there's no shortage of challenges, which is why, wherever you are in Ontario, the Small Business Enterprise Centres are there to provide ongoing support.

To find the location of the SBEC nearest you, please visit www.sbe.gov.on.ca/sbec.

Minister Uses Summer Break to Explore Ways the Ministry Can Help Small Business



Minister Harinder Takhar meets Summer Company students at Mississauga's Business Enterprise Centre.

"I was interested in hearing from Small Business Enterprise Centre staff and small business owners as to how we can better help small business succeed," says the Minister, who visited Halton, Guelph, Hamilton, Barrie, Ottawa, Mississauga, Oshawa and Kitchener-Waterloo. In each stop, his itinerary included round-table discussions with SBEC staff, meetings with Summer Company students and, in some centres, a tour of representative small businesses.

Companies the Minister toured included Sports Systems Unlimited Corp., which manufactures state-of-the-art hockey dasher boards used by Maple Leaf Sport and Entertainment and Theta/TTS of Barrie, which produces precision stamped components for automotive and consumer electronics.

"It's well known that Ottawa is home to global high-tech companies like Nortel and Cognos," says Michael Darch, Executive Director, Ottawa Global Marketing for the Ottawa Centre for Research and Innovation (OCRI), which the Minister visited on August 1. "But it's the strength and innovation of our small and medium-sized enterprises (SMEs) that will keep us competitive in the future."

"The main message we wanted to convey to the Minister was that our competitiveness is built on two key things: access to market and an educated labour force. That

With the Ontario Legislature on summer break, Small Business and Entrepreneurship Minister Harinder Takhar took the opportunity to go on a fact-finding tour of eight Small Business Enterprise Centres (SBECs) centres across the province.

makes initiatives in the areas of export marketing and on-going training and education that focuses on industry's needs the two issues of greatest importance to us."

Adds Darch, "The Minister was very receptive."

Kathy Weiss, Manager of the Waterloo Region Small Business Centre, also found the Minister receptive when he visited Kitchener-Waterloo.

"The top two concerns of our clients are financing—it's hard to get start-up funding—and red tape," says Weiss, who sat in while the minister met with six of the centre's client companies.

Adds Weiss, "The Minister was keen to hear what our clients had to say."

While visiting the SBECs, Minister Takhar took time to meet with local students who were accepted into the 2006 Summer Company program. The Minister and the Summer Company students discussed how the program helped their businesses grow and how the program could be modified to meet their evolving needs.

For the Minister, the summer tour proved to be very valuable.

"Meeting with young entrepreneurs from the Summer Company program and successful small business owners left me feeling very optimistic about the future of small business in Ontario," says Takhar. "The tour also gave me a greater knowledge of the challenges facing SMEs and a number of ideas on how we can better help them."

Communities Celebrate Small Business Month



Salute to Small Business events: London 2005

Wherever you live, small and medium-sized businesses add a great deal to your local economy and quality of life. They provide jobs and contribute to the municipal tax base; they purchase products, expertise and services; they support local charities and causes. The fact is small business drives the Ontario economy. It's a contribution that deserves celebration. And it's why the Ontario government has designated October as Small Business Month.

Throughout this month, communities across Ontario recognize the achievements of small businesses, celebrate entrepreneurship and encourage more people to consider opening their own business as an employment option.

The province's 44 Small Business Enterprise Centres are all planning special seminars and workshops designed to encourage and inform entrepreneurs. A highlight for many will be their Bridges to Better Business event. A Ministry of Small Business and Entrepreneurship program delivered in partnership with the Canada—Ontario Business Service centre, Bridges to Better Business, is a one-day learning and networking opportunity packed with great ideas to help entrepreneurs succeed.

The eighth annual Bridges to Better Business event will occur on October 18, with more than 220 people expected to attend. The day will include seminars, roundtable discussions and a trade fair at which entrepreneurs can showcase their business and that "provides them with a great opportunity to hone their sales pitch," says Allan Simm, Business Advisor with the London Small Business Centre.

This year, the invited key speaker is Sean Wise of Wise Mentor Capital who was recently named by *Canadian Business* magazine as one of Canada's leading experts on raising venture capital. Wise is also an industry advisor and online host for a new CBC business reality show premiering this fall called *Dragons' Den*, on which

Canadian entrepreneurs will pitch their ideas to a panel of investors.

Chambers of Commerce in communities across Ontario are also gearing up for Small Business Month. In Thunder Bay, the roster of planned events (October 16 to 20) is extensive. Small business owners and entrepreneurs can attend a trade and export luncheon, with international trade expert and President of Armstrong Trade and Logistics Advisory Services Bob Armstrong as keynote speaker; sign up for training seminars and workshops; attend the Thunder Bay Chamber's largest after business event of the year with its mini trade show and major networking opportunities; and participate in an Adjustment Action Summit that will focus on economic diversification and recovery. The Chamber is presenting the summit in partnership with North Superior Training Board and other community partners.

"Seventy-five per cent of our membership is small business and we're focused on delivering a lot of interesting, relevant events throughout the week," says Gail Brescia, Vice President of Member Policy and Communication for the Thunder Bay Chamber of Commerce. "It's a group effort that really highlights the importance of small business to our community and economy."

In every way, Small Business Month is about celebrating and supporting the small business owner. As Simm says, "it encourages entrepreneurs to get out, network and learn, and to take some time to work *on* their business instead of always *in* their business."



Building Better Boards



Successful marketing of a clever innovation is paying off for Sport Systems Unlimited Corp. (SSU) of Waterloo, Ontario. The company's unique aluminum rink boards are becoming the industry standard for sports facilities across North America and around the world.

Growth has been rapid since SSU was established in 1996. President and founder Trevor Brodie saw an opportunity to apply design principles used in office building window applications in a new way. The company developed proprietary aluminum extrusions to produce rink boards that are durable, are easy to install, and require very little maintenance.

Customers in Canada and in export markets responded immediately to the vast improvement over steel and wood boards that don't perform nearly as well. SSU's sales have grown by 323 per cent since 1999. The company recently won a Gold Award for Innovation at the Southwest Region Ontario Global Traders Awards.

"It's a low-maintenance, one-time purchase for our customers," says David Staines, SSU's director of sales and marketing. "The old style boards just didn't stand up, and they needed constant maintenance. Our boards are made from anodized aluminum, so the finish never corrodes, and they're mechanically fastened with a simple system of screws. The aluminum is less than half the weight of steel boards, so they are much easier to install.

Producing a new product that was clearly superior to the competition's was only half the battle for SSU. The Waterloo-based company had to get the attention of North America's rink managers and convince them that the extra investment in the precision-engineered

aluminum boards was worthwhile. From the start, SSU's marketing strategy has centred on industry trade shows and publications that keep their latest innovations and product lines in the spotlight. The long-term value of an investment in the maintenance-free, virtually indestructible boards is constantly stressed.

"The major trade show is the North American Rink Conference and Expo," says Staines. "We always have a big presence there, and we belong to several industry groups that cover rink and sports facilities management. We're also seeing an increase in business from our website. We recently got two successful sales leads for Russia and Nunavut from contacts made on our website."

The United States is SSU's prime export market, and the company also sells to customers in Europe and Australia. SSU's board systems are installed in more than 100 facilities in Canada, from the Ricoh Centre in Toronto to BlueBerry River School in Buick, B.C. The company has more than 75 installations in the U.S. and has completed eight more offshore.

"Indoor soccer is a growing market for us," says Staines, "especially in the U.S. and Canada. We've developed a new line specifically designed for indoor soccer. It offers huge potential for us, as more and more parents are seeing the advantages of soccer as a good recreational sport for their kids."

Ontario Students Take Steps Towards Entrepreneurship



“Statistics show one out of every three high school students dreams of becoming an entrepreneur and owning their own company,” says Gale Carey, President and CEO of Junior Achievement of Central Ontario.

The Junior Achievement (JA) Titan program gives students the chance to experience all aspects of business operation without the risk, which in turn helps them develop the leadership skills and self-confidence that really open up their potential for the future.

Developing an entrepreneurial spirit and leadership in youth is exactly the motivation behind the government's Youth Entrepreneurship Partnership grants for not-for-profit organizations.

In June, Minister of Small Business and Entrepreneurship Harinder Takhar announced six grants through the program's initial call for proposals. The successful organizations and projects included Junior Achievement in Ontario, which received \$97,500 to support and expand its innovative JA Titan program.

Launched in Ottawa three years ago, JA Titan is an interactive web-based business simulation where high school students compete in teams as companies in fictitious markets. Students plan and execute every aspect of a virtual company's strategy—price, production, marketing, capital investment, and research and development. They make critical decisions and solve virtual challenges. They are mentored throughout the six- to eight-week term of the program by business volunteers in the classroom setting and can go on to compete with other student teams in the province, nationally and internationally. The one-time Youth Entrepreneurship Partnership grant has enabled the program to be expanded to school boards and selected high schools across southern Ontario.

“JA Titan aligns very well with the introductory business courses and entrepreneurial studies that many students take in their first years of high school,” says Carey. “It's a practical introduction to product development and to establishing a successful business from a CEO's point of view.” She agrees the business volunteers are a key

reason for the program's success. “Volunteers offer guidance but they also allow the students to make their own decisions. Then they'll go back and review the results, explain the impact in the real world of a decision and how a different decision might have had a better result.” Students can then change the decision and see the immediate impact online.

Encouraging entrepreneurial and leadership skills in this innovative way also broadens the students' options for the future.

Only about one-third of students go on to university. Others are looking for other career opportunities, whether in college, apprenticeship or entrepreneurship, or an immediate transition from school to work. Skills such as critical thinking, decision making and problem solving are highly valued in all areas of the business world. Students who cultivate these skills will be valued by future employers—and emulated by future employees.

The Ontario government's support of the JA Titan program has also had an unexpected benefit to the Junior Achievement organization. Carey says the government's vote of confidence has helped attract new corporate sponsors and more business volunteers to help deliver the program, and to bring the benefits of entrepreneurial and leadership skills to even more Ontario students.

The second call for proposals for the Youth Entrepreneurship Partnership program has now closed, and successful recipients will be announced soon. Future calls for proposals will be available on the Ministry of Small Business and Entrepreneurship website at www.sbe.gov.on.ca.

For more information on the JA Titan program, visit www.jacentralontario.org.



Real Tech Inc.

Aims to Be a Global Water Testing Authority

When engineering student Andrew Glover and commerce student Jodi Hallett were accepted into the Summer Company program in 2001, they never imagined that one day they'd be partners in a successful business that's poised for explosive growth.

"My company that summer was called Southern Exposure Solar Heating Systems and I sold solar heating panels for pools which I had designed and built," says Jodi. "Andrew's company, Andrew's Pool Services, provided the automated system for my solar heating panels."

Both companies did well and by the end of the summer, Andrew and Jodi were hooked on entrepreneurship.

"We learned so much from Summer Company," says Jodi. "The experience convinced us we wanted to run our own business—and it gave us the tools and the confidence to do it."

When Jodi went back to McMaster that fall, she switched to entrepreneurship. Then, in September 2004, she and Andrew, who'd married a year earlier, launched Real Tech Inc. The Oshawa-based company designs and manufactures ultraviolet (UV) testing devices for the water treatment industry. Andrew provides the engineering expertise and Jodi, the sales and marketing.

"Measuring the organic levels in water is critical for many different water treatment applications," explains Andrew. "The water quality parameters UV Transmittance (UVT) and UV absorbance (UVA) use UV photometric technology to analyze organic levels in water more efficiently than other organic testing methods. They also make possible more cost-effective equipment designs that can provide real-time monitoring, so water and waste water treatment facilities can reduce costs and improve effectiveness."

Real Tech has filed patents for two advanced UVT and UVA measuring equipment designs that its owners are convinced will give the company a significant competitive advantage.

Real Tech's first product, the portable Real UVT Meter, is being sold in 10 countries around the world. And its new product, the Real UVT Online Monitor, which it plans to launch in early 2007, is already attracting a lot of attention.

That's because there's a big—and growing—demand for UVT and UVA testing and Real Tech's technology is superior to that of any of its competitors.

"Our products are easy to use, cost-competitive and provide high performance," says Jodi, who notes that Real Tech's sales in the first half of 2006 are more than double what they were in all of 2005.

"It's a really exciting time for us," she says. "Water testing is a \$4 billion global market and our goal is to become the UVT and UVA testing global authority."

Adds Andrew, "It all really began with Summer Company. That's where we both discovered the extent of our abilities—and realized our passion for entrepreneurship."

To find out more about Summer Company or to be notified when next year's application process opens, visit www.sbe.gov.on.ca/summercompany.

**Andrew Glover
and Jodi Hallett
of Real Tech**



Get It in Writing!

Small business owners often avoid seeking legal advice, usually because of the cost involved. *Small Business Beat* interviewed Toronto lawyer Andrey Pinsky to discover when and why legal advice is necessary.



Andrey Pinsky is a member of the Ontario Bar and a graduate of the Faculty of Law at Queen's University who specializes in small business issues. Website: www.pinskylaw.ca

Small Business Beat: I'm starting a new small business in Ontario. I don't need a lawyer right at the start, do I?

Andrey Pinsky: You wouldn't start your business without a visit to the bank. Why would you risk losing it all by avoiding legal advice? For even the simplest start-up, there are two governing principles that you need advice on right at the start. First, you must ensure that the company's financial liabilities are isolated from your personal finances. Second, you must consider the taxation implications. So right from the start you need sound advice on what type of company is right for your situation: sole proprietorship, corporation, different types of partnerships. In some industries, you simply can't start without a lawyer. And if you have investors, they will usually insist on a lawyer being involved.

SBB: What if I have a unique product or service? Do I have to get it patented?

AP: Any idea has to be protected, or someone will take it away. There are six types of protection for ideas: patents, trademarks, copyright, industrial design, registration and trade secret agreements. Unfortunately, not every idea can be patented. There is a novelty requirement, among others. The patent process can be long, complex and expensive. Again, it's a complicated decision, and you need expert advice.

SBB: Do I need a lawyer just to hire someone?

AP: There are many, many considerations when you are hiring because the employment market is highly regulated. The employment relationship is subject to a number of federal and provincial employment laws that provide minimum standards with respect to such issues as minimum wage, maximum hours of work, overtime pay, maternity leave, holidays and severance

pay. Employers are prohibited from contracting out of those minimum standards. Start-ups need to comply with these regulations and balance the company's needs with the rights of employees. The courts have consistently held that every contract of employment, whether in writing or not, includes an implied term to the effect that no employee will be dismissed without reasonable notice or compensation unless the employer can establish justifiable cause for termination. In the event of such dismissal without cause, the employer will be held liable for the inevitable economic consequences suffered by the employee over a reasonable period of notice.

SBB: When else might I need legal advice?

AP: There are many instances, but commercial contracts come to mind right away. I'm amazed at how many business people don't have written agreements setting out rights and obligations before money changes hands. Also, always try to get a prepayment before you start to perform a substantial portion of work, if possible. If customers can't prepay, ask them for a letter of credit from their bank. And make sure you are represented by your own lawyer, never use your customers' lawyer. Their lawyer is representing them, not you. Product liability and government regulations are other areas where legal advice is absolutely crucial.

SBB: Any last words of advice?

AP: Some people look at legal fees like a parking ticket, a necessary nuisance. They should look at it as a service that protects them and their business from a lot of negative experiences, big and small. I tell clients they should try to find a lawyer who understands their particular business and knows where they want to go with it. And remember, no matter what you do, **always** get it in writing.



Use the Web

to Start and Grow Your Small Business

The Web is a great starting point for information on everything from how to start and finance a small business to expanding into foreign markets. Many of the sites listed here offer interactive tools to help you write a business plan, research your markets, check your finances, and even find investors and lenders.

Bank of Montreal	www.bmo.com
Business Development Bank of Canada	www.bdc.ca
Canadian Bankers Association	www.cba.ca
Canadian Business Service Centre	www.cbsc.org/ontario
Canadian Federation of Independent Business	www.cfib.ca
Canadian Imperial Bank of Commerce	www.cibc.com
Canadian Venture Capital Association	www.cvca.ca
Credit Union Central of Ontario	www.ontariocreditunions.com
Department of Foreign Affairs and International Trade	www.dfait-maeci.gc.ca
Export Development Corporation	www.edc-see.ca
Federal Economic Development Initiative for Northern Ontario	www.fednor.ic.gc.ca
Federation of International Trade Associations	www.fita.org
Government of Saskatchewan	www.businessgateway.ca
Human Resources and Social Development Canada	www.hrdc-drhc.gc.ca
Institute of Canadian Advertising	www.ica-ad.com
Marketing magazine	www.marketingmag.ca
Ministry of Economic Development and Trade	www.ontariocanada.com
Ministry of Small Business and Entrepreneurship	www.sbe.gov.on.ca
Profit magazine	www.profitguide.com
Queen's Centre for Business Venturing	www.business.queensu.ca
RBC Royal Bank	www.royalbank.com
Scotiabank	www.scotiabank.com
Service Ontario	www.serviceontario.ca
Strategis	www.strategis.gc.ca
TD Canada Trust	www.tdcanadatrust.com

Blood, Sweat and Tears Pay Off for

Wawa Entrepreneur



In January 2003 Wawa entrepreneur Gerry Bugyra was \$1.2 million in debt. He'd cashed in all his and his wife Irene's RRSPs and insurance policies, borrowed all he could from family, friends and the bank and was wondering if it was time to toss in the towel.

Just two years earlier, the picture had looked rosy.

Gerry had established the NorWa Manufacturing and Distribution Company to produce environmentally friendly, clean burning pellet fuel for residential and commercial markets.

"I got the idea when the Algoma mine closed here and business at my general merchandise store dropped," he says. "One of the products I sold was wood pellet fuel, which I was bringing in from B.C. The transportation costs had skyrocketed and it hit me. What was Weyerhaeuser doing with its waste?"

Turns out Weyerhaeuser (an international forest products giant) was paying to get its waste hauled away and was open to the idea of selling it to Gerry. With a ready supply of wood waste at hand and a growing market for environmentally friendly fuel, Gerry felt sure he was onto something.

He spent the next year and a half researching and developing his business plan. He eventually bought technology from a B.C. company. It was a punch-die system, which can take anything from wood waste to agri waste to compost to produce the pellets, and Gerry could see that it would offer a number of advantages over the traditional ring-die system. In fact, he was so impressed he acquired the worldwide marketing and sales rights to the technology and the mill design.

Trouble was, once Gerry had his mill built, there were a lot of bugs to work out.

It took close to two years and stretched Gerry and his wife to the limit.

"I think most entrepreneurs experience what we did," says Gerry. "It was incredibly stressful, but we had faith in the technology and in ourselves and we decided to stay the course."

Their tenacity paid off.



Gerry finally got his mill working smoothly and started pumping out 12,000 tons a year of wood pellet fuel, which he was selling all over Eastern Canada and the Eastern U.S. His company was also starting to attract interest from Europe and closer to home.

"My system offers a number of advantages over the traditional ring-die system," he explains. "It's small—it can be housed in 3,000 square feet—it's portable, easily expandable, energy efficient and emission free."

In May 2006 Gerry got the call many entrepreneurs dream of. Toronto-based floorboard manufacturer Starwood was interested in acquiring Gerry's company.

"Starwood originally saw the system as a way to deal with their waste, but it didn't take long before they saw the full potential of the technology," says Gerry. "The company plans to establish a Clean Energy Division and they're eager to take the technology and run with it."

As for Gerry, he and his management team will stay on with the company, which will keep the name NorWa Manufacturing and Distribution Company (<http://www.norwamfg.com>), and help grow it.

"There were times when I honestly wondered if we were going to succeed," he says. "Financing was always the hardest part. Convincing the banks to support a high-tech business in the North like mine was really difficult. Thank God there were government programs that could see the potential and weren't afraid to invest in it."

Turning a Pastime into Profits

Karem Kalin loves writing personal notes to family and friends. Cards from her company, Smiles Made Easy (www.smilesmadeeasy.com) are making it easier for thousands of people to share what's on their mind.



"I love writing little notes to my husband, family and friends," says Kalin, who operates her business from a home office in Kitchener. "But I know that a lot of people have trouble getting started. Too often we think we need to buy someone the 'perfect gift' when what we really need to do is tell them why they're so special to us in the first place. I wanted to make it easier for people to connect."

To do that, she started her own business: Smiles Made Easy. The company's "thought cards" come smartly packaged in a convenient metal tin, and are available in five themes: *I Love It When...*, *Remember When...*, *You're a Great Mom Because...*, *I Have Fun When...*, and *I Am Proud When...*

"They're a simple and stylish way to share your thoughts," she says. "Whatever your mood, they make it easy to say what's on your mind. You can stuff them into lunch bags, use them to break the ice at weddings or parties, create unique invitations. There are so many possibilities."

Kalin started the business in 2003. As a registered dietitian, she had absolutely no business experience. What she did have was a unique idea, plenty of energy and curiosity, a natural flair for marketing, and a willingness to listen to experts.

"I'm still learning as I go along," she says. "I took a workshop at the Small Business Enterprise Centre in Guelph, which was very helpful, and I've called on them for advice several times since I started."

One area where Kalin didn't need much help is marketing and sales. She issues a press release at any opportunity, and courts the right media for her company and concept. Her work has paid off, with stories in *Canadian Living*, the *Toronto Sun*, the *K-W Record* and several parenting magazines, and spots on CKCO News and CTV's *Good Morning Canada*. Her latest marketing coup was getting Smiles Made Easy included in gift bags presented to attendees of the 58th Annual Primetime Emmy Awards.

"I just cold-called them and introduced myself," says Kalin. "Once they saw the product, they said it was perfect for the Emmy gift bags. We got a lot of exposure, including a mention in *TV Guide* magazine. You can't be afraid of rejection. You get lots of it, but it's great when you get an order!"

Sales continue to grow steadily, and the days of Kalin and her husband assembling the product in their basement are over. The manufacturing process is contracted out, and Kalin focuses on marketing and sales.

"We're selling about 70 per cent of our products through retail outlets," she says, "and the balance through our website. We're sticking with this product line for now, but we are about to break into the U.S. market. I'm going to take advantage of the New Exporters to Border States training program if I can."



Karem Kalin has built her company with marketing savvy and a concerted sales effort.

The company's slogan says it all:

**"We start the thought.
You finish it."**





FELL-FAB: from Awnings to the Canadarm

A Hamilton-based manufacturer of engineered textile products has made a smooth transition from a small family business to an international company that employs 400 people. Fell-Fab's experience offers valuable lessons for every small company that wants to grow.



"My father is an entrepreneur," says Glen Fell, president of Fell-Fab and successor to company founder and chairman Don Fell. "In 1952, he recognized the opportunity to meet the need for custom made awnings, boat covers and tarps for trucks and ships. The company grew steadily, mainly because he and the people who worked with him came up with innovative products that met the needs of customers."

Even the most successful entrepreneurs often have a difficult time growing their company past the point where they can retain hands-on management. Don Fell's approach was different. In 1985, when his son Glen joined the company, Fell-Fab adopted the professional management systems that are often used only by larger companies.

"We became small and medium-sized enterprise (SME) then," says Glen. "Once a family business reaches a certain size, it's tough to keep running it the same way. We have a senior management team of five people that runs the company. We also have an advisory board, with experts who have a lot of experience at corporations like Dofasco. Fell-Fab operates like a mini-corporation."

That mini-corporation is anything but small, with 175 employees in Hamilton and a total of 400 worldwide. With a large proportion of sales in the U.S., the company has plants in Atlanta and Fort Worth, and a sales office in Milwaukee. Starting as a manufacturer of specialized textile products, Fell-Fab is now an engineering company

that works in numerous markets that include aviation, transportation, materials handling, military and aerospace. The company works closely with customers to produce everything from seating in railway cars to ballistic vests and fabric systems for the Canadarm and other aerospace projects.

"We partner with our customers, and our marketing is direct," says Fell. "We have a sales force that works personally with them, and they keep in touch with the various industries through trade shows and conferences. Most of our export sales are to the U.S., but we also have customers in Europe, Africa and Asia."

One of the many management principles initiated by company founder Don Fell is the recognition that employees are the key to any company's success. The company has a formal employee recognition program that offers incentives for performance and helps retain some of the old family atmosphere.

"I've told my two kids that I want them to get a professional degree, and then work for a larger company for five years before they consider joining Fell-Fab," says Glen Fell. "It will then be their choice, and if they do join the company, we are getting qualified people with education and experience. I'm hoping that's the right blueprint to carry it to the next generation."

Company founder Don Fell and his son Glen Fell hope to see the company extend to a third generation.

Don and Glen Fell both credit a core group of 30 people (pictured here) with building the foundation for today's Fell-Fab.

ONTARIO SMALL BUSINESS BEAT

Recent Appointments

Sandra Papatello

Minister of Economic Development and Trade

Fareed Amin

Deputy Minister to the Ministries of Small Business and Entrepreneurship, and Economic Development and Trade

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The focus of this newsletter is on business-successes, news, trends, opportunities, challenges and issues affecting Ontario's small and medium-sized business climate. Information is drawn from ministries and agencies across government and from other public sources believed to be reliable. All efforts are made to ensure timeliness and accuracy.

La version française du *Ontario Small Business Beat* est disponible sous le titre *Coin des petites entreprises de l'Ontario*.

We want to hear from you.

Comments and contributions are welcomed.
Please write us by mail, fax or e-mail.

