
HOW TO PROMOTE SMB GROWTH IN QUEBEC?

Montréal, September 18, 2014 – What means and strategies do small and medium-size businesses (SMBs) use to support their expansion? In what settings and environments are they most likely to flourish? What programs are needed to encourage such companies to emerge? These are the types of questions addressed in a series of publications released today by the HEC Montréal Centre for Productivity and Prosperity (CPP).

“Fast-growing companies, those that expand by more than 20% for at least three consecutive years, create over 75% of new jobs in industrialized countries,” explains Professor Louis Jacques Filion, project co-ordinator and holder of the Rogers–J.-A. Bombardier Chair in Entrepreneurship at HEC Montréal. “So it’s no surprise that ever since the 2008 financial crisis governments looking to boost their economies have become so interested in these firms. The series released today reflects this trend and summarizes the most relevant research in the area of business growth. The studies are intended to offer food for thought for anyone looking to develop policies and programs to foster and support business development. They also outline the main business development support programs created in some fifteen OECD countries over the last decade.”

The seven-volume series of French-language studies by multidisciplinary researchers, entitled *Croissance des PME* (SMB growth), is aimed at decision makers, businesspeople looking to grow their companies and consultants seeking the best advice to give their clients.

Growing SMBs accounted for net creation of close to one million jobs across Canada from 1985 to 1999, in fact, or nearly one in every two. This points to the importance of better understanding how to encourage these veritable economic engines.

Winning conditions

This broad analysis also enabled the researchers to identify those factors liable to foster or impede the creation and development of fast-growing companies. They drew a portrait of the main distinguishing features of such firms, and came up with a list of the main winning conditions likely to support their emergence:

- 1. Determined leaders:** The leaders of these SMBs are better educated and keenly interested in their companies’ growth. They are especially charismatic and dynamic and are good at delegating and at surrounding themselves with the right kind of people, both professionally and socially. In many cases, such firms are created or taken over by partners. “It should be pointed out, however, that 90% of entrepreneurs aren’t motivated by the idea of growing their businesses,” says Professor Filion. “Most of them are primarily interested in independence and hanging in for the long term.”
- 2. Growth-oriented businesses:** Fast-growing companies are interested in filling a niche, in creating unique value for their clients. To do so, they invest much more than other firms in R&D and are major users of new technologies. When they don’t have their own traditional R&D

facilities, they develop relationships with public institutions or universities. These companies have a strong export focus, and a strategy based on product differentiation and creating close relationships with customers.

3. Strategic management: Growth-oriented companies usually have a decentralized, participatory structure, where delegating tasks seems to be the norm. All of their people, both executives and regular employees, usually play a major role in supporting the growth process. These SMBs are very selective in their hiring and are often headed up by a team whose members have solid training in complementary disciplines. That might explain why they are so concerned with the quality, education level and motivation of the people working for them. The leaders of these firms greatly emphasize continuing employee training.

Fast growth creates problems that many companies are unable to handle on their own. In a short space of time, management has to simultaneously increase not only the number of clients, the number of workers and cash flow, but also output. For this reason, these businesses have to be able to count on a dynamic local environment where they can find the resources and skills they need to support their growth.

A few recommendations

“Obviously, it’s not just a matter of identifying factors that stimulate growth; government authorities also have to adopt strategies that take account of these findings,” Professor Filion maintains. “In light of our observations, we would strongly recommend that they introduce tax incentives to encourage SMBs to invest in training their workers, along with programs to support access to advice from consultants, specialized technology, information and expertise; that they promote productivity-enhancing investment in SMBs; and that they offer assistance with gaining access to international markets, etc.”

For more information:

- Consult the series (in French), entitled [série Croissance des PME](#).
- Download the press release [in French](#).

About the Centre for Productivity and Prosperity

The HEC Montréal Centre for Productivity and Prosperity, created in 2009, has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec and in Canada as a whole. The Centre then shares its research findings, making them widely accessible and, in the end, educating people about productivity and prosperity. For more information on the Centre, visit www.hec.ca/cpp.

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