

# Making Headway

Reporting on the Financial and Consumer Services Commission's Fullsail Capital Markets Initiative

## Scaling New Brunswick Businesses



FINANCIAL AND  
CONSUMER SERVICES  
COMMISSION

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# Editor's Note: Scaling New Brunswick businesses

**A**fter exploring the province's start-up culture in our last edition, this edition of Making Headway examines individuals who are scaling their businesses in New Brunswick and stakeholders that support these scaling efforts.

Scaling is a challenging stage in a company's life cycle. In most cases, a company has customers and a product, and now needs to take their experiences and products to a broader market. This stage requires a great deal of balancing as the organizational needs are rapidly changing. Do we have the right skills in house? How many staff do we need and how do we find the right people? The size and scale of the financial needs grow exponentially and requires significant investments, from angel investors, owners and, in some cases, venture capital firms. Support exists for those scaling in our province, from organizations such as Wallace McCain Institute, Propel ICT, the New Brunswick Innovation Foundation, Build Ventures and others.

We had the opportunity to sit down with Nancy Mathis, Executive Director of the Wallace McCain Institute, and Trevor MacAusland, interim CEO of Propel ICT, to explore the programs they have built for entrepreneurs looking to scale. We asked for advice for current and future entrepreneurs, and learned scaling is not for the faint of heart. It requires quick movement, a lot of capital and difficult decisions.

The best way to learn how to deal with these challenges is to listen to leaders who have successfully scaled up. We reached out two New Brunswick businesses.

Daniella DeGrace, of Procedure Flow, has had a remarkable career. She's helped more than one company scale, and was willing to share her experiences and advice with our readers.

Danielle Pelletier also has a remarkable story that begins nearly two decades ago. Danielle is the owner of Autism Intervention Services (AIS), which helps children with autism throughout New Brunswick. Her business recently grew from 90 to 375 employees in the past 12 months.

The lessons these leaders have shared are applicable to all businesses thinking of scaling. Reaching out to organizations that support scaling efforts or to someone who has gone through it before can be valuable.

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## WE WANT TO HEAR FROM YOU

Tell us what you'd like to read in the next edition of Making Headway. You can submit your story or send us an email telling us about something great that is happening in New Brunswick's capital markets.

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# Looking for road rash: A conversation with Nancy Mathis



The state of the Wallace McCain Institute's Entrepreneurial Leaders Program (ELP) is a good indication of the health of the region's business community: it's thriving.

This year's program launched with two forums of 14, nearly double its usual complement.

"The quality and quantity of this year's applicants were top-notch," says Nancy Mathis, the Executive Director of the Wallace McCain Institute. "When the decision was made to expand to two forums, I told everyone that we were having twins – that's how momentous it felt."

## Making the cut

Making the cut into a cohort is no small feat, partly thanks to what Mathis describes as a [robust recruiting process](#).<sup>1</sup>

Hundreds of people are nominated every year from across Atlantic Canada, and shortlisted to several dozen. After extensive interviews, final participants are chosen based on their ability to both **give** and **get** from the program.

"To **give** to the program, you need to have some road rash. You need to have lived in your business, encountered things, possibly had failures. And that's why we only say nominally that a great finalist will have five to 10 years

of business experiences. We don't care about the numbers; we care about the road rash.

"At the same time, we look for people who can **get** from the experience. They've got some vulnerability, they're honest about what they do and don't know, and they allow people to give them input and feedback and actually use it to move themselves forward."

So what draws the high number of applications to the program? Mathis suggests that ELP's reputation precedes itself. Its growing group of graduates form strong and long-lasting relationships.

At the end of the recruiting process, those who are chosen to join the program form a mosaic of different backgrounds and business types. They could be a farmer, someone with a doctorate or someone who is the next generation leader in a family business, but they have one thing in common.

"We typically end up with a group of people who are all swinging for the fences and a bit terrified, and have enough emotional intelligence to reach out for help."

**"We don't care about the numbers, we care about the road rash."**

<sup>1</sup> <https://youtu.be/2d2qac-tFwc>. Video in English only.

# Looking for roadrash – continued

## Scaling

When it comes to scaling and growing a company, the ELP plays an important role. Members enrolled in cohorts are all trying to move their business forward.

“The businesses trying to scale are a really important part of the ELP,” says Mathis. “We aim to give companies both the logistical and emotional tools to move forward with their growth.”

Logistically, scaling a company brings up many questions – some easy to answer, some less so.

“Most entrepreneurs can put a plan together, but one of the barriers to scaling is access to financing,” says Mathis. “We know there’s money out there for good

ideas, and we help entrepreneurs position the right structure to the right financing partner.”

Mathis also stresses that scaling a company is not a one-person task.

“If the CEO grows in isolation, it creates a vacuum where no real growth happens. An organization needs to grow holistically, not just from the top down. The people who are second in command to the CEO can’t just wait for their orders to come – they need to be an active part of that growth and be prepared to take the lead when the time is right.”

But the real challenge is ensuring these entrepreneurs know what they’re getting into on an emotional level.

“The process of scaling a company is a strategic one, but the actual decision to do it is more emotional than most people realize,” suggests Mathis. “They have to ask themselves if they’re ready and excited to do it, and if their family is ready to make some sacrifices in support of these goals.”

The ELP journey, Mathis says, will transform an entrepreneur in two ways.

“They’ll experience a tremendous increase in personal confidence, and a stronger degree of interconnectedness in their community. They end up with a lot more clarity and confidence to proceed with their plan, and that can make all the difference.”



# Talent and timing: Scaling tech companies



The journey from an idea sketched on a napkin to a successful business often takes a detour through something Trevor MacAusland refers to as the pit of despair.

MacAusland has witnessed this phenomenon first hand.

As the interim CEO of Propel ICT, MacAusland, and the team at Propel, have helped more than 200 Atlantic Canadian technology companies work through their various accelerator's programs.

Many successful startups find themselves in a tough position when their organizational needs begin to change, MacAusland notes.

"As companies look to scale, their team structure will need to evolve. They have to find and inject new people onto the team, which means they have to account for things such as culture fit and experience. The next step is to operationalize and scale up their sales efforts. That can be difficult."

Propel ICT's Build program is designed to help them through it all. The 12-week intensive program is designed for technology companies ready to scale.

## The origins of Propel ICT

Founded in 2002 by regional telecommunications leaders Gerry Pond, Curtis Howe, Cathy Simpson and others, the accelerator's goal is to serve as a catalyst in the creation of locally owned, growth-oriented technology companies across Atlantic Canada as a way to attract and retain talent in the region. Its aspiration is that this effort results in the creation of our region's first billion-dollar tech company. It draws on a network of mentors and coaches who meet with entrepreneurs around Atlantic Canada to offer advice through its three programs: Launch, Build and Growth.

While Launch is designed to help entrepreneurs in the early stages, Build is intended for companies that want to reach the \$10-million mark in annual recurring revenue. Its newly launched Growth program assists companies trying to grow to \$10-\$20 million annual recurring revenue.

So far, these three programs have aided companies across the region raise nearly \$1 billion in capital. A recent survey found those who went through Launch and Build have a 74 per cent survival rate in their first year.

## Helping companies to scale

The Build program has a rigorous selection process. Entrepreneurs are screened for their coachability, motivation and openness to feedback.

"The program is only going to be as effective as you buying into the process and letting people have a hard look at your business," MacAusland says. "If you are not open at that point, the program is not for you."

The first step is a diagnostic. The Propel ICT team helps entrepreneurs find blind spots in their business plan and model. Next, they identify their capital needs, establish a set of deliverables and solidify a business case and a clear path toward achieving it.

"People are very Pollyanna about their forecasts. So we take a real world view and really drill down and challenge their assumptions."



# Talent and timing – continued

The program then challenges entrepreneurs to think long term on ways to improve their performance. It focuses on three key areas: core processes, people and leadership.

“For most companies, if you take the capital side out of the equation, the biggest issue they have is finding the right talent,” MacAusland says. “That’s where I see companies struggling.”

It also uses growth hacking – or 21st century sales and marketing tactics – to help companies learn how to attract and activate more leads, build a growth team and retain and nurture more customers.

“At the end of the day,” MacAusland says, “our real goal is building a sustainable, thriving economy in Atlantic Canada through the development of a tech sector to help attract and retain talent.”

## Trevor MacAusland’s advice for companies considering scaling

- Be cautious of premature scaling. “That can stunt your growth or put you in a nose-dive pretty quick.” If your company can’t meet demand, you are ready.
- Get better at product development. “You need a product that is going to hook and track in your customers and have a bit of virality to it. We don’t have enough companies obsessed with building up their product.”
- Read Peter Thiel’s *Zero to One: Notes on Startups, or How to Build the Future*.
- Media promotion and exposure don’t equate to market traction. “We want to see real meaningful traction, whether that’s actual sales numbers or if the market is shifting in such a way that we see real potential for your product. To quote Simon Cowell: ‘Build the hype; Don’t buy it.’”



# Making a difference drives rapid expansion

Danielle Pelletier remembers working with her first child with autism nearly two decades ago – a four-year-old boy who struggled to communicate.

Little did the speech pathologist know this encounter would lead her to launch a company – one that is experiencing rapid growth in New Brunswick.

Autism Intervention Services (AIS), a company Pelletier founded in 2006, was awarded a contract in December to deliver the province’s enhanced preschool autism intervention program. From a single office in the provincial capital with 90 employees, the company expanded to eight more offices across the province and 375 full-time employees in a two-month time frame.

“It was a lot of work to set up the offices, to hire staff, to train staff and recognize what our needs are in each region,” she says. “But what inspires me is that I know we can really help kids develop and help their families. The motivation to help was the whole reason I started the company.”

## Motivated to help

Pelletier’s encounter with her first client with autism inspired her to learn more about the disorder and how she could help. She went on to work with children with autism for 10 years at the Stan Cassidy Centre for Rehabilitation in Fredericton before deciding to start her own company that would offer intervention services



in the community. From the basement of her Fredericton home, she launched AIS with one employee. Within two years, it grew to 90 employees as she took on more preschool clients.

“I was doing what I loved to do, and it ended up being a business,” she says. “I feel this landed in my lap and I ran with it.”

In 2011, she hired a Minnesota-based psychologist, Dr. Eric Larsson, an expert in autism and early intervention. She adapted his methods and concepts, including working with autistic children in their natural setting (homes or daycares).

# Making a difference – continued

“It’s really improved the quality of our services. Dr. Larsson has helped us build our program to a position of excellence that it is now nationally recognized; we are known as an agency that provides a high level of services to the clientele.”

Pelletier said she would not have pursued the provincial contract if not for her participation in the Wallace McCain Institute’s Entrepreneurial Leaders Program (ELP). There, she gained confidence in her leadership abilities and learned to surround herself with talented people.

Before accepting the contract, she met with key employees to ensure they were onboard. They all took on a region of the province, each with its own specific needs. She also created a human resource team, an IT team and an accounting team to help with the sudden growth.

The rapid expansion hasn’t been easy. The change in service was challenging for some New Brunswick families and former service providers. Hiring and training new staff was also demanding.

“Change in general is very challenging for people,” she says. “That is where I’ve had to put a lot of energy in helping families and employees understand where we are heading, our mission and where we want to go.”

“I find a lot of the clients are very happy, thankful and appreciative of the service,” she adds. “It has been hard work but very positive so far.”

## Danielle Pelletier’s lessons learned

- Change can be challenging and change can be positive
- Organizations need to adapt to the specific needs of clients and communities you service
- Real value in hiring staff with experience
- Invest in yourself
- Invest in quality systems now
- Continually adapt and improve your product over time
- Always stay current
- Train all staff to the same level; make sure they meet the needs of clients
- High levels of energy needed to scale
- Be careful what you wish for
- Hiring good detailed people will help ensure top quality results
- Continuously learn



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# Fail fast, learn fast: Q&A with Daniella DeGrace



Like many good business ideas, ProcedureFlow developed as a fix to a problem. In 2001, Innovatia was providing 1-800 tech support services for Nortel Networks. But its support agents found themselves diving into a 900-page book to find answers to customer questions. Training new agents took time. So Innovatia developed ProcedureFlow to improve new employee onboarding and found it reduced training time by 75 per cent. Other companies also adopted the tool. In 2015, ProcedureFlow was incorporated as Gemba Software Solutions. We spoke with the CEO, Daniella DeGrace, to get her thoughts on scaling and some advice for entrepreneurs considering the move. Previously, DeGrace worked with Radian6, Salesforce, Q1 labs, Alcatel and iMagicTV.

## Q & A

**Q You have helped scale many startups during your career. Can you share some important tips for those hoping to follow in your footsteps?**

First, ask yourself if your business is truly scalable. Understand your market opportunity and associated costs. Scale comes at a cost and maybe staying lean is the right decision for your business. Then test your market and prove it to yourself. I often see all the early effort placed on building the offering/product in a “build it, they will come” approach. Trust me, they rarely do. Try to keep it simple, efficient, and low cost. Once this is done, everything else will seem to fall into place.

You should reach a certain level of efficiency/speed before adding too many resources. It should be clear what you will achieve for every resource added. But make sure you surround yourself with the best talent you can afford at every stage you are in. Hiring wrong skills or personalities for the wrong stage can be incredibly costly. So hire slow and adjust fast.

As a founder, it’s often hard to trust others with your baby, but it is absolutely crucial to scaling a business. It also means you will need to have a good handle on how to sell your offering before you can get others to sell it. You will fail if you are the only one that knows how to sell it.

# Fail fast, learn fast – continued

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Put your ego aside. Don't be afraid to automate or use third-party services in certain areas of your business to inject speciality skills or increase speed of execution. But make sure you don't give away that personal touch, and keep developing key expertise in-house where it's important to your market.

Stay disciplined and keep good control of your finances. Keep spending focused on business growth. Always know exactly where you stand before and after each action.

Fail fast, learn fast, adjust and repeat. Stay connected to the realities of your business: what's working and what's not working.

## **Q What are some of the things companies fail to do or don't realize when trying to scale?**

CEOs don't always think bigger than big, and are not aggressive. You have less time than you think to execute on your plan.

Some CEOs fail to train and enable a team, as they are unable to relinquish full control of every aspect of activities like they did in the early days.

You may need to decide to centralize or decentralize your workforce based on market.

It's super hard work. Your roller coaster at every phase will have the highest highs and the lowest lows. Don't forget to have fun and keep energizing your team at all phases by ensuring everyone understands the plan and their role in the plan.

Start developing your investors/funding relationship early. It takes six to 12 months to close a round of funding, and scaling will need funding.

## **Q Do you recommend a board of directors at this stage of development?**

I absolutely do. I get incredible value from my board. But make sure you have the right board members who:

- Understand and are there to support your journey as a start-up
- Bring significant complementary skills/value
- Get along
- Can have aggressive conversations and debates
- Respect your role as CEO

## **Q Any thoughts on mentorship, both as a mentor and an entrepreneur looking for mentorship?**

I have had several mentors and advisors who have brought significant value at different times of my career. It's great to be able to bounce ideas by different people with varying experience. It opens up creative discussions, new ideas, avoidance of pitfalls, accelerating success, networking with introductions to customers and partners, subject matter expertise and so much more. I highly recommend it.