THE NEXT M

JOHN RUFFOLO
Don't be afraid of failure

ASK THE EXPERT
Conquering cancer while running a company

SPECIAL ISSUE

The Ins and Outs of Family Business

Married couples. Fathers and daughters. Brothers and sisters. Family business owners share their secrets of success

TOP OF THE TECH WORLD
Wearables are the next big thing – and it's all thanks to a handful of Canadian companies

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FAMILY COMPANY FIXES. RELATIVE-RUN COMPANIES FACE A HOST OF CHALLENGES THAT OTHER COMPANIES WILL NEVER ENCOUNTER. FIVE OWNERS SHARE THEIR STORIES OF FAMILY BUSINESS SUCCESS. GO TO PAGE 13

COVER STORY *Reading time: 15 mins*

KEEP STAFF FOREVER

Grail Noble has lost just four staffers in 14 years. How? By offering perks, promotions and respect

HOW TO PAGE 09 *Reading time: 5 mins*

THE GREAT CANADIAN INNOVATION

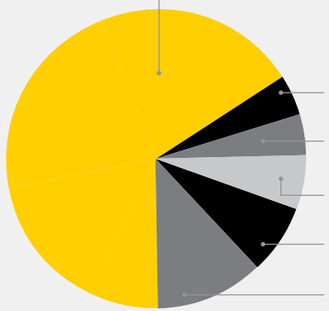
Wearables are a hot topic, but did you know the tech got its start in Canada? Thanks to BlackBerry, a professor at the University of Toronto and some brilliant entrepreneurs, wearables are now the next big thing

TREND PAGE 24 *Reading time: 10 mins*

TOP FAMILY BUSINESS-OWNING TIPS

All you need to know about running a company with relatives

ADVICE PAGE 20 *Reading time: 15 mins*



THIS ISSUE AT A GLANCE

Here's what we're talking about inside

DENNIS FORTNUM

Welcome to The Next Million

Sharing success stories of Canada's entrepreneurs

Welcome to the first issue of *The Next Million*. This magazine is dedicated to sharing the success stories of entrepreneurs like you. As an entrepreneur, you know that once you reach your first big milestone – making your first million – it may be time to celebrate, but it's not time to stop or even slow down. It's time to focus on what's coming, the next milestone – The Next Million. You've made it. Now it's time to grow it.

The stories of growth and entrepreneurship shared in this magazine have been selected by KPMG Enterprise™ and *The Globe and Mail* to inspire and help you and your business reach that next million and many more after that. We often learn best from our peers, and we hope *The Next Million* becomes your quarterly inspiration for growth.

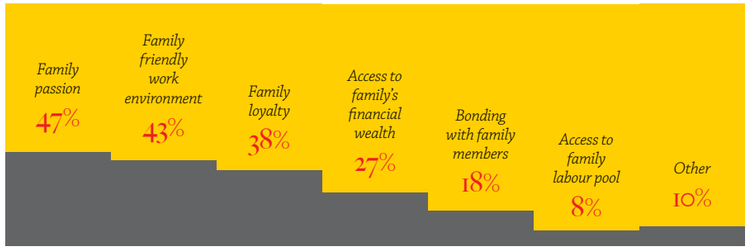
In this issue, you will learn the ins and outs of family business as you read success stories from companies across Canada. Every family has their own unique situation, which includes differing needs and long-term goals with varying degrees of complexity. As an adviser in this area, KPMG Enterprise works to help family businesses navigate their unique challenges – including succession planning and organizational dynamics – and we hope these profiles provide some insight into the challenges you may currently be facing.

As you read through the magazine, I encourage you to think about how the lessons learned in each story can help you manage your business and take it to the next level. You already know what it takes to be an entrepreneur. You've made it through the hurdles, pushed past the naysayers and proven your ideas can work – now it's time to consider: What's next?

FAMILY BUSINESSES DO IT BETTER

A 2012 survey conducted by KPMG found that family business owners feel that they have an advantage over non-family firms.

In the survey KPMG asked respondents, "Which of the following family business attributes would you consider to be your competitive advantage?" *Here's what they said.*



THE NEXT M

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ABOUT THE NEXT MILLION

M is for the Roman numeral for one thousand. There was once a time where no single letter held greater value. It wasn't until centuries later that M̄ appeared. M̄ means one million. But as impressive as that sounds, we see it as the basis for something bigger still – your business.

You've made it through the hurdles, pushed past the naysayers and proven your ideas can work. You already know what it takes to be an entrepreneur. It takes a special boldness, creativity and drive. You've made it. Now it's time to grow it. *The Next Million*, we highlight the success stories of entrepreneurs like you. Stories that will inspire you from the first million to the next – and each one after that.

You're the entrepreneur. We're KPMG Enterprise.

ILLUSTRATION BY CHELSEA ROBINSON

START

Expert tips, inspiration and ideas for growing your business

IN THE DRIVER'S SEAT

Tim Kimber turned an innocent visit to the mall into a multimillion-dollar toy car business

— BY CLAIRE GAGNÉ

It all started when 38-year-old Tim Kimber saw a strange-looking toy car. Wanting to bring this car to the masses, Kimber struck a deal and his company PlaSmart Inc. was born. Twelve years later, PlaSmart is a niche player in the toy business with $11-million in revenue. It imports innovative products from countries like Wales and Indonesia, and sells its PlasmaCar to more than 50 countries around the world.

Tim Kimber motors around PlaSmart's Ottawa-based office.

PHOTOGRAPH BY JOHN KEALY

VITALS

PLASMART INC.
Ottawa

Founded in
2003

280,000
PlasmaCars sold in 2013

TIM'S TIPS

* Listen to feedback from people who have been in the marketplace for a while. I see people with great inventions and new products who want to do everything themselves.
* I have had some great success, but also some products that have bombed. I like to start by getting the products into small stores and building a brand.
* Good partnerships are key. I showed up to Bin Chen's store with a $5,000 cheque and that's what convinced him to do business with me.

"In late 2002, I went into a store, in an Ottawa mall, that a first-generation Chinese immigrant named Bin Chen had recently opened. He and a business partner had this idea that they were going to go to China to find relatively inexpensive products, import them and sell them at retail in the mall.

On one of his trips, he discovered a toy car that he found really interesting. It didn't need batteries, gears or pedals: Just sit in the car, turn the steering wheel and watch it go forward. He really believed in this car, so he bought a whole container of product, imported it and started selling it in the store.

When I got in the car myself and started driving it, I couldn't get off. I ended up driving it around the mall. There was something unique and magical about it.

At the time, I was running a full-time e-commerce business out of my home selling high-end Swarovski crystal. I told Bin that I thought the car had a lot more potential, that he could do better if it wasn't just in one store in the mall.

We talked over the next month and came up with an agreement for the distribution and marketing rights. Bin was calling it Fun Car, but I thought it needed a more unique name. I called it PlasmaCar, because, in 2002, everyone wanted a plasma TV. We showed it for the first time at the Canadian Toy & Hobby Fair in January 2003, and it was the hit of the show. We were able to sell it into quite a few specialty toy retailers in Ontario and, because of Bin's initial investment, we were able to start delivering products right away.

One of the biggest problems with the PlasmaCar is that it's so unique in the way it operates that people don't understand it by looking at it. I would ride it around at trade shows looking like a clown. Even today, stores like Indigo always have a demo in their children's section. Kids come in and ride them and they don't want to get off. That may not be a good thing for parents, but it's a good thing for me.

When we started, we had the cars stacked in garages and basements and all sorts of different places. Now, we outsource our warehousing, logistics and back office to a company in Pennsylvania. We have a staff of 10 lin a downtown Ottawa office that does sales, marketing and administration. We outsource everything else, including our design, social media, marketing and public relations. We also have more than 120 independent sales reps across North America. We like to hire outside people to manage our costs.

I still work with Bin today. This has been a long-term partnership. He understands China more than I could ever understand it, so he handles the Chinese side of the business and I handle the North American side. Everything is different in China and it's very difficult for North Americans to understand the culture, but you do need to find trading partners who are honourable and trustworthy.

We also have other products – games, colouring books and more – that I've found by travelling to every toy show you could think of and walking aisle after aisle. It's just me pounding the pavement, looking for innovation in the toy business.

There's some great product in the marketplace, and going forward I'd like to acquire some of the single-product companies that are selling them so we're not always relying on outside inventions.

I just turned 50, I'm single and I don't have any kids. If I had children I would have to grow up."

BY THE NUMBERS

Business as usual

Family business owners worry about the same things the average executive worries about. In KMPG Enterprise's Family Ties: Canadian Business in the Family Way *report, a number of family business owners were asked,* "To what extent are each of the following business issues currently of concern to your business?" *Here's what they said were some of their major concerns.*

OBTAINING NEW CUSTOMERS	INCREASING REVENUES	COST CONTROLS/ CONSTRAINTS	SENIOR MANAGEMENT SUCCESSION ISSUES	OWNERSHIP SUCCESS ISSUES	CREATING NEW PRODUCTS/ SERVICES FOR EXISTING MARKETS	ECONOMIC STABILITY	TAX ISSUES
67%	63%	50%	40%	39%	35%	35%	28%

POWER UP

Sick of being stuck with a dead cellphone battery? Then this is the product for you

In today's always-connected world, there may be nothing more frustrating than holding a phone that's out of juice. That panicky, powerless feeling is nearly universal these days, but the dread of a dead battery could soon disappear thanks to Ottawa-based entrepreneur Nigel Harris and the PowerStick, his line of portable mobile chargers.

In 2011, the 69-year-old British-born CEO of PowerStick.com Inc. bought his company's namesake product from a group of Ottawa engineers who had created the portable charging technology, but hadn't done much else. The buy was a no-brainer. "It's something that everyone needs," he says. "Everyone has a cell phone. Everybody relies on it more and more. When you leave the house in the morning, you leave with your phone, your keys and your charger."

Now in its fourth incarnation as the PowerStick+, the company's flagship offering is slightly bigger than a pack of gum and can power up a phone the moment it's plugged into the device. What sets it apart from other portable power products on the market is its eight or 16 gigabytes of built-in flash memory. Users can save documents, photos and other files on it, like they would with a USB key – a feature that caught the attention of the Consumer Electronics Association. It awarded the PowerStick+ its coveted CES *Innovations and Engineering Award* at 2013's show in Las Vegas. "When you've got that CES award in there, it gives instant credibility to your product," says Harris.

The PowerStick has caught on with consumers. The company sells about 200,000 units a year and its revenues have jumped from $1.5-million in 2011 to about $7-million today. It's also been a hit with corporations, organizations and even the military. In 2012, the U.S. Army called and ordered a number of devices (how many, Harris isn't allowed to say) and has since made the PowerStick+ an integral tool in its Special Forces programs. Today, the army is Harris' biggest customer. Soldiers use it to power up their mobile devices, but they also use it to store and share critical information with each other.

As useful as this product is, PowerStick's success relies more on its innovative business model than its phone-charging technology, notes Harris. He's built a thriving company on corporate sales, offering what he calls "branding solutions" to big-name clients such as Google, Ford and GM, to name a few. They buy PowerStick chargers en masse to use as promotional items or gifts for their prestige customers. "Instead of just looking at this as a piece of electronics," he explains, "we wanted to dress it up, brand the sticks and put them into packaging that reflects the corporation's identity."

Ultimately, the PowerStick works because it solves a problem that plagues every smartphone user today, including Harris. Since buying the company, though, there hasn't been a day when his cell phone has been without power. "I keep one in my car, my bicycle bag and wherever I bring my wallet," he says. "Everyone needs four or five of these things kicking around."

— DANIEL MERICK

PHOTOGRAPH BY NATASHA V.

We're not making it up

Novosbed has an unusual problem: It has too many positive online reviews. Some people think they're faking them

BY DIANE JERMYN

Rave reviews seem like an unlikely problem for any business, but customers grateful for a good night's sleep have created a dilemma for Novosbed.com, an Edmonton-based company that sells mattresses online. A virtual tsunami of positive reviews over the past year is straining the company's credibility.

Sure, CEO and co-founder Sam Prochazka wants purchasers to say how much they love the high-quality, memory foam mattresses Novosbed.com manufactures and sells directly to its customers. Great reviews drive traffic to their website and are often the tipping point in a buyer's decision, so they're key to selling online.

However, "since we achieve a 10-out-of-10 rating on ResellerRatings.com, we've also noted a 300 per cent increase in customers asking us whether our reviews are authentic," Prochazka says. "The main criticism is that the reviews are all too 'positive' to be completely trustworthy."

Of course, he says it's no accident that reviews are excellent. He works extremely hard to provide customers with great products and service, but it doesn't help that most reviewers wish to remain relatively anonymous. Prochazka says the amount of information they disclose is entirely up to them, as long as they have a valid purchase ID – making authentic testimonials look a bit sketchy.

A growing distrust of consumer reviews in general adds further concern – about 20 per cent of online reviews are bogus, according to a recent Harvard Business School study – but, so far, Prochazka says the impact on sales has been hard to measure. However, any doubt could damage the brand.

What can the company do to make sure people know the reviews are real and the business is legit?

SUNIL MISTRY

PARTNER, KPMG ENTERPRISE

If he can get even a tiny percentage of customers willing to do a testimonial on video and upload it onto his website, it would add extra assurance that they're real people in real homes. Anyone buying a mattress online is likely social media savvy so they might think that it would be fun to do. He could probably turn it into some kind of marketing campaign or giveaway contest. There's a ton of different marketing angles you could use there.

Producing his own YouTube video could go a long way in showing potential customers how their mattresses are superior – and not just because people say so. Perhaps he could do a video where they slice a mattress apart so you see what's inside. That would help people understand what the difference is between their mattresses and, say, two other competitors' mattresses.

BRIAN MISKE

CHIEF MARKETING OFFICER, KPMG LLP

Sam could take advantage of the good reviews and engage in a dialogue with those customers by asking questions such as, 'If there was one thing we could improve on in the product or service, what it would be?' Right now, it's only one way. The consumer fills out the review and the conversation stops there.

Also, the reviews posted online don't actually give a lot of information and tend to be from new purchasers. He could ask customers who previously purchased a mattress for feedback on how the product ages. Sleep is an important part of your overall mental and physical health, so they should also think about creating alliances with, say, the Better Sleep Council Canada or similar U.S. associations. This is where the company could really start to shape the brand beyond the product.

DISCLAIMER (MISTRY, MISKE) SEE PAGE 2; PHOTOGRAPH BY ASHLEY CHAMPAGNE; ILLUSTRATIONS BY CHELSEA ROBINSON

Keep staff for life

No company, big or small, likes it when the people they've invested in quit. An unexpected exit can bring down morale, plus it takes considerable time and resources to train a replacement. For many companies, turnover is just a part of doing business, but what if you could keep your beloved staff for life? At YELLOWHOUSE EVENTS, a Toronto-based event planning company, the goal isn't just to keep staff for a few years, it's also to hang on to them for decades. Over the last 14 years, only four employees have ever quit the company while its very first hire is still part of the team. CEO Grail Noble shares her secrets to creating a stable staff. *—DIANE PETERS*

SET THE CULTURE

"The big reason I started my own company was I wanted to press 'reset' on corporate culture," says Noble, who once planned events for television station YTV Canada. She now has 13 employees who help her put on galas, conferences, street teams and flash mobs for large Canadian and U.S. corporations. "I wanted to wake up every day excited to go to work." From her first hire in 2007, she's made a conscious effort to shape and maintain a workplace that's supportive, positive and fun – as well as hard-driving. She and her team have chosen a dozen words that define company culture – such as smart, bold, hard-working and honest – and refer to them often.

OFFER THE RIGHT PERKS

At YellowHouse, staff get a litany of perks: a free weekly coffee date with colleagues, the freedom to flop out any time in a beanbag chair in the office's "creative space," travel reward points for trips and a "no-questions-asked" day off once a quarter. If Noble's staff doesn't like a new idea – and they'll say so – she ditches it right away. However, the team has yet to find a problem with Sangria Wednesdays.

LET STAFF LEAD

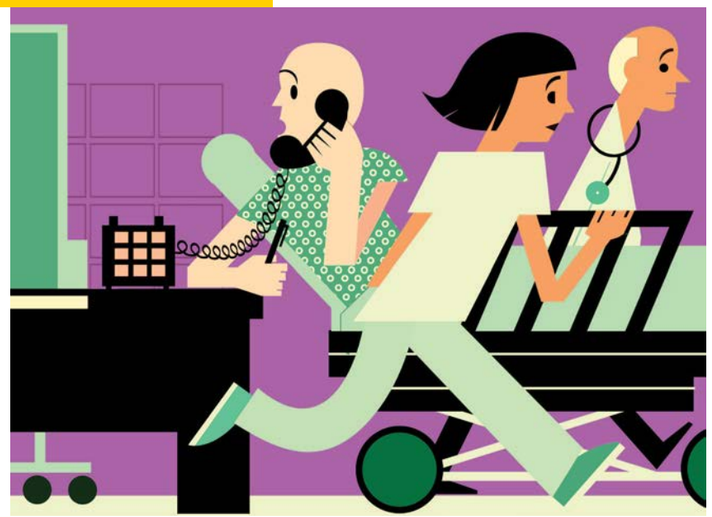
YellowHouse takes a democratic approach to management. The team does a quick huddle every day to share ideas and issues, and management shares back. "Employees give a lot of input into many of the key decisions," says Noble. When there's a new request for proposal (RFP) the company is considering, everyone gets a chance to comment on the project and the client. If there are three concerns, YellowHouse shelves its proposal. Recently, staff told Noble they didn't like negativity. Now, gossip and complaining about difficult clients are verboten.

SCRAP THE INTERVIEW

"Interviewing is the worst way to hire people," says Noble, who thinks it takes more than one conversation to really get to know a person. She's had only one terrible employee and that staffer was brought on after a single interview. Now, prospective staffers go through an intensive recruitment process that includes doing a presentation for the entire company.

PUT PEOPLE FIRST

Noble maintains that YellowHouse's success is rooted in its investment in its people. Noble shrugs off the costs of her approach. That includes absorbing the expense of establishing a remote work situation for her first employee after she moved to Quebec City, but still serves as director of operations. Staff not only stick around, they come in on days off to help colleagues with events. "Good culture is not rocket science," says Noble. "Hiring good people and treating them well generally will result in a good culture." S



Success while sick

Q: I've been diagnosed with cancer and need to take a month off work for treatments. How can I keep my business running smoothly while I'm not there?

A: If you're only thinking about this now, it's like buying storm insurance as the hurricane hits. What we often see is that entrepreneurs don't want to delegate any authority or groom management for situations where someone else needs to take over. However, a scenario like this is one of the reasons why you need to build a competent management team.

Giving certain employees added responsibility isn't enough. You have to give people the authority and autonomy that enables them to make decisions and manage all your business relationships, including customers, suppliers, workforce, regulators, creditors and banks. They'll need to earn your trust.

But even as you build people up, consider certain legalities. Who's going to sign cheques or contracts in your absence? What about dealing with Canada Revenue Agency audits or other regulators? Also, consider what previously confidential information about the business you want employees to know. These are difficult decisions to make on the doorstep of the cancer clinic.

Here's something else to consider: What will people outside the company think if you suddenly leave? The external communication about your absence will need to be managed. While you don't want to mislead anyone, too much clarity or disclosure isn't necessarily wise. Your goal is to minimize unnecessary panic or lost confidence in your business so your people can carry on "business as usual" while you're gone.

Business interruption and "key person" insurance (the latter is essentially life insurance on the key person in the company) also go hand in hand with planning and being prepared. If you have bank loan payments and payroll to meet, this may buy you some much-needed additional time. Get advice about how much to buy and what to cover.

If you haven't dealt with this already, then organizing your businesses in the midst of battling cancer will be a challenge. In other words, entrepreneurs should start planning for something like this now.

— ***DAN BILENKI,*** *SENIOR MANAGER, TAX, KPMG ENTERPRISE GROUP, CALGARY*
— ***RHYS RENOUF,*** *PARTNER, KPMG CORPORATE FINANCE GROUP, CALGARY*

Q: I've been talking to some venture capital (VC) firms about investing in my business, but some want close to a 50 per cent stake in the company. Should I give up that much control for the money? What are the pros and cons of selling half the company for VC dollars?

A: It's key that 50 per cent or more of your company stays Canadian so you don't potentially lose benefits, like a lower Canadian tax rate or higher Scientific Research and Experimental Development (SR&ED) tax credit entitlements.

While the right VC partner can provide that needed injection of cash, operating your business could be very different going forward. You typically give up some of the strategic direction of your company. You may be restricted from or forced into doing certain things in opposition to your vision. You'll also have to provide additional reporting and oversight to a VC. You may also have a shareholder who expects to be involved in management decisions.

So don't just jump into bed with the first venture capital company that comes along. Find a fit and a common business partner who has a similar vision. Even if the strategic vision differs, make sure it's along lines you can work with.

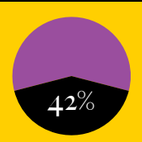
When doing your due diligence, look at the VC's history of ownership, its strategic exit strategy and if it's hands-on or -off with other companies it's invested in. The investor will look for a rate of return, as should you. Make sure it's commensurate with what you would have realized otherwise.

Go in with the mindset that you want to retain control. I may be willing to give up 40 per cent and possibly more, but if you can keep control you can opt in or out of their advice.

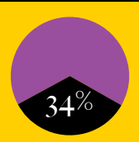
— ***PAUL WOOLFORD****, PARTNER, TAX, KPMG ENTERPRISE, TORONTO*

ALL IN THE FAMILY

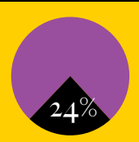
Not every relative-run business is majority owned by family members. But according to KPMG's Financing Family Business Growth Through Individual Investors *report, most families do own at least 50 per cent of their company.*



of family business owners own **100%** of their company.



of family business owners own more than **50%** of their company.



of family business owners own less than **50%** of their company.

DISCLAIMER (DAN BILENKI, RHYS RENOUF, PAUL WOOLFORD) SEE PAGE 2; ILLUSTRATION BY RILEY SMITH

All in the family

Running a business with relatives can be extremely rewarding, but it's filled with ups and downs too. If anyone knows how to make it work, though, it's the owners of these five family-run operations.

Find out how to create a succesful company, how to plan for the future and how to do it all while still having fun with your family.

"We don't really have challenges," says Knight. "We have conversations."

Building up, not tearing down

This Edmonton demolition company is an expert at bulldozing structures – and running a family business

By Kara Aaserud / Photograph by Ashley Champagne

If anyone understands the dangers of working with family, it's Bill Knight, CEO of B&B Demolition, an Edmonton-based company that specializes in interior retail and commercial builing demolition. Before he started his current company, he ran another demolition business with his uncle and aunt. Without getting into details, he says their three-way partnership didn't work out. "They fired me about 10 days before Christmas," he recalls. "The next day I started B&B Demolition out of the basement in my house."

Knight had no plans to make his new venture, which he started in 1999, a family company. However, with the business growing, he needed to enlist extra help and wanted someone he could trust. In 2001, he brought into the fold his brother, Ben, whom he's worked with most of his life. "Ben's always been with me," says Knight.

The Knight brothers started off with just three employees and four trucks, but B&B would eventually become one of Alberta's top demolition service providers. It's now a 50-person company with a 22,000-square-foot warehouse, and earns about $11-million a year in revenue. The company's also grown into a full-fledged family business. Besides Ben, who's the senior estimator, Bill's son, Steven, takes care of marketing, IT management and business development; and his wife, Grace, is in charge of office management. Bill owns 50 per cent the company (a non-family member became a partner in 2012).

One of the most difficult parts of running a family business is controlling emotions, which can run high because of a heightened level of familiarity. It's even more challenging when the next generation isn't as passionate as pops about the business. While Knight's 22-year-old son has worked with him from an early age – he pulled nails out of demolished boards for a nickel a nail – Steven is not as passionate about demolition as his dad. "He's tried different things in the company, but that desire wasn't always there," says Knight.

Still, Steven does have a lot of strengths to bring to the company and he's honing in on what he likes doing best: marketing and business development. A recent University of Alberta commerce graduate, he brought the company into the digital age. Steven oversaw the development of a new website, created a Facebook page and has experimented with new marketing campaigns, such as putting the company logo on a fleet of Smart cars. "Steven brings a fresh new outlook to the company," says Knight. "Things are different in the industry now than they were before, so it's nice to have him in a role where we're trying to entice new team members."

With Steven now in a more senior job – he became the company's business development manager in May – it's looking more and more as though the company will one day be his to run. "We're in a huge growth mode right now," explains the elder Knight. "So, I would definitely like to keep ownership within the family." To that end, he's started laying the groundwork by defining roles more clearly and creating a formal succession plan.

Running a family business is not without its share of challenges, but don't tell that to Knight. He perceives the issues that arise a little differently than most. "We don't really have challenges," he says. "We have conversations." Open communication is emphasized in every talk, except when shop talk is strictly forbidden. The family holds three dinners a month where work can't be discussed. "If it does comes up, then we have to book another dinner together," he says.

It's clear that these strategies are working. In 2014, the company won CAFE Canada's *Family Enterprise of the Year* and it's been recognized by several other organizations. While Knight may be the owner, he knows he couldn't have built this business without his loved ones. "One of the largest pleasures I have in life," he declares, "is being able to work with my family every day."

Bill Knight (left) hopes his son Steven (right) will one day take over the family business.

Business on board

Swift Labs' co-founders are more than just business partners – they're married too. Just like marriage, it takes a lot of effort to make the relationship work

By Matt O'Grady / Photograph by Mike Watier

When I reach Anthony Middleton and Lara Swift at their Kitchener offices, time to talk is short: Middleton is about to board a plane to Las Vegas for the 24-hour World's Toughest Mudder extreme race. The 37-year-old former aerospace systems operator and co-founder of wireless testing services firm, Swift Labs, is looking forward to a break from the non-stop action the couple has seen since founding the company last spring.

"It's important to have some time to decompress," he says. "I'll come back feeling a little more de-stressed and ready to take on the next challenge."

"I'm keeping my fingers crossed for an injury-free weekend!" interjects Swift, 45, Middleton's wife and business partner.

"You know, while I was on the phone registering for the event, Lara was on her phone increasing my life insurance … "

"No – just making sure we have an insurance policy … "

The easy banter between Swift and Middleton is one clear sign of their close relationship, which started more than a decade ago at what was then RIM, now BlackBerry. Shortly after moving to Canada from Manchester, England, in 2003, Middleton went to work for the Waterloo tech pioneer, a year after Swift had joined. In 2004, the pair started working together on a project to develop new RIM radio technology.

"It was a lot of hours, very intense," recalls Middleton. "You spent a lot of time with the people you were working with. We had a great working relationship, and then one thing led to another."

Lara Swift and husband Anthony Middleton spend qualty time together in their Kitchener office.

"It just seemed natural," says Swift of how their relationship evolved from professional to romantic, adding that there wasn't any concern about perceptions from fellow co-workers. "It didn't really surprise anybody. We are one of many couples that met at BlackBerry."

Already having experience navigating that personal and professional relationship should be handy as their business grows, since running a business with a spouse is no easy task. One big challenge is the danger of putting all the family's eggs into one basket. For better or for worse, Swift and Middleton, who married in 2009 and have a son named Henry, have dealt with this before. Both worked their way up the ranks at BlackBerry and both found themselves jobless within three weeks of one another. Middleton left to start what would become Swift Labs, though he didn't want to put his family's fate in the hands of one employer either. But then Swift got laid off.

While that experience would have deterred most couples from working together, with both of them now out of work they felt it made sense to launch a business – which Middleton had already sketched out – sooner than later. He had wanted to work with his wife again at some point anyway. The business, which began last April, relied heavily on the pair's expertise at BlackBerry. Swift Labs provides in house development and pre-certification testing as wellas managed regulatory and compliance services to mobile and wireless companies. While the business is growing nicely, they do know that they'll be in trouble if something goes awry. "We thought it was a very smart, calculated risk and we wouldn't have done it if we didn't think it was viable," says Swift. "But, yes, we have a mortgage, car payments and hockey classes to pay for."

Another challenge of working with a spouse is separating personal and professional duties. While some people might make a clear separation between the two relationships, Swift suggests just going with the flow. She doesn't worry much about separating work and home life. It's about finding the right blend that works for the family. "Feel free to attend school events for your kids," she suggests. "It's also okay to talk about the business at dinner as long as the blend of work and personal time works for everyone involved."

The key to both marital and business success, however, comes down to always keeping in mind why the partnership started in the first place. They're passionate about growing a business together, but they're also as enamoured with each other as they were when they first got married. Personal and professional lines can get blurred, but the flexibility that comes with entrepreneurship helps. "Our time is our own," she says. "And our marriage and family remains our number one priority."

Maintaining the family mandate

For better or for worse, company values and visions tend to change over the years. PF Collins, though, has been guided by its founder's original mission for nearly a century

By Diane Jermyn / Photograph by Riley Smith

Every entrepreneur knows that companies have to evolve and innovate to stay alive, but not everything needs to change. Just ask Bernard Collins, chairman and president of PF Collins International Trade Solutions. His company's vision, created by his grandfather Patrick Francis Collins, has stayed the same for nearly 100 years.

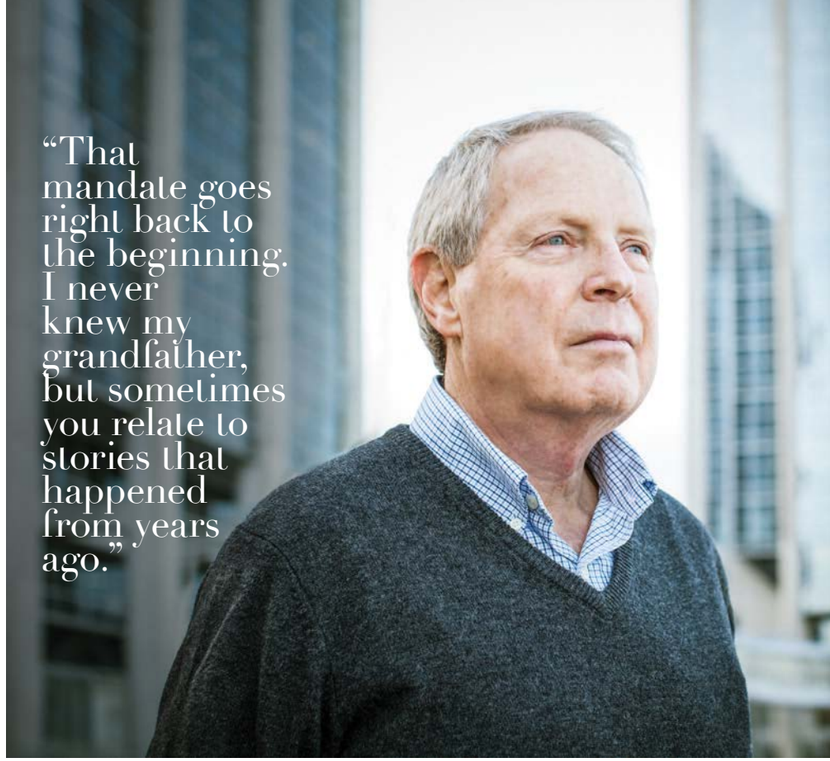
While Collins has overseen some significant growth since joining the 93-year-old company in 1971, the business' original mission of delivering high-quality international and domestic trade solutions – the mandate is laid out on its website's homepage – hasn't changed since it was founded in 1921. "That goes right back to my grandfather," says the 66-year-old Collins.

"When I was around 23 and importing a shipment of condoms for a client," he recalls, "the customs officer was of the opinion that condoms were made of plastic, not rubber. It meant money if the wrong duty rate was charged as a result of the wrong classification. That client needed representation. So you fight that battle. We still fight those battles today."

Of course, a company can still move forward, even as it's keeping the original vision top of mind. PF Collins has matured from a one-man office into a technologically advanced business with worldwide links and an expanded range of services, including freight, warehousing, marine agency, project logistics and immigration consulting. It now generates $10-million a year in revenues and has offices in St. John's, Nfld., Halifax and Calgary.

However, Collins knows that if the company veered away from his grandfather's original idea, then the business wouldn't be here today. From those early days, there's been a mandate to keep duty and tax exposure at the legal minimum, and it's worked hard to do just that. It's also been able to modify federal legislation for its clients, such as changing provisions in the Coasting Trade Act that relates to the size of exploration vessels.

"It's in the culture," says Collins. "The rest of the staff see that too, whether it's determining a classification or a truck stuck in North Sydney with a piece of equipment that needs to get to St. John's when the winds are blowing and the ferries are shut down. People will make things happen to get that piece of equipment here for the client."



Bernard Collins has overseen some good growth, but he's never lost sight of his grandfather's original mission.

Staying true to the mandate isn't easy and, at times, it's come at the expense of growth. Before the business can expand into new areas, it needs to find staff who can perform the service well and offer the same commitment to service that's been a hallmark of the company for decades. It's about hiring well, training people properly, but also instilling the values that have always been with the company.

"Our reputation is very important to us," says Collins. "We weren't going to do something unless we could do it well, or it would reflect poorly on the rest of our business."

It can be hard to stick to a mandate during times of strong growth – business owners often find themselves pulled in a lot of different directions. So when his father died in 1981, he started talking to consultants for advice. He needed help to manage growth, but also to stay focused. In the 1990s, when growth was really picking up, he established an advisory board of non-family members. The outside advice has been invaluable.

"There wasn't a trigger [such as a dispute], but the company was growing," recalls Collins. "At that point, we were probably around 40 or 45 people. We needed people looking objectively at how the company should be developed. Sometimes it's nice to have someone to report to, plus it keeps us focused."

Continuity is also key when it comes to growing a near century-old business, and succession planning has been in the works for several years. Collins' son, Raymond, 38, replaced his dad as president in 2014, after working his way through multiple roles within the company. As well, daughter Susan returned to the St. John's head office to head up business development and marketing following time at their Calgary location. His brother, Brian, is also a long-time partner, and another brother, Andrew, does contract administration.

While Collins hopes the business continues to evolve, he also wants future generations to remember what made the company successful in the first place. "There's an ethical aspect to ensure we are doing the best we can and have that can-do attitude of supporting our clients in whatever way we can," he says. "That mandate goes right back to the beginning. I never knew my grandfather, but sometimes you relate to stories that happened from years ago."

"'How you treat me is how you want to be treated.' From that day forward, there was this mutual respect for each other."

These days, Tony Gareri's all smiles in his Woodbridge-based warehouse.

Changing of the guard

Roma Moulding was going nowhere fast – that is, until Tony Gareri stepped in to save his father's business

By Matt O'Grady / Photograph by Mike Watier

Like a lot of family business owners, John Gareri had hoped that his son, Tony, would one day take over Roma Moulding, his 30-year-old Woodbridge, Ont-based picture-frame company, but it was never a sure thing. The two had a testy working relationship, which made him wonder whether the family business was right for him. "We used to have a paging system," says the younger Gareri, recalling an incident that occurred a dozen years ago, months after he had graduated from York University with a business degree. "My father used to bark orders to me over the PA in front of the whole company, treating me like a kid. My father had a hard time understanding that I had a university degree."

One day, Gareri went into his father's office and told him that if he wants him to stick around, he needed to be treated as adult. "I said, 'You've got to show me trust. If I'm going to stay here the next 30 years, there's got to be one thing that we get really clear, and that is: How you treat me is how you want to be treated.' From that day forward, there was this mutual respect for each other."

While their working relationship has improved over the last 12 years, it's not always easy being a father-and-son team, especially when the child wants to change the way the parent runs the business. Roma was booming during the 1990s and early 2000s, but the company – started by John and his brother-in-law, Nino – hit a wall during the downturn. Sales dropped by about 30 per cent, morale sank and the younger Gareri was questioning his role at Roma.

In the summer of 2011, however, he had a chance encounter with a woman at a Las Vegas trade show, who handed him a copy of *Delivering Happiness*, the manifesto of customer service and contented organizational culture by Zappos.com founder Tony Hsieh. On the plane ride home, he read the book and realized he needed to implement some changes at Roma.

Telling his father that things needed to change was difficult, especially because one of the modifications he wanted to make was at the top of the company. It was time, he felt, that he become CEO. "I said the company needs proper leadership," he recalls. "It needs transparency. It needs a set of values that people can live up to, and it needs an overall mission with great leadership." It took some convincing and a father-son trip to Zappos' headquarters to see how the shoe retailer operated, but in the fall of 2011, his father handed over control.

Out went the punch clocks and buzzers; in came a new, trust-based kind of accountability. "We don't do performance appraisals anymore," says Gareri. "We do 'core value assessment.'" The company now has 10 core values: things like "be real" and "deliver integrity" and "transparent, open and honest communication." People are scored one to 10, with 10 being the best. Of course, not everybody fits in the new world order, and within months of Gareri becoming CEO, the company parted ways with 25 of the 135 employees who weren't living the new Roma values.

Those layoffs were particularly difficult for his father, because many of the people let go were people John had hired. But every change has been made with his father in mind. "I say this to other family business owners," says Tony. "You need to create an organization to honour and respect the fact that they've given you the reins." He now manages his relationship with his father, now 60, and his uncle (called "The Board") very tightly. "We have regular status updates," he explains. "They've gone from weekly to monthly to bi-monthly to quarterly – and that, again, shows trust."

The business is performing well once more, but its growth doesn't have anything to do with family. As important as the company is to the Gareris, Tony treats Roma like any corporation, not something that's required to be passed down from generation to generation. That's another reason why it's doing well. "I treat this much more as a corporation than a family business," he concludes. "I won't give it to [someone] just because of who they are."

Clean transition

A Montreal agri-food company survives for 75 years and considers fourth-generation succession. Here are their success strategies

By Kara Aaserud / Photograph by LM Chabot

It's not easy being an entrepreneur – most businesses fail after five years – but it's even harder to keep a family business alive. Only one-third of family-owned operations survive the transition to the second generation, while only a 10th make it to the third generation. With 75 years in business, Montreal-based Sanimax, an international rendering firm, is beating those odds. Even more impressive, it's preparing for fourth-generation ownership – a feat that's unheard of in Canada.

The story begins in 1939 with Alex Couture, a tenacious 36-year-old Quebecker who survived the Great Depression by working in a meat processing plant, one of the few jobs that was still in high demand. It was in the food industry where he learned about rendering (a process that converts waste animal tissue into usable products) and thought he could make a business turning that tissue into soap and fertilizer.

The first few years were difficult for Couture and his co-owner older brother, Déziel – it was a family operation from the start – but their fortunes changed a few years into the Second World War. One of the main ingredients in explosives is glycerin, a product obtained from rendered animal fat. During the war, the price of glycerin shot up, and the brothers started making money.

Couture's brother died in 1944, but he was determined to keep the business going. It's a good thing he did. It's now the fourth-largest rendering company in America, with 17 sites operating across Canada, the U.S. and Mexico. It has more than 1,000 employees and generates $600-million in revenue per year. It has also stayed in the family. Martin Couture, Sanimax's current CEO, took the reins when his father passed away in 2000. His sister, Julie, and his brother, André, are also involved in the business. "The legacy left to us by my grandfather has greatly evolved," says Couture.

Passing down a company from generation to generation can get messy. When the company downsized in 1980, one second-generation family member had to be cut from the ownership. "The cash-out in the 1980s when interest rates were high was not simple," says Couture, "nor was the discussion about my father's family taking over. To this day you talk to my uncle and he's still marked by that particular event."

"The family members at Sanimax have one responsibility: to get along."

The Coutures – Martin (left), Julie (centre) and André (right) – plan to keep Sanimax in the family for years to come.

Despite such familial challenges, Sanimax's smooth transition from one generation to the next can be attributed to its early implementation of a formal succession plan. For the Coutures that has meant retaining a team of professionals, such as accountants and lawyers, who help them develop a collective vision, determine continued family involvement, refine strategic priorities and establish cash flow needs.

They've also set up a "family council" that meets four times a year. It's similar to a board and includes Martin, André and Julie, but it only discusses company issues that relate to the family. It works for one main reason: clear communication is a must. As far as Martin sees it, "the family members at Sanimax have one responsibility: to get along. We have that responsibility for the sake of the thousands of families who work at Sanimax."

Unlike some other family businesses, it's always been a given that the next generation would take over. Alex sent his kids to university in Montreal so that they could come back bilingual and educated in commerce. That allowed them to grow the company in Eastern Canada.

Today's Coutures are also preparing their offspring to take over. Sanimax's holding company, Génération sans Quatre ("Generation Four"), indicates clear intentions to pass the business down to the fourth generation and lays out how that's going to happen. "Our kids need to go to university and they need to obtain an upper management role at Sanimax," says Martin. "They are required to get experience four years outside of the family, and they need to be bilingual. We are even considering trilingual now." Guidelines such as these help Sanimax avoid conflict by identifying successors early, taking steps to support their learning curve and fuelling their passion for the business.

"My grandfather believed in loyalty and passion," says André, Sanimax's chairman. "He was a man who wanted to surround himself with loyal people and passionate people, and there's no one more loyal or passionate than family." S

It's hard enough to run a company yourself, let alone with people who know every little detail about you. Running a family business comes with challenges that most other company partnerships don't. Unless you can navigate the often-complex waters of operating a business with offspring, siblings, parents or spouses, then your business won't stand a chance. Here are five pieces of family business-endorsed advice for making working with your family the fun and rewarding experience it can be

BY BRYAN BORZYKOWSKI
ILLUSTRATIONS BY GRAHAM ROUMIEU

PHOTO ILLUSTRATION BY ERIK MOHR

Watch the work-life balance

Work is top of mind for many, but it can be a constant conversation for family business co-founders. Don't talk shop when you don't have to

If there's a cardinal family business-related rule to follow, it's this: Keep your personal and professional lives in balance. Of course, that's much easier said than done. Ask any family business owner what's discussed at a holiday dinner and they'll all say work. As important as it is to talk about things other than the office with your relatives, it's even more critical to do it when you're married to your business partner.

For Stephanie Ciccarelli, the separation can be tough, but too many company conversations and her business and family could suffer. Ciccarelli runs London, Ont-based Interactive Voices Inc. with her husband David. It's a website where voiceover talent posts profiles and where agencies and directors come looking for the right set of pipes. While both are driven entrepreneurs, the Ciccarellis also know that family comes first.

At dinner, she says, the couple is focused on their two kids and not about the day's work events. They also make sure that one of them is on drop-off duty in the morning and at football team practice after school. Only after their children are in bed at night does work come up. "We find a way to balance," Ciccarelli says. "That doesn't mean we're not both really into the business, but work at the expense of our children or each other would be a detriment."

There can be tension at times. "Sometimes one of us may pay too much attention to business after hours," she says, but for the most part they make it work. The key, Ciccarelli notes, is to maintain a life outside the office. "We give each other the freedom to do what we need to do, and we support each other no matter what."

70%
THE PERCENTAGE OF GLOBAL GDP CONTRIBUTED BY FAMILY FIRMS.
— FAMILY FIRM INSTITUTE

№ 1
REASON WHY PEOPLE LIKE WORKING IN A FAMILY BUSINESS? THEY ENJOY AND LOVE THE WORK.
— KPMG ENTERPRISE

93%
FAMILY-OWNED BUSINESSES THAT HAVE A FAMILY MEMBER AS CEO.
— KPMG ENTERPRISE

Keep staff motivated – and moving

When family members run the show, the path up the ladder can seem unclear for staff. Make sure you give them a chance to move up

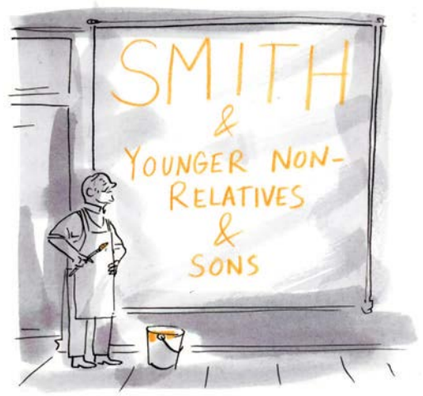
If there's one thing Hamilton-based Mabel's Labels isn't short of, it's top-level talent. The popular kids-focused, label-making company is run by four family members – Julie Cole, her sister Cynthia Esp, their sister-in-law Julie Ellis and their aunt Tricia Mumby – who have all been involved in the business since it opened in 2002.

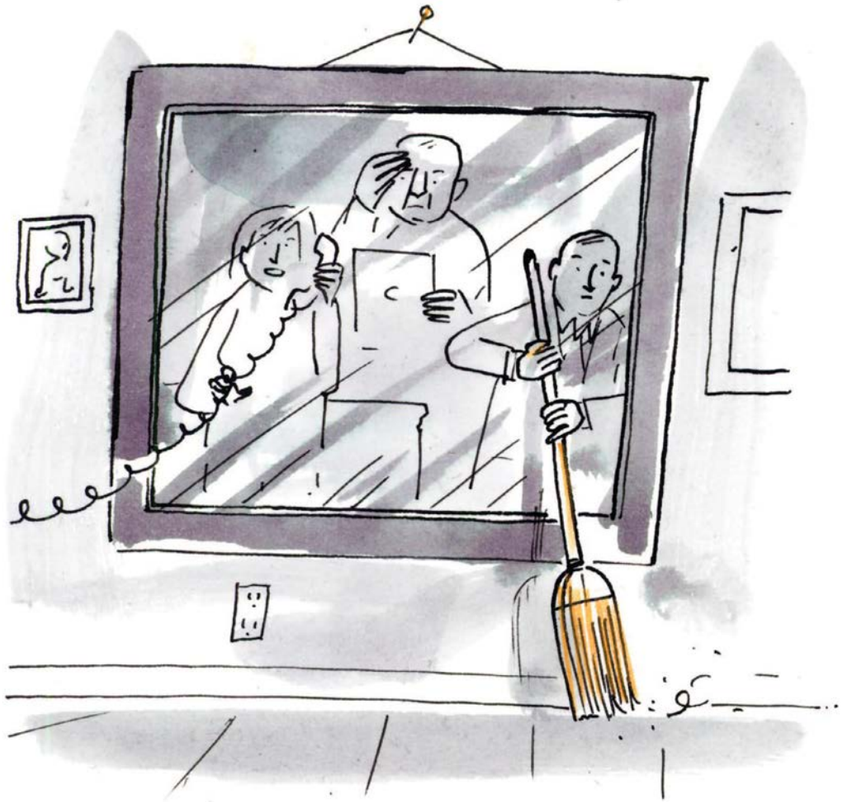
With that many relatives running the show, it's not unusual for the company's 45 employees to wonder if there's any hope of moving up. That's a common issue in a family business, says Cole. It's natural for people to believe that family comes first, but if staff thinks that there's no chance for advancement, then it will be tough to keep them around, she warns.

Combating this issue is critical in creating a long-lasting, relative-run operation, something of which Mabel's Labels' owners are mindful. "We don't want them to think that just because it's a family business, they won't be able to advance," says Cole. Because of the sensitivities around this, the founders make sure to touch base with employees every six months, rather than annually, like most operations.

They ask their staff about their goals and the jobs they'd like to have and then try and make a move happen. One mailroom worker, for instance, expressed an interest in social media – he's now the company's social media coordinator.

It may be tough for an outsider to become the boss, but the foursome will always find ways to keep staff moving. "Just because we're at the top doesn't mean no one else can weigh in," says Cole.





Divvy up duties

Just because you grew up doing everything with your sibling, doesn't mean you need to run every part of your business together too

Jordan Fortino and his older brother Eugenio have been inseparable ever since the two were little kids. They played hockey on the same team, they worked as golf caddies together and they had many of the same friends. That closeness has continued into adulthood, where the brothers – 28 and 32, respectively – now run a budding business together.

As co-owners of Hamilton's Fortino Umbrella Inc., a company that builds houses and does painting, decorating and window washing, the twosome's lives are more intertwined then ever. While that is a positive – it's rewarding to work on something that benefits the family, says Jordan – it can also pose problems.

When the business first started, the Fortinos did everything together, just as they did when they were growing up. They'd often be at the same job site at the same time, and they'd both handle the same duties, such as sales or finance. As the company grew, though, they realized that it was high time they started working apart.

Their togetherness made the company less efficient, says the younger Fortino. Rather than the brothers tackling different duties simultaneously, they worked on only one task at a time. It also ruined the continuity of a job site. One person would say one thing, and the other would say something else. "There were two strong personalities managing one job site," Jordan recalls. "That's not good for flow."

While it was hard to let go, the two had to think hard about who was going to do what. In the end, they played to their strengths. Jordan's a better networker, while his brother is better at operations. "I say we can do this and that, and my brother figures out how to deliver on those promises," says Jordan. They may not be with each other as much as they used to, but they're still together far more often than most siblings. "There's nothing better," he concludes, "than working with a brother."

25%

FAMILY-RUN FIRMS EXCEEDED THE S&P/TSX'S COMPOUND ANNUAL GROWTH RATE BY THIS MUCH BETWEEN 1998 AND 2012.

— *UNIVERSITY OF TORONTO*

59%

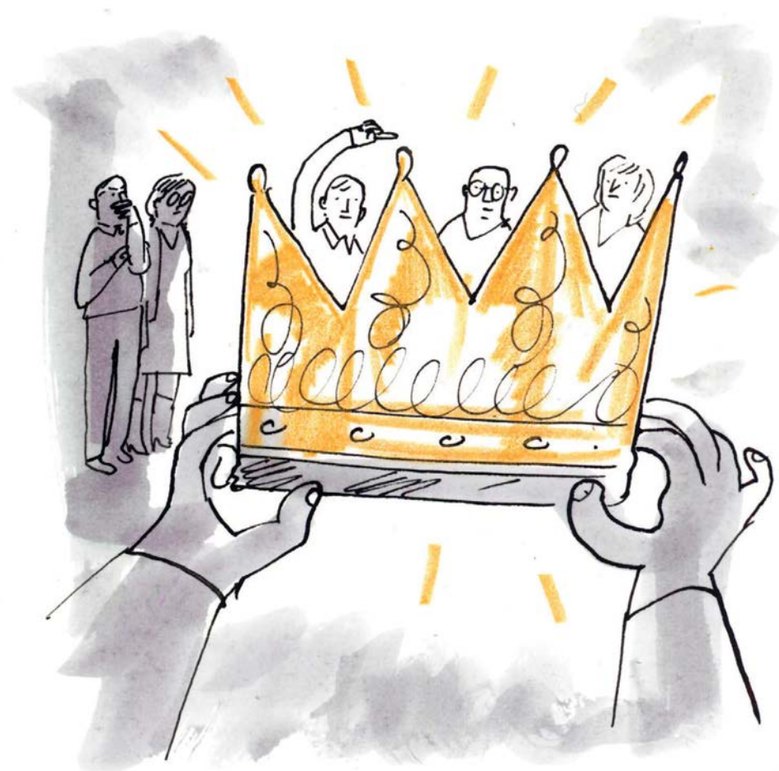
THE PERCENTAGE OF FAMILY BUSINESS OWNERS WHO SAID THAT OBTAINING NEW CUSTOMERS WAS A TOP PRIORITY. IT WAS THE NUMBER ONE PRIORITY FOR FAMILY OPERATIONS.

— *KPMG ENTERPRISE*

50%

HALF OF GLOBAL FAMILY BUSINESS OWNERS SAY THEIR GOVERNANCE BOARD IS COMPRISED OF NON-FAMILY MEMBERS.

— *KPMG INTERNATIONAL*



Plan for the future

You won't always be around to lead the way. It's important to have a succession plan in place so the business doesn't go bust without you

It's the age-old family business question: Who's going to take over after mom or pop passes away? It's not always easy to answer, especially if more than one child is involved in the business.

David Khazanski, CEO of INKAS Group of Companies, a Toronto-based business security and protection firm, knows he's going to have tough time choosing a successor. His wife runs the company with him, and he works with two sons, a daughter and a brother.

While all of his kids will become owners one day – "I want them to all enjoy it financially," he says – it's not yet clear who will be the one to run it. He does have a succession plan in place, albeit an unorthodox one. When he and his wife can no longer operate the business, a group of relatives who are not involved in the company will step in and decide who should be the boss.

"They'll come in and be mediators and make sure everyone is happy," he explains. "They'll continue the business and figure who's capable of doing what." Khazanski also leaves room for the possibility that none of his kids will take over. He wants the best person to run the business. If that's someone from outside the family, then so be it. "It's about finding the right person to grow the company," he says. "I'm hoping the choice will come naturally."

11%

FAMILY BUSINESS OWNERS WHO SAID THAT THEY HAVE A FORMAL CEO SUCCESSION PLAN IN PLACE.

— *KPMG ENTERPRISE*

Keep egos out of it

Families are a sensitive bunch, but don't take anything personally

Relatives are usually good at forgiving and forgetting – otherwise every family event would be mighty awkward – but they can also get easily offended at even the slightest bit of negativity.

That's why, when Terri-Lynn Woodhouse runs her business meetings with her co-founder father, mother and brother (all employees), they lay down some ground rules. "At the beginning of every meeting we say not to take things personally," says the co-owner of One Earth, a Thorold, Ont.-based company that sells items made by Moroccan and Peruvian artists.

A family business only works if everyone respects each other and understands that every decision is made for the good of the business, which ultimately benefits the family, she advises. "It's a business and everyone needs to pay their bills, but there are a lot of personalities. So you have to always set those ground rules and have respect."

For Darryl Rawlings, CEO of Trupanion, a Vancouver-based pet medical insurance provider, it's about more than just respect. Family members also have to check their egos at the office door. This is especially important in his case: Rawlings' father, David, is one of his employees. He joined the company after his bed and breakfast went bust during the recession. "Not many fathers would want to work for their son," Rawlings says. "But he never let his ego get in the way."

It's not always easy to keep those egos in check – families always get on each other's nerves – but Woodhouse works hard to make sure everyone knows it's nothing personal. "We have to see each other again," she says. "So we look for the good in what everyone is doing and appreciate the work we're all putting in." S

TREND

Thalmic Labs' Myo armband lets users control other devices with a swipe of a hand. It's just one of several Canadian-made wearables that's making waves.

WE ARE WEARABLES

Canada is ground zero for the smart-tech revolution. Here's how a bunch of homegrown start-ups are changing the way we interact with technology

BY SARAH BARMAK

When Kitchener-based start-up Thalmic Labs opened its headquarters in a deteriorating, decades-old building across from a local bus station, it seemed an unlikely hot spot for tech innovation. "It used to be for off-track betting," smiles Sameera Banduk, the marketing director for the two-year-old firm that has become a darling in cutting-edge tech circles. "It's been turned over a lot in the past 40 years."

A few renovations later, however, and the office is now all exposed beams and industrial chic – the perfect home base from which to launch the company's invention, the Myo. An armband that looks like it could be a sleek, chunky bracelet and is lighter than the average stainless steel men's watch, the Myo senses gestures, allowing its wearer to control computers, PowerPoint presentations and other devices with a wave of the hand or a wiggle of the fingers.

Thalmic Labs is just one of the growing group of players in Canada's expanding wearable technology industry, a corridor stretching from Kitchener-Waterloo to Ottawa, and Toronto to Montreal. Many have raised $10-million to $15-million plus in their first few rounds of financing, and most have no plans to move stateside. "It's always something people ask: 'Are you going to move your office to San Francisco?'" says Banduk. "That just hasn't been a focus. We've had someone move from San Francisco up here."

When most people think of Canadian technology, they think of Nortel – a once-towering company that ran into some equally gigantic issues. Actually, Canada is a hotbed of innovation with many smaller start-ups leading the way in what's currently the hottest sector in tech: wearable technology.

Wearables are gadgets worn on the body that can handle everything from reading emails and recording runs to tracking calories and calming the mind. They are one of the fastest-growing areas in the mobile device space. Juniper Research estimates that retail revenue from the wearable tech market will skyrocket from $4.5-billion this year to $53.2-billion in 2019. Research firm Gartner predicts that by 2017, wearable devices will account for fully half of all app interactions, becoming a newly dominant platform for data exchange.

The theoretical uses for wearables are almost as endless as app-developers' imaginations, and the products currently being invented by Canadian companies – heart rate programs, mind-soothing software, devices that can open door locks – represent a range of different ways to interact with the world and with people's own bodies and minds. What many people in Canada and abroad don't realize, though, is that this global market has evolved thanks, in large part, to a number of homegrown entrepreneurs.

MADE IN CANADA

Canadian companies Bionym, InteraXon, OMsignal, Kiwi Wearables, Mighty Cast, PUSH and Thalmic Labs have all been recognized as innovators in this space. Although it moved to Palo Alto in 2010, Waterloo-born start-up Pebble is largely responsible. It was one of the first companies to create a smartwatch, and why people are talking about wearables in the first place. Its device was one of 2013's top five products in the fiercely competitive smartwatch market (alongside Samsung, Nike, Sony and Garmin), according to ON World, a smart technology-focused business research firm. Canadians aren't just making waves in the start-up world either. Google Glass has a transplanted Canuck as its head of business operations – Chris O'Neill, who sits on the board of Tim Hortons and whose previous credits include Canadian Tire, his family's retail business.

Canada is a far cry from San Francisco, where a single wearable incubator can contain 15 start-ups, yet firms from Ontario and Quebec are emerging as contenders. "It's refreshing that people no longer ask about my mayor when I say I'm from Toronto. They say, 'Oh, Toronto! Wearables!'" laughs InteraXon co-founder Ariel Garten, who has heard these kinds of comments while in Singapore and Shanghai. The accolades are well-founded. While people may turn their attention to more mainstream devices, such as the Apple Watch (expected spring 2015 release), in the coming months Canada's companies will be revealing devices that do a lot more than open emails and Twitter messages on someone's wrist.

InteraXon, for instance, has developed the brainwave-sensing Muse headband, a device that uses biofeedback to teach users how to calm and focus their thoughts. It's shipped tens of thousands of units during the first few months it's been on the market. These products aren't part of a niche fad – the Muse has been available at Indigo since August, and it hit Best Buy's shelves in November. It also counts the likes of Ashton Kutcher and Reebok as fans. Thalmic Labs' $199 Myo armband is being tested by renowned DJ Armin van Buuren, who uses it to tweak the lights and stage effects at his shows, and more than 10,000 developers have signed up for early versions of the device so they can build apps for it. Montreal firm OMsignal, inventor of intelligent garments that monitor biometric information such as heart rate and calories burned, is partnering with major clothing labels, including Ralph Lauren. The two companies launched an exclusive Polo Tech shirt during the U.S. Open in August that garnered both businesses big-time publicity.

THE LITTLE COUNTRY THAT COULD

As more people get wind of Canada's contribution to this sector, the more people wonder how our country, which isn't known for being a hotbed of innovation, has become a mecca for wearables. The answer has nothing to do with patriotic duty; these businesses are taking advantage of a near-perfect ecosystem, says Toronto's Daniel Debow, senior vice-president of emerging technologies at tech giant Sales Force, and yet another Canadian who's becoming a big player in the wearables space.

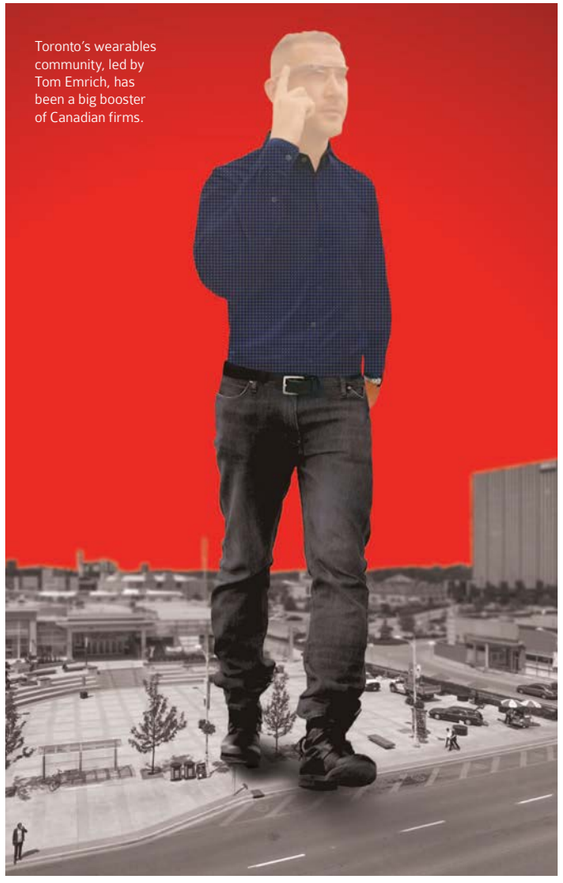
The evolution of Canada's wearables sector starts with school. The founders of many of these start-ups carry advanced degrees from domestic universities with top-flight computer science, engineering and math departments, such as the University of Waterloo (Thalmic Labs, OMsignal) and the University of Toronto (Bionym, InteraXon.)

Then there's the Steve Mann effect. University of Toronto is home to the inventor whom many call the "father of wearables."

The Pebble smartwatch, developed by a Canadian, helped kick off the wearables craze.

> "It's refreshing that people no longer ask about my mayor when I say I'm from Toronto. They say, 'Oh, Toronto! Wearables!'"

In the early 1990s, the computer engineering professor built, tested and wore his inventions, such as the EyeTap, a mini-computer that's been installed in prosthetic eyes and can record video. He taught and influenced students who ended up founding or joining today's wearables firms. Mann himself is chief scientist at augmented reality glass company Meta, a firm co-founded with a former student. "I've always watched what [Mann's] done," says Karl Martin, CEO of Bionym, the Toronto firm that has designed the Nymi, something of a wearable ID card. This device gives its



Toronto's wearables community, led by Tom Emrich, has been a big booster of Canadian firms.

wearer continuous, authenticated access to all password-locked gadgets by measuring unique signatures found in the person's unique cardiac rhythm. "He's a true inventor," says Martin. "The genius he brings is, he can actually build things he can wear every day."

They've also got a major leg up thanks to several government innovation grants. Bionym's Martin and IntraXon's Garten each won the $25,000 award from the Ontario Centres of Excellence (OCE) for innovation this past October. Wearables firms also credit grants, such as the Industrial Research Assistance Program (IRAP), the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Scientific Research and Experimental Development (SR&ED) tax incentive program, as crucial support. These reseasrch and development programs have been key to growing a tech space involving hardware – not just software – and, in some cases, medical, neurological and textile research. "It's not something you can do in your basement," says Stephane Marceau, CEO of OMsignal.

Being located in Quebec has been particularly conducive to OMsignal's development. The province's history as a centre of textile production has made it that much easier for the company to connect with fabric experts. Concordia University also has a unique Design and Computation Arts program, which is chaired by futuristic fabrics whiz Joanna Berzowska. OMsignal hired her to be its head of electronic textiles.

BLACKBERRY'S BIG CONTRIBUTION

The success of these companies is also thanks, in large part, to another mammoth homegrown technology: BlackBerry. The decline of the mobile giant over the past two years left many expert personnel adrift, looking for places to land that wouldn't force them to uproot. At the same time, brand-new firms such as Thalmic, InteraXon and Bionym were appearing on the horizon and were long on ideas and ambition, but short on much-needed talent. Wearables firms needed specialized personnel who understood software and hardware as well as the world of retail. That conveniently describes the skills and background of many BlackBerry employees. Those three wearables firms all hired ex-BlackBerry people, many who now hold senior positions.

"You can't throw a stick at these wearable companies and not find an ex-BlackBerry employee," says Debow. That helped alleviate the problem of Canada's relatively small talent pool, a major reason that domestic start-ups end up moving stateside, says Banduk. The prospect of hiring a few ex-Blackberry staffers promised a ready-made injection of experience to companies that, in some cases, were only a year or two old with founders in their 20s and 30s.

There's one more reason why Canada's been a hotbed of wearable innovation: We have a large and active wearables community. Every month for the past year, roughly 350 industry members and gadget fans have come together at the popular We Are Wearables meet up, held at Toronto's MaRS Discovery District. There, attendees watch companies demo new products and give presentations. They get a chance to try out the devices and then network over drinks and snacks. Most people are in their 20s and 30s, but the age range goes into the 70s. "The meet up is poised to expand into Chicago," says its enthusiastic founder, Kitchener-Waterloo native Tom Emrich, a tech blogger and consultant who interacts with wearables daily.

Emrich is often called a wearables evangelist: he's adopted these devices as a personal lifestyle. Most of the companies send him beta versions of their products so he can review them. He doesn't leave the house without his current favourites: an Android Wear smartwatch, and the Narrative Clip, a wearable "lifelogging" device that takes a picture every 30 seconds. He's also a Google Glass Explorer, the term for an early adopter of the hot-button headgear. The blogger is a bridge between firms such as InteraXon, which displayed its Muse headband at September's We Are Wearables meet up, and various industry members, marketing people and interested potential consumers. It is, in part, thanks to people like Emrich – passionate tech-heads who are encouraging Canada's start-ups – why the space grew over the last year. "When we started doing this five years ago, the landscape was very different," says Garten. "Nobody ever said the word 'wearables.' There wasn't a community in Toronto."

As exciting as the wearables space is, it's also scary for these start-ups. No one yet knows how the buzz will translate into widespread consumer adoption. Google Glass has already faced criticism that its futuristic headgear hasn't caught on beyond diehards. Smartwatches are predicted to be more user-friendly, but what about smart armbands and smart shirts? It's hard to tell what's destined to become the iPhone of the wearables industry.

One thing is for sure though: Wearable technology has gone from being a passion shared by dreaming geeks to an industry perched on the cusp of the mainstream. "These are powerful devices that are going to change the way we live our lives," predicts Emrich, "and Canadians are leading the way." ■

Failure, success and entrepreneurship

It's not failure, but the fear of failure, that holds back our entrepreneurial culture

There are two ideas that tend to come up during discussions around entrepreneurialism in Canada. One is the argument that Canadians as a people are not entrepreneurial and are risk-averse. The other is that Canadian business owners have a fear of failure.

That first argument is easy to knock down.

Entrepreneurialism has always been a strong part of our identity. We have a risk-taking, entrepreneurial strand in our cultural DNA that goes back a long way – at least to the days of the fur trade. In our service sector, Canadians actually create new firms at a higher rate than Americans, who are typically thought of as the most entrepreneurial North American nation, according to a 2010 Industry Canada study.

At OMERS Ventures, we see Canadians embracing entrepreneurship. Since forming, we've met with thousands of talented, bright people working in start-ups and invested in amazing companies, such as Hootsuite, Desire2Learn and Shopify.

But while Canadians have a strong affinity for entrepreneurship, there is an obstacle that appears to be holding some of us back from seeing entrepreneurship as a viable and attractive career option.

What's that roadblock? It's our fear of failure.

I meet with entrepreneurs regularly, and have done so for the last 25 years of my career. From what I've seen, there's a tendency for emerging Canadian entrepreneurs to avoid discussing their failed ventures. This leaves unexplained gaps in their resumes. It also means they can't share the deep and meaningful lessons learned from experience, something that many investors will tell you is a critical part of the evaluation process when deciding whether to back an earlier-stage company.

What they – and all of us – need to realize is that having a track record of trying, failing, learning and then succeeding is part and parcel of being a entrepreneur. That's how entrepreneurship is understood in Silicon Valley, and that's a view we must embrace in Canada. There are very few successful serial entrepreneurs who do not carry with them the valuable experience of at least one failed start-up.

What can we do to foster a wider appreciation of the power of experience – and, yes, failure – as it relates to entrepreneurship? We need a culture shift, and I don't see this change as an option. For our young people, bringing an entrepreneurial awareness to their careers is becoming a necessity, as the nature of how we work and the job market changes.

The good news is that many of our postsecondary educational institutions are already taking an important step in this direction by offering formal courses on entrepreneurship. I agree with those who say the study of entrepreneurship should be integrated even earlier into our educational system, including in primary and secondary school.

I know that not every single student will want to launch a start-up. However, as white-collar professions go through the same technology-driven disintermediation that shook up blue-collar jobs, our young people will need to prepare themselves to live in a much different economy. They will need to develop greater career nimbleness, and an entrepreneurial risk profile more in line with recent immigrants to Canada, who are self-employed at a much higher rate than Canadian-born individuals (17 per cent versus 12 per cent in one Statistics Canada report).

There are additional public policy measures we can implement to support entrepreneurship in Canada, of course. But if we are going to bring about a true culture shift, as I've suggested above, we need to begin with our educational system. That's a vital first step. S

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ILLUSTRATION BY JAMES SHARP