THE GLOBE AND MAIL

EMPIRE BOSS MICHAEL MEDLINE DISHES ON THE GROCERY GIANT'S WOES

THEY'RE BAAAAACK! AND ACTIVIST INVESTORS ARE FIERCER THAN EVER

INTRODUCING OUR EXCLUSIVE SURVEY OF CANADA'S TOP CEOs

REPORT ON BUSINESS

CANADA'S BEST MANAGED COMPANIES 2023

INCLUDING TORONTO-BASED AUTO PARTS MAKER **MEVOTECH**

JUNE 2023

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Second-gen CEO Robin Lee helps keep things wacky at Lee Valley Tools
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COVER PHOTOGRAPH SHOT EXCLUSIVELY FOR ROB MAGAZINE BY LIAM MOGAN, PROP STYLING BY NICOLE BILLARK/PLUTINO; (RIGHT) ALEXA MAZARELLO

Editor's Note

Poll position

When economics reporter and editor-at-large Jason Kirby pitched the idea of teaming up with Nanos Research to launch a first-of-its-kind survey of Canada's top CEOs, we knew it would be a bit of a logistical nightmare getting access en masse to executives whose endless workdays are scheduled down to the last minute. But taking the barometer of CEO sentiment in this country is a worthy endeavour—and the results of the inaugural ROB Nanos CEO Survey prove that Canada's top leaders believe so, too.

Our anonymous poll targeted an elite group of chief executives with revenues totalling $225 billion, from industries as varied as banking, retail, oil production and mining. The results paint a somewhat gloomy picture both of what's to come for the Canadian economy and of our reputation as a destination for investment. Fear not, though—there's a bit of optimism among this crop of leaders, too, 90% of whom preside over companies with more than $1 billion in annual revenue. And we got plenty of constructive answers on how the federal government can turn things around (read more of them online at tgam.ca/ceosurvey). Check out the results starting on page 63—and if you're a CEO and we come calling a few months from now to conduct the second instalment of this twice-yearly survey, please pick up.

Thankfully, not all the CEOs in this month's issue are anonymous. Michael Medline sat down with Trevor Cole for a remarkably candid interview about his tenure at Empire Co. After a three-year run as CEO of Canadian Tire that ended... badly, Medline assumed control of Empire in 2017 to revive its ailing roster of grocery brands, including Sobeys and Safeway. Midway through the turnaround, the pandemic hit, sowing chaos. Then inflation went wild and grocery prices soared, leaving shoppers in a constant state of sticker shock. Add in the fact that Empire posted a profit of $746 million in fiscal 2022, and most CEOs would keep their heads down and their lips zipped. Not Medline. He's always been a guy who speaks his mind, and he has plenty to say about the root causes of those high prices, plus the departure of his chief rival, Galen Weston Jr., and more ("Food for thought," page 8).

This issue also marks the second time we've teamed up with Deloitte to present Canada's Best Managed Companies, a program that has spread to 46 countries since being launched here in Canada 40 years ago. The program celebrates excellence among privately owned enterprises and welcomes 30 newcomers to a running list of more than 450 veterans. These CEOs know a lot about leadership, so it made sense to ask them to share one piece of advice they live by. We went a little deeper with Robin Lee, who leads Lee Valley Tools, the retailer his father founded in 1978. If you've ever set foot inside one of its stores or curled up with its catalogue, you'll understand when Susan Krashinsky Robertson writes, "On paper, this should not work." And yet, somehow, it does. We hope you'll be as inspired by the secrets to his success as we were. **/Dawn Calleja**

Send feedback to robmagletters@globeandmail.com

PHOTOGRAPH STEPH MARTYNIUK

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Editorial
Editor **DAWN CALLEJA**
Senior Editor JOHN DALY
Editors-at-Large JOE CASTALDO, JASON KIRBY, TAMAR SATOV
Copy Editor SUSAN NERBERG
Research CATHERINE DOWLING, MASHAL BUTT, ALLAN TONG

Art
Art Director **DOMENIC MACRI**
Associate Art Director BRENNAN HIGGINBOTHAM
Director of Photography CLARE VANDER MEERSCH

Contributors
LIZA AGRBA, TREVOR COLE, FIONA COLLIE, ROSEMARY COUNTER, TIM KILADZE, JOHN LORINC, ALEX MLYNEK, LIAM MOGAN, KYLE SCOTT, JAIME WEINMAN, SHIRLEY WON

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Editor-in-Chief, **The Globe and Mail** **DAVID WALMSLEY**
Managing Director, Business and Financial Products **GARTH THOMAS**
Editor, Report on Business **GARY SALEWICZ**

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Email: advertising@globeandmail.com

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Devashish Pujari
Professor, Marketing

Have feedback? Email us at
robmagletters@globeandmail.com
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Nothing but net zero

Our May cover package featured an essay by Jeffrey Jones and takes from 13 academics, entrepreneurs, activists and politicians on how to reach net zero. Reaction was polarized.

Thirteen experts but only two realistic solutions with any hope of short-term implementation. "Let go of growth" and "Look in the mirror" offer non-technology solutions. If civilization is really concerned about saving this planet, then our lifestyles and values must change, and quickly. Yes, it will be painful—not just for some but for everybody. And it will be risky, too.

Investing in changing attitudes will deliver results faster than investing in electric cars, which is not much more than a glamorous placebo. A decent rail network—electric, of course—would radically change transportation, eliminating a major source of CO_2. We've done it before to create this nation. Let's do it again to save it from self-destruction. **—Len W. Ashby**

Canada could disappear and it would make no difference in terms of CO_2 emissions. The elites seem to want us to go broke switching to extremely expensive cars and energy sources—for what reason? Despite the many billions already spent, Canada has only managed to lower its emissions by 60 megatonnes since 2005. During that same period, China has increased theirs by 5,595. And China has set a record this quarter for approving new coal-fired power. Let your editors lecture them, not us. **—Goober**

I don't think the majority see climate change as something they need to do anything about. We happily buy pickup trucks, build homes that perform poorly, make no effort to use less energy, drive everywhere, etc. Without changing our lifestyles, net zero by 2050 is unachievable. **—doug906**

Meanwhile in Ottawa, we have politicians setting targets with little indication they have any idea of how to achieve them. The current situation looks like the old project management saying, "Failing to plan is planning to fail." **—George O.**

It is impossible to argue the fact that China and the U.S. are by far the largest contributors of CO_2 and Canada is way down the list. However...we are near the top of contributors on a per capita basis. To argue this does not require effort on our part reeks of climate elitism. We're not contributors of any importance, so let's keep doing what we're doing. Okay, got it. **—kevino**

BURN OF THE MONTH

"Jeffrey Jones is a smug ivory-tower energy masochist" **—ChuckT**

Great article. A few excellent quotes:

"Coal is 40% to 45% of the problem."

"Certainly electric cars aren't going to be the solution, because it's going to lead to different types of environmental problems."

"Oil sands production must phase out under a managed transition within one single decade..."

I agree with the first two, and I think the third is childish idealism. **—Callahan**

Home run

John Lorinc's Big Idea on why anti-speculation measure won't solve our housing woes got readers fired up.

This article does not address the crucial issue of affordable housing in major urban areas. It is not just a matter of supply and demand, or a tax on speculation. No affordable rental housing has been built for over 30 years. "Average" wages are somewhere around $50,000 and, in Toronto, the rents are simply too costly, resulting in evictions and poverty. **—Bender111**

That's a lot of words without ever once addressing this crucial contradiction: When residential real estate is thought of as an asset class first and as housing last, there will be many interest groups attempting to distort the market to their own advantage, regardless of the damage to public well-being—and many of their opinions are given prominent voice. Governments need to get back into the game of providing public housing, either outright or by creating favourable conditions for the construction of purpose-built rental. Leaving it to the market alone has clearly failed, miserably. **—Anna Claydon**

Vancouver's vacant-home tax added 9,000 units to the rental supply, and the revenue from it will build public housing to increase the supply even more. That sounds like a win, even if it is a small one. **—Mike_Q**

It is very simple to target speculators. Institute a very high tax on anyone with a second property and this would cause people to invest elsewhere, thereby bring more properties on the market. Mandate a minimum down payment of 25% and you would get rid of speculators overnight. **—Tom111**


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NEW RULES

Family matters

Canada's business landscape is dominated by powerful clans—names like Desmarais, Weston, Rogers, Billes, Sobey and so on. And we've definitely seen our fair share of scions destroying the family fortune (Edgar Bronfman Jr. being the most painful example of the Curse of the Third Generation). Here's how not to let your clan go all Roy.

Do be like Frank Hasenfratz and ensure your chosen successor understands every facet of the business, preferably on a firsthand basis. His daughter, **Linda**, started her career at Linamar in 1990 as a machine operator and worked her way up to the chief executive role in 2002.

Don't be like Ted Rogers and allow outdated ideas blind you to a child who might want to take on more responsibility. This will only allow sibling rivalry to fester, potentially leading to a messy and very public family split like the one that pitted "chosen one" **Edward Rogers** against his sister **Martha**.

Do be like **Peter Simons** and hire an outside manager if you're not sure the current generation is ready to lead. Simons handed the CEOship of La Maison Simons to a non-family member for the first time since 1840 because his children, nieces and nephews are still too young.

Don't be like Harrison and Wallace McCain, who allowed a disagreement over succession to blow into a bitter family feud. Wallace and his son **Michael** were eventually pushed out of McCain Foods, and they bought Maple Leaf in 1995. Michael started a successful 24-year run as CEO four years after the takeover.

Do set out some parameters for the business's future endeavours before handing over the controls, lest your scion end up destroying generations of work à la **Edgar Bronfman Jr.**, who wrenched Seagram away from booze and into entertainment, ultimately losing the company altogether.

$10.9 TRILLION

Total revenue generated by the 500 largest family businesses in the world (as per EY and University of St. Gallen Family Business Index)

24.5 MILLION

Total number of employees at those companies

2x

Pace of growth for those 500 businesses compared to the global economy

16

ARE CANADIAN

TOTAL REVENUE

$331.5 BILLION

TOTAL EMPLOYEES

674,400

In April, **Galen Weston Jr.**—chair and CEO of his family's company, George Weston Ltd., and president of Loblaw—received a $1.2-million raise for 2022. Shortly after, it was announced he was being replaced at Loblaw by Danish exec Per Bank.

$11.8 MILLION

Weston's 2022 compensation

340x

the pay of a frontline grocery worker

$57 BILLION IN REVENUE

Oldest company still run by a founding family member

CK Hutchison Holdings (Hong Kong), founded in 1828, involved in ports, retail, telecom, finance and more

PHOTOGRAPHS (HASENFRATZ) FRED LUM/THE GLOBE AND MAIL; (MARTHA) CHRIS YOUNG/THE GLOBE AND MAIL; (TED) COLE BURSTON; (SIMONS) FRED LUM/THE GLOBE AND MAIL; (BRONFMAN) SHAUN BEST/REUTERS; (WESTON) SPENCER COLBY/CP; (KA-SHING) KIN CHEUNG/AP

THE EXCHANGE

Food for thought

Michael Medline has never been one to hold his tongue, and right now especially, he has a lot to say—about supply chains, inflation, price fixing and his soon-to-be-former rival-in-chief

BY TREVOR COLE

When he grabbed the controls of Empire Co. at the beginning of 2017, Michael Medline knew he had a challenge ahead. He was a hard- and soft-goods retailer from Canadian Tire with no experience as a grocer, and the company he found himself piloting needed to be pulled out of a scary tailspin, and fast. What he couldn't have known is that saving Empire would be only the first of his troubles. Storms and controversies—from a price-fixing scandal to a pandemic to a toxic relationship with suppliers—have battered Canada's grocery industry throughout his six-and-a-half-year tenure. And Medline's penchant for saying what he really thinks has helped stir things up even more. Now he's arguing for an industry code of conduct, dealing with the aftermath of a cyber attack, and fighting accusations that Canada's Big Three grocers are profiting from inflation. It's a lot. We spoke to him at Empire's Mississauga office in late April.

How does it feel to be one of the leaders of a reviled industry?
I love my job, and sometimes jobs are a little tougher than normal. I think that it's an industry, I'll agree, that has lost some trust. And part of that, I really understand. Prices are up the most in 40 years. So I don't expect people to be happy about that. At the same time, I think there's a false narrative out there being propagated, that grocers or retailers are taking advantage of the situation, which is completely untrue.

Do you think the bread price–fixing scandal, which was before your time, contributed to the lack of trust?
Yes, would be my short answer. The long answer is that our company, Empire Co., had nothing to do with bread price fixing. (1)

What's your understanding of what happened?
Around seven years ago, our largest competitor went to the authorities and said they had found that they'd been involved in bread price fixing. Two years later, that became public. And at the same time, the largest competitor threw pretty well everybody else under the bus. We ferociously defended ourselves. I've not seen one iota of evidence, in all these years, that we did anything wrong. But that kind of narrative gets out there, and it influences trust in the industry.

Do you have a simple answer for why food inflation, at 9.7%, is higher than headline inflation?
Yeah, 'cause it's predicated on different things, and it's not affected as much by interest rates. First of all, the war in Ukraine has an incredible impact on the input into grocery. Grocery came a bit later than most inflation, and it stuck around a bit later, and now we're seeing it ebbing and abating. We'll see grocery come down to the levels of the rest of inflation, and maybe even lower, in the next number of months. But the underlying issues are just completely different.

During a parliamentary committee hearing on food inflation, (2) NDP leader Jagmeet Singh asked this of Galen Weston Jr., so I'll ask you: How much is too much profit for a grocer?
A company's purpose, let me be clear, is to make money and stay strong. But always within the law and with values. Our teammates, our stores, the communities we serve and our country need us to be strong. And Empire Co., when you look at all the empirical data, has definitely not profited from inflation, and a return on capital is certainly not out of line. I took over a company, six and a half years ago, that was in desperate straits. A company that wasn't strong, could not invest in stores, in our teammates, in our communities, in our country. Then we strengthened the company. On every metric over the past five years, we strengthened that. Not because of inflation. Despite it.

At another parliamentary committee hearing in 2020, you felt compelled to say, "Dividends are not a bad thing." Do you find that politicians lack understanding about the realities of business?
Six and a half years ago, we couldn't raise our dividends very much. Well, a lot of people, and a lot of pension funds, a lot of

1. In late 2017, Loblaw Cos. Ltd. publicly admitted it was part of what it called an industry-wide scheme to fix bread prices for 14 years, then offered customers $25 gift cards to atone.

2. On March 8, Medline, Galen Weston Jr. of Loblaw and Metro Inc.'s Eric La Flèche appeared before the House of Commons Standing Committee on Agriculture and Agri-Food.

PHOTOGRAPHS STEPH MARYNIUK


PRIMO
FERMA
Scene
50 PTS

people who work really hard, depend on Empire Co. paying the dividends and being a strong company. And we weren't doing that. And now, not because of inflation, but because of our people and the efforts they put in, we're able to do that. So, to talk about dividends as a bad thing, when they're so helpful to so many Canadians, I really don't have time—I don't love political theatre. And so when things aren't fact-based, they bother me. And then sometimes it boils up and I say something. (3)

You told the committee that Empire's profit margin was 2.5%. Galen Weston said Loblaw's profit was $1 out of every $25 spent, so 4%. Why is your margin so much lower?

Part of why our margin could be lower is just a different business mix. (4) And part of it is that we don't make as much money at this point. We just finished a six-year turnaround, and we're not as profitable.

You mentioned that when you joined in 2017, Empire was in desperate straits. What was it getting wrong?

Look, the people were great. We have a great culture. It's over a hundred years old. It always comes down to leadership and decision making. The fact was that we had made some poor decisions and let down our teammates.

Can you give me an example or two?

We made a great acquisition of Safeway, which is a fantastic brand, and we did a really poor job integrating it. We had lost track of what it means to compete and to price right and to have the right products in the stores. We had lost track of how to be an efficient company. When a company loses its way, it really loses its way, and we didn't have any compass. We have 130,000 teammates, many of whom are the same today as they were back then. We just had to give them the tools to be able to compete. And so we did two three-year projects—Project Sunrise, Project Horizon—to really grow our sales and be more efficient. And it worked. (5)

What was the hardest thing to change, internally?

The hardest thing was when you're losing, you lose your confidence. You make terrible decisions. And it was to instil confidence in the team, even before confidence was deserved, I suppose. That we were winners. The first speech I gave here, I said we were diamonds. We just needed some polishing and then we'd shine. And I had to portray what the future would look like before people could actually experience it. Like, what it would feel like. And there's a ton of business decisions we had to make, so very quickly. But most of it was just giving the confidence to our people. That kind of winning attitude.

You mentioned the poor integration of Safeway. What was different about the way you incorporated Longo's and Farm Boy? (6)

When you're buying or partnering with another organization, you have to really respect why they were successful. You have to learn their history, you have to let them do things their way, and if they want some help from the mothership, that's their business to ask for it. I had learned a lot at Canadian Tire when I led the Mark's and Sport Chek acquisitions. What you're buying is a culture. The customers already should love that brand, and do not disturb it. You get more out of it.

When you were let go from Canadian Tire, it was said the board was unhappy with the slow pace of the online effort. What did you learn that you've applied to Empire's online effort, Voilà?

I think we were absolutely on the right track at Canadian Tire. So, what was written was completely false. I'll, first of all, straighten that out.

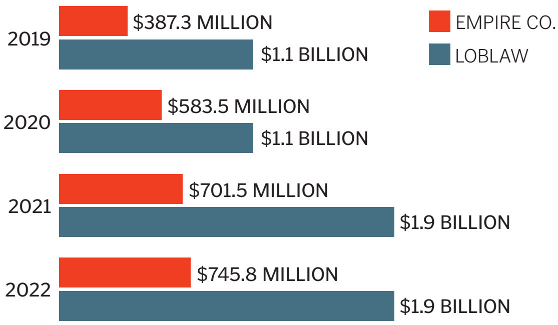
But that was the perception, correct?

Well, yeah. There's a difference between perception and reality, Trevor, as you know. And I've always been, I think, at the forefront of digital and e-commerce innovation. And that is absolutely key, not just because you can make more money, but because customers are looking for that from companies now. It puts a halo effect on all your business. And if you don't do it, you're dead. What I did take from Canadian Tire was the importance of digital. And I found in grocery, it's actually—even though you have ambient and chilled and frozen—it's actually easier, because of the size of the SKU. Almost all our SKUs in grocery fit into a bag. And I've been a proponent for a long time that picking from stores is certainly not the future for e-commerce. Someone at this company put me onto a company called Ocado, (7) which was the world leader in e-commerce technology. My chairman and I went over and visited them. We were blown away by the technology and what it could be in Canada. Very quickly we made sure that we had the exclusive rights to the Ocado technology. Ocado's exclusive to one large grocer in each region of the world. And we were fortunate to make that partnership.

One of your other big moves was to end your relationship with Air Miles and partner with Scene+. Why make that change?

We felt we had to have more control and ownership over

EMPIRE VS. LOBLAW: NET INCOME BY YEAR



3. In October 2020, on relations between suppliers and retailers: "This is the worst relationship I've seen in my couple of decades in retail." In September 2022, on accusations of gouging: "I am tired of these armchair quarterbacks… pontificating about how Canadian companies are reaping unreasonable profits on the back of inflation."

4. At the hearing, Weston argued much of Loblaw's profit came from its pharmacy division, including Shoppers Drug Mart. Medline admitted pharmacy made a minor contribution to Empire's profits.

5. Project Sunrise, launched in mid-2017, cut $550 million in costs and restructured operations. Starting in July 2020, Project Horizon saw Empire invest $2.1 billion to renovate and build stores, expand e-commerce, and convert up to 35 stores to FreshCo. The goal: a $500-million increase in yearly EBITDA.

whatever we went into. But we also didn't want to go it alone. So we're part of a very good group, but we are able to control the fate of that entity, (8) and we're able to use data and personalization, increasingly, to serve our customers. We had so many entreaties from other parties to join, because we're a grocer. Everyone wants a grocer in a loyalty program. And we're national.

You suffered a cyber attack recently that cost you $32 million dollars. What did those losses include?

And that's post-insurance. That included everything from the fact that our pharmacies weren't open for a few days, to some losses in our supply chain, to some lost sales, and other things. It's all over the business. It also entailed replacing some of our hardware. And it's not only the financial losses. It's also, for a number of months that's all you worked on. And it takes you off whatever else you were working on. As I said on our conference call, it's a nasty piece of business.

Let's go back to a big issue that came up during the committee hearing: the relationship between grocery suppliers and retailers, and the need for a code of conduct. You said that when you started with Empire, you were "shocked" at the relationship between those two entities. What exactly was going on?

Too much time was spent arguing, each side trying to gore the other. It wasn't enough about the customer, how to make it more efficient, to lower prices. I'd known it was a bad relationship; I hadn't realized how poor it was. It took a couple of people, who came to me separately. I didn't know anything about a code in other countries, and they began to educate me. And I realized that there were better ways to do business. That doesn't mean you have to be weak. It doesn't mean you don't negotiate. We still expect people to deliver on

time, in the quantities we want. But to retroactively bill people for your capital, for things like e-commerce, to just, anytime you need some money, go to the piggy bank and try to get it out of the CPG [consumer packaged goods] companies, it just wasn't the best way to do business. I think there should be some rules and ethics. And so we're developing the code. In May, we'll be sending out a draft for public comment. (9)

You've said you'd support government regulation if needed. Who's with you on that idea?

From the retailers, I don't think anyone's with me on that. From the CPG companies, I think almost all would agree with that. I'm leery of government regulation. It's better to do it alone. But what I don't want is a code where a couple of us are following it, and the rest of the industry does whatever it wants.

How have you changed, as a leader, over the last number of years?

I still like velocity. I still like making decisions quickly. But I've become more patient and think about things a lot harder. And I talk to more people. I like to ask questions and try to learn.

You've said that you've gotten more demanding. What do you demand more of now?

I'm a loyal person, but you have to be able to get results. And you have to be able to do what you said you were gonna do, within reason. But also, I like sports, right? So, you may be a great individual contributor, but if you're not good on a team, you can't work here. We need everyone pulling together. That doesn't mean everyone gets along. But it can't be about you. It's got to be about the team. And when I think it's about you, it's probably time that you go do something else.

What's your end goal for Empire? What does "job done" look like?

Our goal is to be the greatest retailer in Canada. Not just the greatest grocer. We're not there yet, but we have everything in place where we could be there, with the right decisions and the right people in place. And when I leave, I hope we've put them in place to be able to do that. We've got great young people here, great leaders. We attract and retain now, like never before. So, I'm very confident in this place.

A few days before this interview, it was announced that Galen Weston Jr. was leaving Loblaw. He's somebody you've battled fiercely. Do you have any parting words for Galen?

I had a surprising reaction to that. I was very disappointed to learn Galen was retiring. I enjoyed competing with him, and we certainly did have some major differences of opinion. But his company performed well during his tenure. And when you think about it, and step back, the Weston family's done right by Canada. Gave more people jobs than anyone in the history of Canada, other than probably the government. And that's something to respect. So, at the end of the day I'm sorry, on a day-to-day basis, we won't be competing.

This interview has been edited and condensed.

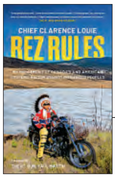
Trevor Cole is the author of five books, including the novel Practical Jean, *which won the Stephen Leacock Medal for Humour.*

6. Empire acquired Farm Boy for $800 million in 2018. In early 2021, it announced a deal to buy 51% of Longo's, including its e-commerce service, Grocery Gateway, for $357 million.

7. Ocado Solutions, part of U.K.-based Ocado Group, partners with leading grocery retailers—including Kroger in the U.S., Coles in Australia, AEON in Japan and Morrisons in the U.K.—in the use of its "Ocado Smart Platform."

8. In June 2022, Empire teamed up with Scotiabank and Cineplex, trading access to its customer base for a one-third stake in Scene+.

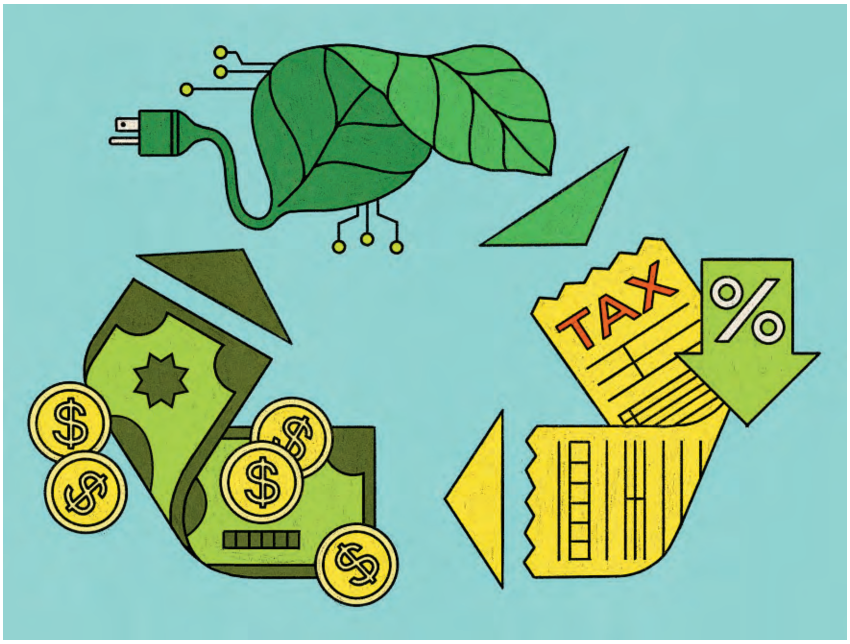
9. On May 3, an industry steering committee released its proposed final draft of the grocery code of conduct. Industry members have until May 30 to offer input.



7-WORD BOOK REVIEW

Rez Rules: My indictment of Canada's and America's Systemic Racism Against Indigenous Peoples by Chief Clarence Louie

Business-savvy Osoyoos chief's blueprint for economic reconciliation



BIG IDEA

Money for nothing?

The feds are betting on tax credits, subsidies and other infusions of public cash to grow the clean energy economy. Some fear it'll be a washout

Earlier this spring, on the steppes of southwestern Ontario, federal and provincial pols gathered to announce that Volkswagen would soon begin constructing a mammoth electric vehicle battery plant there. More to the point, it was a declaration that the venture would be powered by an equally mammoth subsidy from the federal government—$13 billion in production-linked funds—in the name of turbo-charging Canada's transition to a clean energy economy.

This big federal bet is merely one part of a huge new infusion of public funds, including tax credits for clean electricity investments, grants from the Strategic Innovation Fund (SIF) and the Net Zero Accelerator (NZA) initiative, more capital from something called the Canada Growth Fund, and financing from the Canada Infrastructure Bank.

In an earlier era, such scale-tipping subsidies and tax breaks might have attracted the opprobrium of free-market economists, not to mention trade officials in the U.S. and at the World Trade Organization. Their concern? That when governments lumber into the realm of private-sector investment, policymakers should always consider the opportunity costs and market distortions. "Those resources," cautions Steven Globerman, an economist and senior fellow at the Fraser Institute, "could be used in other places in the economy,"

Yet, the tidy formulations of 20th-century economics no longer map neatly onto a three-dimensional geopolitical chess board populated by destiny-altering 21st-century forces such as climate change, Russia's war against Ukraine and Chinese expansionism. "We're in a new world now," says Alexandra Mallett, an associate professor at Carleton University's School of Public Policy who studies renewable energy technology.

The question is, does the Liberal government's headlong sprint into the clean energy economy represent something new, or is it merely a revamp of old-school interventionist measures that were known, back in the day, as "industrial policy?" And, if the latter, are we setting ourselves up for a reprise of the exploding-cigar outcome of those efforts, like the time the feds poured hundreds of millions into Bombardier, only to see the company offshore its production?

There's no doubt the numbers are large: The feds have endowed the NZA with up to $8 billion and the SIF with another $18 billion. New clean energy tax credits will refund 15% to 40% of the capital invested in clean electricity, clean hydrogen, clean manufacturing, and carbon capture and storage. All in, these subsidies are worth more than $70 billion.

The feds make no bones about the fact that these funds are a response to the enormous gravitational pull of President Joe Biden's Inflation Reduction Act, which includes US$369 billion for clean security and climate change investments.

On a per capita basis, observes John Lester, a former Department of Finance tax policy official who's now an executive fellow at the University of Calgary's School of Public Policy, "we're probably doing more than the Americans." He adds that these outlays represent "a huge increase" over previous levels of federal largesse, among them marquee programs such as the Scientific Research and Experimental Development (SR&ED) tax credit, which doles out about $3 billion a year to some 20,000 firms in an effort to spur R&D.

Globerman notes that Canada's poor and sliding performance when it comes to R&D and innovation shows that industrial subsidies don't really deliver the goods. "What the government has been doing hasn't worked," he says. "The recent budget is doubling down on the old history of the government picking sectors and companies to receive these subsidies and essentially making the bets that, I believe, private investors and venture capitalists should be making." (Other analysis, such as a 2016 study by the U.S. National Bureau of Economic Research on R&D tax credits in the U.K., has found them to be effective

ILLUSTRATION NADA HAYEK

at spurring innovation.)

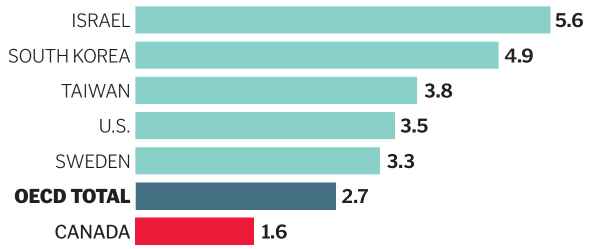
Other pundits argue that Ottawa's 21st-century rendition of industrial policy is more intentional when it comes to meeting the moment. "To the government's credit, they're taking a more comprehensive approach to sustainability, energy transition and decarbonization," says Mallett. "They've identified the strategic sectors [clean electricity and energy], and this all sends businesses signals."

The drift away from the conventions of free trade and liberal economics, which is very much in evidence south of the border, is actually part of a bigger story about the ways in which different regions and political cultures practise capitalism.

Brendan Sweeney, managing director of the Trillium Network for Advanced Manufacturing at Western University, says the neoliberal version of capitalism, which aims to reduce government influence in the economy, existed primarily in English-speaking countries. Much more pragmatic or state-supported permutations exist in places like Germany, South Korea and Mexico. Not to mention China, where state-owned enterprises with deep pockets bid against privately owned firms on international assets like mines. "Capitalism is different everywhere you go," he says. "But we're all competing with each other for market share, for investment and, increasingly, for talent."

Traditional industrial policies in other regions are built around favoured sectors (e.g., Germany's advanced manufacturing), generous subsidies and protectionism, which have been historically highly successful in countries like Taiwan, Japan and South Korea. Greig Mordue, associate professor in the W. Booth School of Engineering Practice and Technology at McMaster University, adds that a previous era of made-in-Canada industrial policies, which came with both carrots and sticks, also succeeded in seeding the ground for the development of the auto parts industry and ensured the continued viability of Canada's auto sector.

GROSS DOMESTIC SPENDING ON R&D (latest available)
% of GDP (top five, plus Canada)



SOURCE OECD

He recalls how former Liberal cabinet minister Ed Lumley, who held a regional economic development portfolio in Pierre Trudeau's government, lured large assembly plants to Ontario using tax credits to reward investment, trade agreements and the threat of restricted access to Canadian markets for foreign firms to discourage hedging. "There would be no industry in Canada and, frankly, in a lot of places around the world, if it wasn't for industrial policy," he says, "But since Lumley's tenure, the world has changed substantively."

Fast forward through countless free trade agreements, the 2008 credit crisis, the emergence of China's "belt and road" initiative and Donald Trump's love of tariff wars, and we all find ourselves in a world where the word "subsidy" no longer has the sting it once did.

Lester, for his part, feels there's a policy case to be made for using subsidies to drive electrification, investment in clean generation and even as a means of attracting job-creating investment, provided the government also pulls back costly but underperforming tax credit programs, like the SR&ED.

Mordue, however, questions whether the government will be able to squeeze the maximum benefit from the $13-billion Volkswagen subsidy, given that all we're getting is a piece of the supply chain, plus the jobs and local economic development multipliers, but none of the high-value-added functions, like R&D, design, engineering, and all the other spinoffs that automotive head offices and research hubs generate on their home turf.

Mallett finds herself thinking about whether the government's appetite for the blockbuster deal—not just VW, but also last year's $5-billion Stellantis-LG Energy joint venture, or a $220-million investment announced earlier in the spring by the Canada Infrastructure Bank in EV charging stations—will obscure the need for driving investment into smaller-scale (i.e. less newsworthy) clean energy and clean electricity startups. Ottawa's rich new programs are "a very convenient way for the government to think big and to think about jobs and so on," she says. "But if we don't allow for alternative forms of innovation to be a part of the process, then it really is a missed opportunity."

Sweeney, however, says the federal Liberals are simply practising economic realpolitik—as is done in so many other places these days—when they place very big bets on Volkswagen and whatever else that follows. "If you want to be part of this global economic order, you have to figure out how to compete with what's happening outside the border," he says. "If we want this, we have to be emphatic in our policy response. Neoliberalism is done." **/John Lorinc**

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DeGroote SCHOOL OF BUSINESS EDUCATION WITH PURPOSE | McMaster University

Dr. Elkafi Hassini
Associate Dean, DeGroote School of Business

Kellie Rabak
Acting Director, Marketing and Community Engagement

An entrepreneurial spirit powers success at Energy Transportation Group

Left, Michael Cinquino, president;
Right, Shawn Girard, CCO.

In 2007, childhood friends Shawn Girard and Michael Cinquino founded Energy Transportation Group, a North America-wide goods delivery and logistics fleet based in Montreal, with Mr. Girard in the role of chief commercial officer (CCO) and Mr. Cinquino serving as president.

"When we were kids riding our bikes to the local store to get Freezies, we just knew we would be in business together," recalls Mr. Girard. "We didn't know what we wanted to do, but we've always had an entrepreneurial spirit. And as we grew up, we understood if you do something well, you reap the benefits – not only financially, but professionally."

Maintaining the entrepreneurial spirit and nimbleness of the company has always been at its core. That approach has paid off, as Energy Transportation Group will hit approximately $250- million in sales this year and boasts an impressive clientele of Fortune 500 companies that rely on the company for its high level of service and dependability.

"It's rewarding to deal with Fortune 500s that look to us to help them with challenges they face," says Mr. Girard. "Whether you're helping a successful company solve a problem or simply working with them when their volumes are higher, it's very satisfying."

Energy Transportation Group started as a brokerage and logistics company and continues to provide these services. As demand grew, the company expanded to incorporate fleets of its own trucks and trailers. Today, its operations include dry van trailers, produce and refrigerated transport, as well as cross-border shipping in the U.S. and Mexico. The company's branches in Chicago and Chattanooga, Tenn., also allow it to significantly expand its operations with intra-U.S. shipping.

"The company's major growth came from targeting domestic U.S. business and cross-border freight from Canada, United States and Mexico," says Mr. Girard.

Through the evolution and growth of the business, the co-founders have maintained their business partnership, which is built on communication and respect.

"Even after all this time, the communication level is there, which allows us to work closely together because not all days are easy in transportation," Mr. Girard explains. "As long as there is trust and honesty, the growth will come. That resonates throughout the company. Our employees and our clients see the relationship we have, and I think we're well respected because of it."

Mr. Girard says he and his team have always had a "customer-centric" mentality and that Energy Transportation Group is mindful about partnerships and making sure those collaborations are mutually beneficial for everyone.

"Our team is dedicated, and we have a way of servicing our clients at a high level," he says. "While we make sure we're not handpicking customers, I think we do a good job partnering with clients that share our values. I think clients feel that synergy from the outset, and it helps build longer-lasting and more productive relationships."

In terms of what's next for the company, Mr. Girard says the goal is to fill even more roles in the supply chain and be a one-stop-shop for customers.

"We're looking into securing even more warehousing locations," he explains. "There's a bigger need today in e-commerce and warehousing to keep goods close to the consumers, so we're investing a lot of money in real estate, warehouse management systems, and transportation management systems."

An upgrade to the company's digital system is also in the works to ensure that Energy Transportation Group can maintain its stellar reputation of reliability and efficiency.

"We're undergoing a digital transformation that we believe will take our company technologically to the next level, and hopefully, allow us to be a technology leader in transportation," says Mr. Girard.

US$150 MILLION+
Total prize money for this summer's Women's World Cup—three times higher than it was in 2019 and 10 times higher than in 2015

US$440 MILLION
Total prize money men received for the 2022 World Cup in Qatar

WHAT YOU CAN LEARN FROM...

Christine Sinclair

The pride of Burnaby, B.C.—and one of our all-time greatest athletes—will once again lead Canada's national team to the Women's World Cup in Australia and New Zealand in July. She's proven as adept at negotiating as she is on the field, taking her battle for equal pay to Parliament Hill and winning on behalf of women who play international soccer (much better than men) for Canada. **/Dawn Calleja**

1 Play the long game

Sinclair scored her first international goal at the Algarve Cup in 2000, when she was just 16. Since then, she's only gotten better. She's now up to 190-plus goals, making her the highest scoring international player in the world, man or woman. She has three Olympic medals, including a gold from Tokyo 2020, and this summer will mark her sixth World Cup. The point: Don't panic if you're not nailing it right away; you have lots of time to hit your stride.

2 KEEP YOUR EGO OFF THE PITCH

Sinclair knows a little something about being a boss—she's captain of both Portland Thorns FC, the top-ranked team in the U.S. National Women's Soccer League, and of Canada's national squad. That doesn't mean she's bossy. "I'm a quieter type of leader," she has said. "I'll do anything for my team, and I'll speak up when needed, but I tend to lead more by example." Just because you have power doesn't mean you need to throw it around.

3 TEAMWORK MAKES THE DREAM WORK

Sinclair tries to foster the idea that on the field, everyone's a leader. "In their own unique way, everyone has a kind of influence with a different group in the team. It's about giving people the confidence to express themselves," she told a reporter back in 2016. Empowering your people and letting them inspire others is the hallmark of savvy leadership.

4 Fight for what's right

As captain of Team Canada, Sinclair led a strike over pay equity—players on Canada's 53rd-ranked men's squad earned five times what the women did in 2021, the year they won Olympic gold—and budget cuts by Canada Soccer that would leave the team ill prepared to compete at the World Cup. Sinclair and three teammates also delivered scathing testimony before a parliamentary committee in Ottawa—a brave move considering what typically happens to athletes who speak out against the powers that be. But it worked: The women signed a better deal with Canada Soccer soon after.

5 Give a hand to the next generation

Sincy, as she's affectionately called, isn't known for being particularly loquacious, but by all accounts she's a fantastic listener and mentor to her younger teammates. And she doesn't just dispense advice; she solicits it, too—helping build better leaders in the process. As one of her Portland teammates puts it: "She'll ask us our opinions...and actually take it to heart."

ASK AN EXPERT

"I totally lost my cool in front of my staff. How can I recover?"

Act fast, because you're in crisis-management mode. "The longer you let it fester, the more people think you're okay with what you did," says Nicole Smith, a conflict management practitioner in Fredericton. Your rage-fit is, of course, *not* okay, not least because it's technically workplace harassment, but also because you no doubt feel like a total jerk. a heartfelt apology is the only medicine here, as it so often is. "As soon as possible, call an in-person meeting so everyone can see your sincerity," says Smith. "Acknowledge your behaviour, take responsibility, clearly state that you know you shouldn't have done it and that you don't anticipate ever behaving like that again." Even if there's one thing or person that set you off, resist the urge to deflect blame. That said, depending on your workplace, you could explain further if it feels appropriate. "If it's something in your personal life—like a new baby keeping you up all night—you could share that," says Smith. There could also be support available so you don't blow your top again. In the meantime, don't miss this moment for self-reflection. "We're all human and allowed to lose our cool at work—once," says Smith. Twice is a pattern and probably a terrible reputation in the works, so look deeper. "You need to figure out why you did this so you don't do it again." **/Rosemary Counter**

PHOTOGRAPH VAUGHN RIDLEY/GETTY; ILLUSTRATION JOE MCKENDRY

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1 night for Economy Class
2 nights for Business Class
You can extend your stay
with special prices starting from
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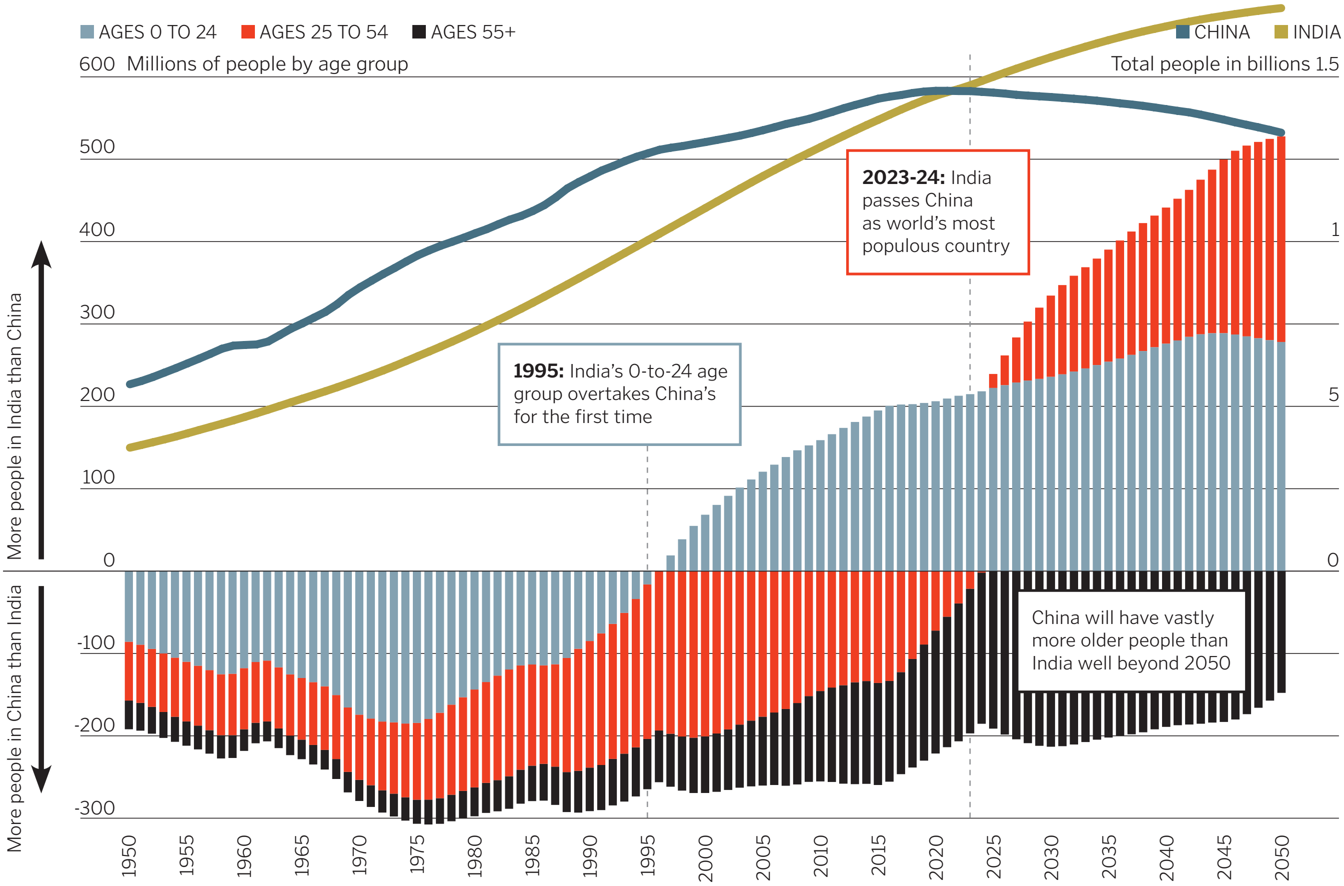
They might be broke, but they love to travel
3+ leisure trips per year by generation

India's population advantage over China



DECODER

POWER TO THE PEOPLE

Sometime around the end of April, give or take a few weeks—not to mention a few million people—India surpassed China to become the world's largest country by population, a numerical feat that generated headlines around the world. As population horse races goes, they don't get bigger than this. By year's end, the United Nations estimates India's population will reach 1.429 billion, edging out China by roughly one Toronto's worth of people.

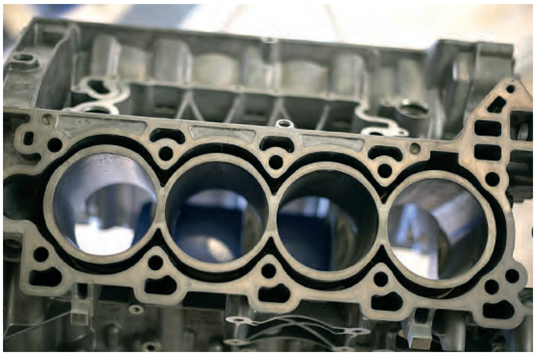
Bragging rights aside, India's population growth has garnered so much attention for what it means to the balance of economic power in the world. China's spectacular growth, particularly from the 1970s through to the early 2000s, was supercharged by a working-age population that doubled in size. As investment flowed in, drawn by low wages and massive government spending on infrastructure, a thriving middle class evolved, and GDP per capita—a measure of prosperity per person—grew five-fold since the late 1990s. However, China's working-age population is now shrinking, creating demographic headwinds India does not face.

The numbers tell the tale: The median age in India, at 28, is more than 10 years lower than China's, a gap that will only widen in the coming years. This chart divides the populations of both countries into three categories—young, prime working age and older—and shows the demographic advantage that awaits India. It already has hundreds of millions more young and prime working age people than China. China, on the other hand, has an excess of grey.

Companies like Apple are already being drawn away from China to India's more youthful workforce as that country seeks to become the world's new factory floor and as geopolitical tensions make China less appealing.

Still, whether India can match China's economic performance depends on what it does with its natural advantage. Literacy and education levels remain poor by comparison. That said, India is undergoing an infrastructure revolution, its populace is massively plugged into the internet, and digitization initiatives are bringing business and government services to even its poorest citizens. **/Jason Kirby**

SOURCE UNITED NATIONS



PHOTOGRAPH TIJANA MARTIN/THE GLOBE AND MAIL

FOR YOUR CONSIDERATION

MARTINREA INTERNATIONAL INC.
VAUGHAN, ONT.

REVENUE (2022)	**$4.8 BILLION**
PROFIT (2022)	**$132.8 MILLION**
THREE-YEAR SHARE PRICE GAIN	**82%**
P/E RATIO (TRAILING)	**8.6**

Among Canada's Big Three auto parts makers, Magna and Linamar get a lot of attention, but third-ranked Martinrea? Not so much. Part of that is due to the lustre of the Magna and Linamar founding families, the Stronachs and the Hasenfratzes (and some very public bickering among the former).

But over the past year, Martinrea's share price has left its rivals in the dust, rising more than 80% as the company posted record revenue for 2022. Yet, Martinrea is still trading at lower share price multiples than the other two.

Much of the company's success has been driven by co-founder and executive chairman Rob Wildeboer. Now 63, Wildeboer says he and CEO Pat D'Eramo "do some leadership from behind, like Nelson Mandela." Imagine that said by a friendly guy who sounds like you met him at Tim Hortons, and you have an idea what an intriguing mix Wildeboer is.

In the early 1990s, Wildeboer was a crusading young Bay Street securities lawyer who also helped a lot of entrepreneurial companies raise money, including a small metal-forming company named Royal Laser Tech. After Frank Stronach fired Fred Jaekel, a protégé, in 2001, Wildeboer and Jaekel decided to go into the auto parts business together, with Jaekel as CEO.

Lawsuits quickly flew between Magna and Martinrea (as the company renamed itself in 2002). "It was the best advertising we ever could have had," Wildeboer recalls. Yet, he and Jaekel (who died in 2014) still admired much about Magna, including the emphasis on treating employees well. Martinrea has 10 guiding principles, and the first is its "Golden rule: Treat everyone with dignity and respect." It also strives to stay entrepreneurial and lean.

Growth over the past two decades has been impressive, with revenue rising from about $40 million in 2001 to $1.7 billion in 2010, and then more than doubling again. Martinrea now has 58 plants in 10 countries, although about 75% of its business is in Canada, the United States and Mexico. But there have been setbacks, some external (the 2008-09 financial crisis and COVID-19) and some internal (a shareholder proxy battle in 2014).

These days, many investors are still rattled by the impact of the pandemic on the auto sector. Share-price multiples are depressed for all parts makers. There's also uncertainty over the shift to electric vehicles. But Wildeboer says 80% of the parts Martinrea produces are "completely agnostic"—they could work in gasoline-powered cars or EVs. Many are frame components that lighten the weight of either.

He's planning to stick to fundamentals. "If you keep earning more, pay down debt and buy back stock, your share price is going to go up." **/John Daly**

FOMO INVESTING

5 things we learned from Rogerio Fujimori

Bernard Arnault, founder and chair of French luxury goods super-conglomerate LVMH (the letters stand for Louis Vuitton Moët Hennessy), recently widened his lead as the world's richest person. Yet many North American investors are still mystified by the sector. London-based luxury goods analyst Rogerio Fujimori has spent two decades covering it, and he offers some perspective. **/JD**

1. After working at Morgan Stanley, Credit Suisse and RBC Capital Markets, Fujimori joined U.S.-based Stifel Financial in 2020. Yes, European companies are still the luxury goods leaders: LVMH with a market cap of US$488 billion, Hermès at US$232 billion, Richemont (owner of Cartier) at US$98 billion and Kering (owner of Gucci) at US$78 billion are the top four.

2. Since 2012, the MSCI Luxury Goods index has clobbered the MSCI Europe index, rising 342% versus 75%. The sector rebounded strongly after the pandemic. Domestic consumption in North America, Europe and China grew strongly "despite all the disruption," says Fujimori. "The part that is missing is Chinese tourist purchases in key travel destinations."

3. Is the sector getting too frothy? "This is one of the key debates," says Fujimori. Looking at price-to-earnings ratios, the sector now trades more than one standard deviation above its historical premium to the broader stock market. That "suggests that a lot of positives are already priced in by the market," he says.

4. U.S. consumers were the leading buyers in 2022, at around 33% of the luxury market. The country has some large publicly traded domestic players, including Tapestry (Coach and Kate Spade) and Capri Holdings (Michael Kors and Jimmy Choo). But Fujimori says many cater to the "aspirational" segment (think handbags under US$1,000), versus "ultra-luxury" European brands (US$5,000 and up).

5. Stifel sells Fujimori's advice to institutional clients, so he doesn't give me specific stock or fund picks. But he says in recent years there has been a significant "bifurcation of performance" among sector brands. Compare Canada Goose and Milan's Moncler in the outerwear category—Goose shares down 48% over the past five years versus Moncler up 92%. He expects some bifurcation to continue.

With a focus on innovation, Hatch helps solve global challenges

Michael Schatz, global managing director, infrastructure at Hatch *(far right)* and members of the infrastructure team at the site of the Pattullo Bridge replacement project in B.C.

Engineering, project management and professional services firm Hatch describes its employees as "entrepreneurs with a technical soul." They take a knowledge- and data-driven approach to solving complex challenges around the world, whether that's building better mines, electrifying transportation, helping businesses be more sustainable, improving cities, or transitioning to renewable energy.

"Innovation is part of our soul," says Michael Schatz, the company's global managing director, infrastructure.

"We celebrate innovation, right through to our senior management," he adds. Senior managers are "all still involved in our projects and ideas; our executive management is not decoupled from being at the front line of doing this work."

The employee-owned company's management structure is flat, which encourages collaboration and connection across teams from around the world so that every project can tap into the best expertise. Mr. Schatz is an example of how an employee can advance with the company, as he began working at Hatch when he graduated university and now heads up its infrastructure team.

"This fosters an environment of ideas and thinking and being leading-edge," Mr. Schatz adds. "We look at some of our challenges in the world today and ask, 'How do we do better at solving these?'"

That spirit of innovation has led Hatch to work with clients to develop cutting-edge technologies that help manage climate change, from fusion reactors and a green hydrogen-based steelmaking technology that reduces the carbon footprint of the process, to managing the lifecycle of batteries, he explains.

To link Hatch's approximately 10,000 employees in offices on every major continent and with experience in more than 150 countries across the globe, the company has a manifesto that outlines its vision, mission, values and personality.

"These are essential," Mr. Schatz stresses. "They're not just nice slogans to put on the wall; you have to live these. They're connected, and so together they're the manifesto, starting with our vision of being 'passionately committed to the pursuit of a better world through positive change.' We use the manifesto as a guide and a framework in our own internal conversations."

That guide also helps bridge the differences in language and culture between employees, he adds.

"We're in different countries and cultures and business lines, but what holds us together is this manifesto. That's how we can work together because we subscribe to these values and this approach."

Being employee-owned also means the company's employees have a stake in the outcome of the business and "we're not beholden to other forces," he says.

"It creates a higher client focus and a view on the long-term outcome."

Hatch and its employees love to give back to the communities they work in, and the company supports programs for Indigenous groups in areas where it operates, including Canada and Australia. One such program is the University of Saskatchewan's Indigenous Student Co-op Program, which connects engineering students with opportunities in industry. It also has an active university scholarship program, providing more than $2-million in scholarships and bursaries to universities across the globe each year.

"We're from our communities, and we're making substantial changes to our communities with what we do in the business," Mr. Schatz says. "So, we think it's essential that communities are involved in our work, as well as being supported and benefiting from our outreach."

SMART MONEY

DANIEL DUPONT

PORTFOLIO MANAGER
FIDELITY INVESTMENTS CANADA ULC

Dan Dupont is a fund manager who aims to win by not losing. Protection of capital is key. He buys higher-quality companies, waits patiently until they become bargains and avoids most economically sensitive names. His $7.3-billion Fidelity Canadian Large Cap Fund also tends to shine during market turbulence. When North American stock markets sank into the red last year, his Canadian-focused equity fund (F series) gained 14.9%. The fund, which can own foreign stocks, has outpaced the S&P/TSX Composite Total Return Index since he took over in 2011. And he hasn't lost money in any calendar year. We asked Dupont, 45, why he owns Canada's three grocery giants and finds tobacco stocks attractive.

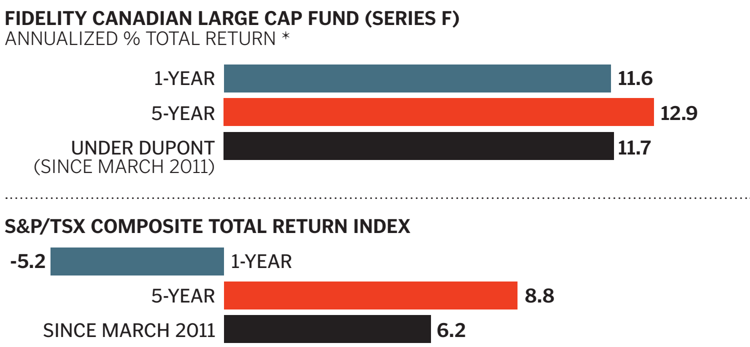
What is your outlook for North American markets?
I'm more defensively positioned than the average fund manager, but I'm more cautious than usual. An inverted yield curve for bonds (where short-term interest rates are higher than long-term rates) has predicted the eight recessions of the past 50 years. We've already had a steepening yield curve, which doesn't mean the economic environment will be tougher in the next few quarters, but the odds of a recession are very high.

You own Canada's three grocery giants. Do their profits benefit from inflation?
Consumer-staples stocks tend to be very defensive. If you can find an oligopolistic market like Canadian grocers, it's good to put a lot of money there. I bought the three grocery stocks when they got cheap. Metro has an excellent management team, and I have owned its stock since 2009. I bought Loblaw a few years ago. Empire, which owns chains like Sobeys and IGA, is a smaller position. Empire has been going through a difficult time in the current economic slowdown because it doesn't have discount banners of size. This business is more complex than it seems. Grocers went through difficult operational times during the pandemic and are now trying to navigate an environment where their products have significant cost inflation. It's still a very competitive, low-margin industry.

Your fund owns Imperial Brands, Altria Group and British American Tobacco. Why are tobacco names attractive when cigarette smoking is declining and their stocks are shunned by environmental, social and governance (ESG) investors?
Tobacco companies are admittedly controversial from an ESG perspective. But I've owned them on and off for more than a decade because of their defensive nature. They're in a stable industry that is not very cyclical. People tend to buy their products despite a recession. Less harmful alternative products, such as e-cigarettes, and price increases on traditional cigarettes can keep the companies profitable despite the rapid drop in tobacco sales. If you pay an attractive price for these stocks, you can have not spectacular, but very good returns.

Why do you own energy plays like Suncor and Canadian Natural Resources?
It's an unorthodox position for me, but energy was my largest sector in 2020 when the oil price went negative. My patient process tells me to wait for the market to come my way and then deploy capital quickly. I didn't need to be smart to know that the oil price would go back up. Energy stocks are a bit too cyclical for my taste, but the supply situation is intriguing. Supply has been constrained partly by ESG restrictions on lending to energy companies. It's tight in North America while OPEC+ controls most of the rest of the production. I don't know if oil will go up a lot, but supply is very attractive relative to history, so I am more bullish.

How does gold miner Agnico Eagle Mines fit with your strategy?
We bought it when gold prices were lower and Agnico Eagle was cheaper. Gold stocks have a low correlation to the general market, so they're a good diversifier. They can also be a hedge against central banks doing crazy things. As problems arose in the banking industry recently, they were quick to reliquefy banks to make sure the system was functioning. That is prone to creating more inflation. I believe the U.S. Federal Reserve Board will loosen monetary policy over the next three to four years, and that should eventually be good for gold. **/Shirley Won**



*RETURNS TO MAR. 31, 2023; SOURCE: MORNINGSTAR DIRECT

PHOTOGRAPH TESS ROBY

2023 BEST MANAGED COMPANIES

PHOTOGRAPH LIAM MOGAN, PROP STYLING NICOLE BILLARK/PLUTINO

This year marks the 30th anniversary of Canada's Best Managed Companies, celebrating excellence among private Canadian-owned enterprises with revenue of $50 million or more. We profile 30 newcomers in a wide array of industries, from seafood processing and bookselling to data centres and scrap metal recycling—plus one quirky family-run retailer that makes zero sense on paper but has a die-hard fan base that just keeps growing. These companies join 456 repeat winners that must requalify each year to stay on the list. To read more about the methodology, see page 41.

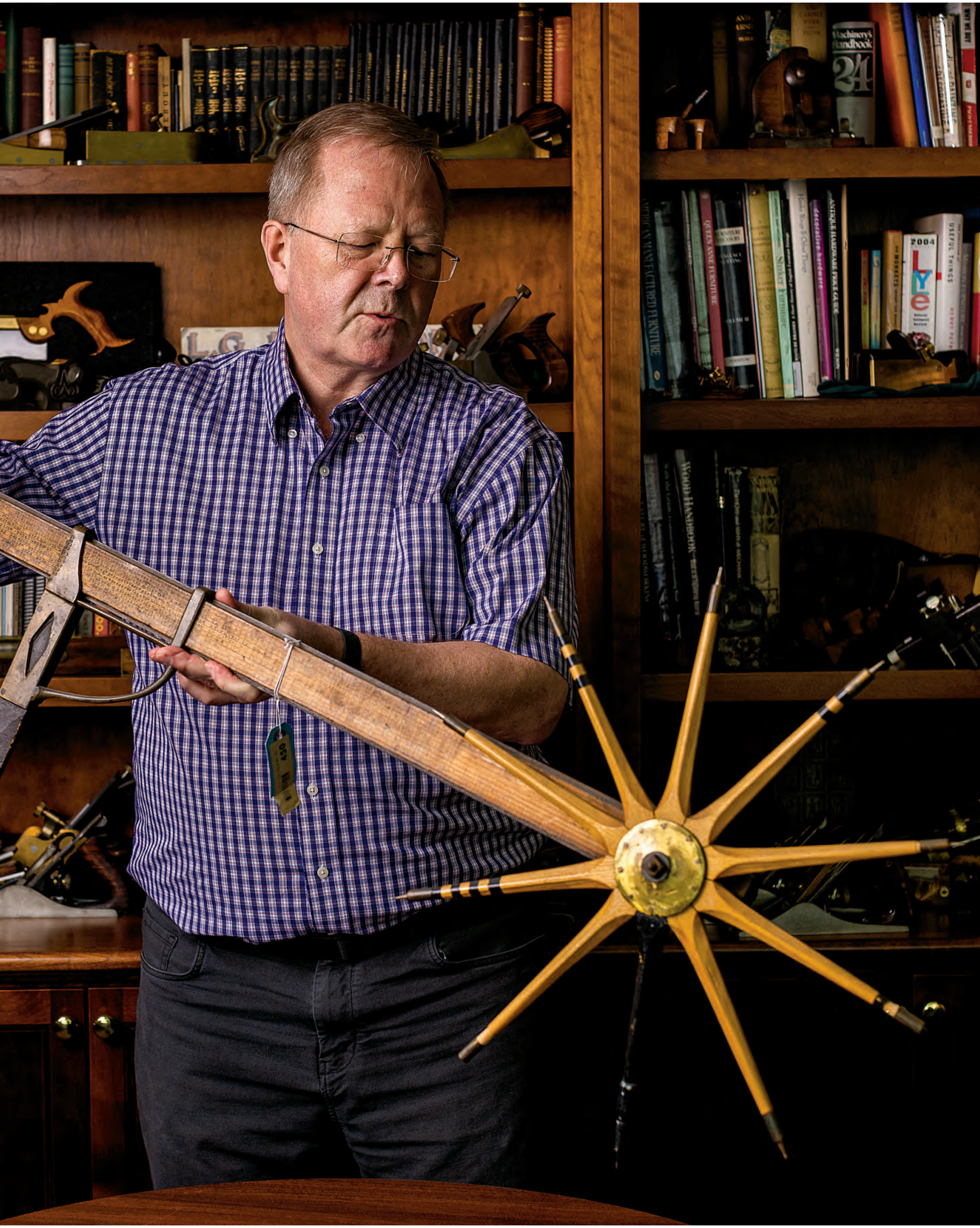
2023 BEST MANAGED COMPANIES

THE SHARPEST TOOL *in the* SHED

ON PAPER, LEE VALLEY TOOLS MAKES NO SENSE. BUT THE QUIRKY RETAILER, RUN BY FAMILY SCION ROBIN LEE, HAS A DEVOTED FAN BASE. CAN IT LURE IN A NEW BATCH OF DIY ENTHUSIASTS?

BY SUSAN KRASHINSKY ROBERTSON

PHOTOGRAPHS BY ALEXA MAZARELLO



ROBIN LEE *knows what* YOU'RE THINKING

as he plucks an item from the shelf of his family-owned store in suburban Ottawa: This product seems a bit, well, stupid.

The CEO of Lee Valley Tools goes one step further: "Stupidest thing ever" is how he describes his first impression of the Wingman, a plastic dragonfly on a wire that's designed to be clipped to your hat, wobbling absurdly overhead and purportedly repelling deer flies and horseflies. It seems fishy; it looks ridiculous.

But Lee Valley will sell it to you (for $13.90 plus tax) because it's one of several oddball gadgets whose unexpected utility the retailer swears by. Its catalogue—highly anticipated by many customers for its articulate copy and surprising array of products—describes the Wingman as "a simple, effective alternative to the arm-flailing method of shooing away" the pests, assuring readers it was "tested in Ontario cottage country." Lee is the unnamed tester; his is the cottage.

The Wingman is a perfect example of how Lee Valley has evolved over its 45 years, branching out from its origins as a mail-order purveyor of woodworking tools. The company still sells thousands of those tools, many of which it manufactures through its Veritas brand, a cornerstone of the business. But as time has passed, the product assortment has expanded—into other work-with-your-hands categories such as gardening and cooking, but also in some surprising ways. If you're in the market for a box-maker's plow plane or a mortise chisel, Lee Valley has it. Also, there's a doohickey for squeezing toothpaste out of its tube.

On paper, this should not work.

"If you walked in cold off the street, you'd go, 'What the heck are these people about?'" Lee acknowledges.

Lee Valley is part serious tool shop—catering to the kind of folks who appreciate having the choice of more than two dozen varieties of sharpening stone—part high-end cooking and gardening store, and part random potpourri of SkyMall-ish merchandise. In many of its product categories, it's not the biggest, the fastest or the cheapest option. And it's positively dwarfed by competitors like Home Depot, Canadian Tire and Amazon.

But Lee Valley has built itself a niche, with 18 stores across the country, an e-commerce operation that accounts for roughly 50% of its sales, and more than $100 million in annual revenue from the retail operations alone, not counting its manufacturing business.

Significant challenges still lie ahead, however. Lee Valley's leadership is evaluating the future of its store network, which has gaps—including in Canada's largest city, where skyrocketing rents forced the closure of two of its three locations in the past couple of years. The company must make sizable investments to modernize its manufacturing operations. And it's grappling with how to remain relevant, not just as people's shopping habits change, but as it seeks to appeal to newer, greener customers who may find the array of tools more intimidating than inspiring.

"We are an editor for the customer," Lee says, referring both to how the company selects products and the tone it uses to recommend them to the right users. He references the friendly neighbour on the '90s sitcom *Home Improvement*, who dispensed advice and a bit of philosophy to Tim "The Tool Man" Taylor over the fence. "We're Wilson."

Lee Valley sells roughly 24,000 products—and many of them have to pass muster with Robin Lee himself, whether they come from the company's own toolmaking operation or from other manufacturers. The retailer adds new items every couple of weeks, which the product team pitches to Lee in a process the company's president and chief operating officer, Jason Tasse, compares to *Dragons' Den*.

Lee, 60, has spent most of his life refining his understanding of what works for Lee Valley. In 1976, his parents, Leonard and Lorraine, decided to try selling cast-iron stove kits out of their home in Ottawa's Westboro neighbourhood. For Leonard, a civil servant looking to strike out on his own, it was a test run to gauge the viability of a mail-order business. Robin, then still a teenager, would grind the castings to remove excess bits of metal and then pack the stoves for shipping.

Lee Valley was launched in 1978 as a catalogue selling woodworking tools. Leonard got his start by partnering with Garrett Wade, a New York–based purveyor of similar catalogues. Owner Garry Chinn shared artwork for print and wrote to his product suppliers guaranteeing the fledgeling company's invoices. (Mr. Chinn still owns a small percentage of Lee Valley and sits on the advisory board.)

But from the start, the operation was a family affair. Whenever someone called the company number, a phone in the Lee kitchen rang. After the 1981 postal strike just about put them out of business, demonstrating the necessity of brick-and-mortar stores, Robin built the very first showroom. (It was his summer job.) "The showroom model kind of mirrored the catalogue," says Tasse, a 25-year veteran of the company who started out working in the warehouse. It remains the same today: Stores mostly display product samples, which customers can purchase by filling out an order—either on paper, by mobile phone or at a computer station. A staffer then fetches their items from the back.

As Lee Valley grew, Leonard Lee wanted

to be more involved in the design of its tools and to incorporate customers' feedback. The company launched a manufacturing arm, now called Veritas, in 1985, which operates in a facility just down the road from its Ottawa store and makes about 1,200 tools, hardware and gardening products both for Lee Valley stores and for export to more than 90 countries. About one-quarter of the products the stores sell are manufactured in-house. Veritas launches new items all the time; Robin Lee estimates there are currently more than 200 products in the queue waiting to be introduced, including a new set of bench rules, a hacking knife, a doweling jig and a saw for cutting the fret slots on a guitar neck. "It's a very tight connection between the retail arm and the manufacturing," he says. "Let's say you buy an electric drill from Home Depot, and you go back and say, 'Here's what's wrong with it.' The drill manufacturer never hears it. There's no effective feedback loop...Whether they outsource or they do it internally, I think that's a good strategy for many retailers—to have not just a house brand, to not just put your name on somebody else's product, but to do the design work."

When it comes to products sourced from outside the company—whether it's a new garden pail or a quirky gift item—staff must convince Lee that the product solves a problem, represents good value and quality, and is something shoppers can't find everywhere. (The Wingman is an exception to the latter rule: Amazon, Canadian Tire and a number of outdoor-supply stores will also sell you this backcountry fascinator.)

Still, it's a delicate balance between solving problems and needing a tool for absolutely everything. While the serendipity of the product selection can be entertaining, it also begs the question: Does one really need tongs specifically for fishing toast out of the toaster? Or a paper plane launcher? Or a reflective sheet to warm your rear end while sitting around a campfire?

"We want you using this stuff," Lee says. "These are tools that are going to be good. They have a utility and a value, which we will make clear to you. And you decide whether it applies to you or not."

There's a story behind the rasp. Of course there is—for a catalogue company like Lee Valley that prides itself on good copy, there's always a story to be told. The microplane that does a real number on your lemon zest and your parmesan cheese, wouldn't you know it, started off as a surgical tool for shaving bone (appetizing!) and for woodworking. After Robin Lee found it at a trade show in Chicago in the 1980s, his mother picked it up, figuring it might do the trick for zesting oranges. It became a kitchen favourite. The catalogue told the story—with Lorraine making an appearance as "a Lee Valley woodworker's wife"—and soon the manufacturer called to ask what the heck was going on: Lee Valley was selling tens of thousands of the things.

The tone of the Lee Valley catalogue began with Leonard Lee, whose salesmanship included a tongue-in-cheek blurb casting the user of a long-handled trowel as the "lord of the manor." Robin is particular about carrying on that legacy and still edits every bit of copy before it hits the page. "I ban words," he says. (Recent outcasts that were hammered into semantic saturation with overuse: "exceptional" and "essential.")

The voice Lee Valley has cultivated over more than four decades is deliberate: knowledgeable, not know-it-all. "Conservative but modest advice," Tasse says.

"But also to be literate and not talk down to people," Lee says.

The people Lee Valley speaks to are changing. The company's core customers like working with their hands. Management has even given them personas: Earl, an old shop teacher, and Heather, a middle-aged gardener. But its newer customers fit a different profile. "We've got to

NO FLIES ON HIM:
Robin Lee personally tested the Wingman for its pest-shooing powers

be more about teaching gateway skills to different customers—not the 50-year-old woodworker, but somebody who never took shop class in high school or grade school, as most people don't," Lee says. "Now, a beginner isn't 16 years old. A beginner is 35 or 40."

Lee Valley has responded by focusing more on inspiring beginners, including with an ad campaign that emphasized failure as part of the learning process. It has also introduced "Make it Yourself" boxes inspired by meal kits, giving customers all the tools and materials to try out carving a wooden spoon, for example, or building a bird feeder.

There are other ways Lee Valley is seeking to modernize. A few years ago, it began overhauling its digital operations, including making a major investment in its website. E-commerce became a lifeline when the pandemic hit and digital sales became everything. But Lee Valley still took a major blow, with store closures eliminating half its sales at the worst possible time. It had just placed all its Christmas orders in January and February, and found itself in a cash crunch, forced to lay off 7% of its workforce across the retail and manufacturing operations. "We just had the rug pulled out from under us. And when you go to the bank, they say, 'Retail—that's going to be a big problem. We don't want to invest in you,'" Lee says. "It's as if the previous 40 years didn't count."

The company was able to recover by leaning on digital sales and benefitted greatly when locked-down Canadians began spending money on home improvement projects and hobbies to stay busy. Having always done store pickups for online orders—and with staff already fully trained in retrieving product from the back—Lee Valley was able to pivot quickly to curbside service, staying closed out of caution (or opening by appointment only) for some time even after hardware stores were categorized as essential retail.

Those online sales, and customers' loyalty, "saved our bacon," Lee says. For a time, though, he feared the second generation running Lee Valley might be its last. "We were closer than anybody knows to closing the doors permanently," he says.

Lee Valley doesn't work like other companies. Leonard Lee used to tout the fact that over the decades, the business had never had layoffs. Because of the pandemic, that's no longer true. "It was tough," Robin Lee says. "But there was some learning in there, too."

For example, management realized that its resistance to layoffs wasn't always a good thing. While employees appreciate loyalty, Tasse says, some were frustrated by the retailer's tendency to hold on even to non-performers. With staffing levels now back up to pre-pandemic norms—about 1,000 employees—Lee and his team are working on managing their people differently. That means shedding the less formal approach of the past and introducing more career development discussions; skip-level meetings where staff have the chance to meet with managers above their direct supervisor; and better succession planning across roles, to ensure they're identifying talent to take over when others leave. That also means better record keeping so that long-time staff don't take all their institutional knowledge with them into retirement.

Some of the old ideas still apply, however. The founder always had a policy that the highest-paid employee at Lee Valley would never earn more than 10 times the wage of the lowest-paid person on staff, a rule that remains in place today. To put that in context, the 100 highest-paid CEOs in Canada took home 243 times the pay of the average Canadian worker in 2021, according to research by the Canadian Centre for Policy Alternatives—a gap that has widened considerably in recent years.

Other core tenets have changed. Lee Valley used to distribute one-quarter of its pre-tax profit among the staff. During his time as a warehouse worker, Tasse remembers that if a worker dropped something, the joke was to call out, "profit share"—as in, the cost of that broken item is coming out of our pockets. As the business got bigger, though, that message got lost, the executives say. They made the decision to increase core salaries rather than pay out bonuses tagged to profits, which left staff not knowing how much they could rely on. (Lee says there were some lean years when he fudged the number to make it look better.)

"We're now tracking progress to a living wage," Tasse says, adding the company pays a premium over minimum wage. It used to be about 30%, but that has narrowed slightly as provinces have raised their minimum wage levels. Still, Lee adds, "We don't want it to be a little bit above minimum; we want it to be significantly above." These efforts have helped the company build a workforce filled with long-timers. "I hand out 25-year certificates and awards every week," he says.

With the turbulence of the pandemic behind it, Lee Valley is evaluating what its future should look like. A big part of that is its store network. "When they started back in the '70s, the market was not as urbanized," says Wendy Evans, a retail expert and president of Evans & Co. Consultants. "As the market has evolved, they'll have to rethink their location strategy."

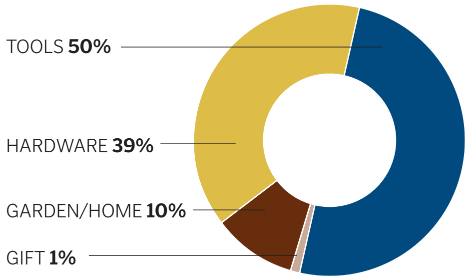
Many of Lee Valley's stores are in suburban, and in some cases industrial, areas. The assumption was the customer would drive to them, so they went where the rent was cheap. Now, Lee says, the customer is changing, and the retailer is analyzing where there are gaps. One of them is in Toronto, where management is looking hard for new locations after shuttering two stores. (The last one left is in the suburb of Vaughan—a great stopping point for people on their way to cottage country, but hardly a lure for downtowners.)

As they look to more central locations, stores will likely become smaller, with a more selective number of items. But if customers want endless choice, they're probably picking up their phones rather than driving to Lee Valley anyway—Lee himself says he turned to Amazon recently when he needed a specific size of bolt. It took a few clicks, the price was good, and he had it the next day.

"The trick is, why do people want to come to our store?" he says. It might be to take a woodworking class, to get that neighbourly Wilson advice, or to get a kick from browsing through bug catchers, an old-timey mariner's weather glass or etched-steel plates for measuring butter. One thing is clear: "It's not going to be for the bolt."

TOOLS *of the* TRADE

Breakdown of Lee Valley's 20,000-plus SKUs



It's not just the stores Lee Valley is trying to modernize. Next door to its Ottawa headquarters, in the Veritas machine shop, a senior manufacturing employee named Rob is standing next to a bright-yellow robot arm, training it to pick up tenon cutters and put them into a lathe. "I've worked on equipment like this since 1993, but this is the first time I'm using it with a robot," Rob says, adding the training process can be a bit of a challenge. "This guy has a bit of an attitude. He will only do one thing—or she will only do... Anyway, they do their job very well."

Investing in this kind of efficiency is a priority for Veritas. Those tenon cutters are frequently on back order, Lee says, and this is exactly the kind of unskilled, repetitive job he wants to automate, freeing up humans for tasks that require judgment and flexibility. "Continuing to make more products in Canada, and continuing to employ more people, not fewer—that's critical," he says.

Lee Valley is also saddled with machinery that's now 25 or 30 years old and on its last legs—and running at half the speed of new models. The company has poured $12 million into the machine shop in the past three years and recently converted a building next door into a second machine shop to accommodate newer equipment and growing operations. "Our big, audacious goal is over 100 years of sustainable growth," Lee says.

But to get to a century, Lee will have to ensure the business successfully changes hands from one generation to the next. The company has already done it once. Robin Lee took over as CEO in 2002, after more than two decades in a variety of roles (interrupted only by his time at the University of Waterloo, where he earned a degree in systems design engineering and worked as a co-op student at IBM). As technology became a bigger part of the business—

"Dad was not an internet guy"—and Leonard decided he wanted to focus more on the medical instruments company he launched in 1998, he decided to hand over the reins. Leonard remained involved in designing new tools, and he also ran a hardware store in the town of Almonte, Ont., as vascular dementia reduced the work he could take on. He died in 2016. (Lorraine still lives on their 75-acre spread, cutting the grass and driving the tractors at the age of 84. Do-it-yourselfing clearly runs in the family.)

Lee stepped into the CEO role with a vast array of experience across the company, and he has a background in product design and tool development his children don't have. "But they will be skilled at other things," he says. The Lees are very much a presence at Lee Valley: Robin's wife, Lucie Robitaille, is chief customer officer. Daughter Annick Robitaille-Lee is divisional merchandising manager in charge of gardening, and son Philippe Robitaille-Lee is marketing content manager. (Tasse, 49, also worked closely with the senior Mr. Lee and has been around so long that Robin sometimes jokingly calls him "one more Lee.")

What Lee Valley faces in the coming years is something many Canadian companies are grappling with: Six out of 10 businesses will change hands in the next decade as boomers retire, and keeping family businesses in the family is getting increasingly difficult. Lee Valley recently acquired two U.S. tool manufacturers when the second generation didn't want to take over.

Robin Lee says he's committed to passing the family business on to the third generation. "We could sell it a million times over, but I wouldn't want to watch what it became," he says, adding that he receives offers regularly. "I could see XYZ accounting firm coming in here and saying, 'Cut this and this, and change this,' and kill the golden goose."

And he's not stepping away any time soon—Lee jokes that his retirement plan is Freedom 85. "It's not about money; it's about your life and what you enjoy doing," he says. "Also, when your name is on the building, it matters what happens under your name."

He smiles.

"There's a little bit of a trap there."

2023 BEST MANAGED COMPANIES

WELCOME *to the* PARTY

THE LEADERS OF THE NEWEST CROP OF CANADA'S BEST MANAGED COMPANIES SHARE THE MANAGEMENT LESSONS THAT HAVE HELPED THEM SUCCEED

BY LIZA AGRBA

Anchor your business in social purpose

ABC Recycling
(Burnaby, B.C.)
220 employees
10 locations

Western Canada's largest scrap metal recycling firm has a well-defined mission statement when it comes to social impact: "We exist to preserve the world's resources, building thriving communities by accelerating metal recycling." That, along with its focus on Tzedakah—the Jewish value of charity—is the 111-year-old company's North Star. Besides diverting up to 20,000 tonnes of scrap waste from landfills every month, ABC has a laundry list of charitable and environmental endeavours: It's a long-time supporter of United Way (having donated more than $400,000 in the past decade); it volunteers time and equipment to support cleanup efforts in forests and waterways; it donates scrap cars for local firefighters to practise auto extrication procedures; and it has entrenched partnerships with Indigenous communities in its regions of operation. In challenging times, like 2015's recycling industry downturn, the fourth-generation business leaned on goodwill built over decades of fortifying community relationships. Poised to triple its size by 2030, ABC's strategy seems to be working.

Establish a formal succession plan

Beaudoin Canada
(Gatineau, Que.)
66 employees
90% revenue growth from 2020–23

Louis-Joseph Beaudoin, CEO of the eponymous project management and construction firm, used to think his sons would take over when he eventually hung up his hat. But when it became clear they weren't interested, he quickly established a formal succession plan. "With around 80 employees directly linked to the company, it's important for me to make decisions for good continuity," he says. The problem was that his chosen successors didn't have the financial capacity to become shareholders, so Beaudoin established a profit-sharing formula that would eventually allow them to do so. Today, the CEO has mostly stepped back from day-to-day operations to allow his three successors to run the show.

Get specific about your shortcomings

Birch Mountain Enterprises
(Fort McKay, Alta.)
389 employees
100% First Nations owned

Founded in 2005, Birch Mountain Enterprises generally showed strong growth.

PHOTOGRAPH ALY AMBLER

Champlain Seafood

(Dieppe, N.B.)
1,700 employees (at summer peak)
8 companies and 17 facilities in Nova Scotia, New Brunswick and Massachusetts

It's a wry premise Hollywood could use: Corporate finance types from the city buy long-established lobster and crab processing facilities in outports, and they and the locals learn valuable lessons from one another.

Champlain is backed by two Montreal private equity firms, Champlain Financial and Claridge Inc., that are assembling a seafood platform out of familiar brands that have been family-owned and run for generations. Among them are Captain Dan's, Boston Wholesale Lobsters and Downeast Cape Bald Packers. They sell to wholesalers, and to big restaurant and supermarket chains.

Champlain Seafood is a primary processor of crab and lobster—basically packing it into 30-pound boxes and shipping it out. Although it also earns some revenue from live lobster. Daily processing capacity is impressive: 700,000 pounds of processed lobster and crab, and up to 2.2 million pounds of live lobster. Some facilities operate year-round, but business is concentrated in the summer, from April to September.

In the middle is David Saucy, Champlain Seafood's chief financial and operating officer, who joined in 2021. He's a CPA and MBA with decades of experience. "It got to the point where they needed a little more horsepower," he says. The Montreal firms had been buying processors since 2015. The idea, Saucy says, is to maintain each business's entrepeneurial spirit by standardizing "things that don't impact the operations and the customers, but make it more efficient"—functions like HR, IT and arranging insurance.

As in the movies, there have been rough spots. "Private equity comes in and says, 'We're buying your company.' You probably don't get a warm and fuzzy feeling about that," says Saucy. But last year he sent video crews out to every facility to interview groups of employees. Out of it came the company's new slogan: Stronger Together. Or, as one employee puts it, "Everybody depends on everybody." **/John Daly**

46

Number of countries that now have their own Best Managed Companies program—though it was born in Canada

The problem: It wasn't clear where that growth stemmed from. Between its multifaceted business streams—waste disposal, hydrovac services, remote washroom facilities, fuel hauling and more—no one was keeping track of the profit-and-loss particulars for every division. But a few years ago, BME hired its first dedicated CFO. It was transformational, giving the management team a detailed breakdown of what was generating the most profit—and where they should divest resources. BME ended up winding down its front-load waste management and doubling down on fluid hauling, to name one significant change. As owner and president Chris Wilson puts it, "We went from a vague understanding that we were winning to a detailed understanding of where and why."

Resilience will get you everywhere

Caravan Group of Cos.

(Oakville, Ont.)
500 employees
80,000 unique delivery locations served

When John Iwaniura and his partners started logistics and warehousing firm Caravan Group 25-plus years ago, everyone said they'd fail both as partners and business owners. "We took that as motivation for our company's success," says Iwaniura. "As humble immigrants, I'm proud that my partners and I turned this once far-fetched idea from a 'Canadian Dream' into a reality." For Iwaniura—along with co-founders Bob Workun, now VP of operations, and safety and compliance officer Paul Merena—resilience and tenacity were key takeaways in the early days. These traits not only got the trio past the aforementioned discouraging remarks, but through challenging economic cycles and the typical hurdles of expansion. Caravan's trucks have collectively travelled one and a half times the distance from Earth to the sun—not bad for a company that was supposedly destined to fail.

Establish a clear vision

Dilawri

(Toronto)
3,600 employees
$4 billion+ in revenue

For Kap Dilawri—co-founder of his namesake automotive dealership group—a clear vision at the outset was the scaffolding for every strategic decision he made down the road. That vision was sustainable growth based on two pillars: brand and geographic diversification. Dilawri's brand partnerships range from Mazda and Honda to Ferrari and Maserati, allowing the company to adapt to market trends. Meanwhile, spreading out limits its exposure to market risk, helping it take advantage of Canada's varied provincial economies—a low in one province may be offset by a high in another. This core vision gives Dilawri an edge when it comes to acquiring dealerships (he owns 80): The company assesses the business case for each deal based on how it fits into its larger portfolio, not local market conditions. "Our strengths have allowed us to step forward and invest when others have chosen not to," he says. "This has been a central contributor to our successful growth."

Treat clients like partners

Energy Transportation Group

(LaSalle, Que.)
153 employees
97% on-time delivery rate

Energy Logistics was a brokerage-only shipping operation when it launched back in 2007. Three years later, the company approached an important potential client that said it would only deal with an asset-based carrier—that is, a company that owns its own equipment and employs its own drivers, as opposed to contracting it out. It was a significant shift for a new firm, but CEO Shawn Girard saw an opportunity to level up, correctly surmising that the client's suggestion would open important new doors—including eventually adding Fortune 500 companies to its client roster. "We asked that client if they would support us on the trucking side if we purchased the equipment, and they said yes," he says. "We saw them as partners, and that approach to relationships became a central pillar of our business. We extend the attitude to vendors and suppliers. It's about making everyone feel valued."

Groupe Renaud-Bray

(Montreal)
2,115 employees
62 Renaud-Bray and Archambault stores

A decade ago, the conventional wisdom in the book trade was that e-books would soon replace physical ones. "But that was never really our vision," says Blaise Renaud, CEO of North America's largest French-language bookseller, Groupe Renaud-Bray, and son of the company's founder, Pierre Renaud. "We didn't jump the gun on moving too far, too fast to e-books." That proved to be a smart move: It turned out most of the retailer's customers still prefer paper, and to this day, e-books constitute a marginal portion of the nearly 60-year-old company's sales.

The company's habit of doing things its own way also served it well when the COVID-19 pandemic hit in 2020. As part of its existing business model, Renaud-Bray already placed an emphasis on speedy delivery, and maintained its own dedicated warehouse and elevated inventories. "Without that warehouse we set up in 2009," says Renaud, "I'm not sure we would have been able to ship the same amount of goods to customers. And we were lucky, because we had plenty of inventory on hand and could sell it to customers online."

Renaud-Bray has, of course, changed its approach over the years. Like other booksellers, it has introduced a wider variety of non-book items into its stores, and the pandemic has changed where some of its customers

PHOTOGRAPHS LIAM MOGAN, PROP STYLING NICOLE BILLARK/PLUTINO

Lean on company culture

eStruxture Data Centers

(Montreal)
135 employees
130 megawatts of combined power

With more than 1,200 customers and 15 locations in Toronto, Montreal, Calgary and Vancouver—each of which

work and shop. But change also brings opportunity. Now that more people are working remotely outside the major urban centres, there will be more stores where they can buy French-language books: "This year, we opened one store on the south shore of Montreal, and the next one will be on the north shore," Renaud says. "We need to make sure our stores are where our customers are." He's not content to cater only to regulars, however. "We have about 50% market share in Quebec," he says. That is a lot, but it still leaves 50% to grow." **/Jaime Weinman**

houses computing resources that store and transfer digital information—eStruxture is the single largest Canadian-owned data centre. Given it only launched in 2017 and experienced much of its growth during the pandemic, that's no small feat. Even as supply chain issues made it difficult to deliver data centre capacity, eStruxture expanded its footprint and brought additional capacity online. Sure, you can put some of that down to technical chops, but founder and CEO Todd Coleman believes the company's inclusive culture allowed it to rise to the top within five years—54% of its employees are BIPOC. "When I founded eStruxture, I knew that while we were building a tech business, we were ultimately building a people and relationship business," he says. "And as our company grew, that core has never changed."

Nothing ventured, nothing gained

Gincor Werx

(Mattawa, Ont.)
315 employees
12,000+ commercial vehicles operating in Ontario

When Luc Stang started Gincor Werx in 2002, he knew the business model wasn't perfect—there were several areas, he says, that lacked the systems and processes that would allow the custom vocational-vehicle manufacturer to run smoothly. "Along with gaps in leadership, these would normally keep others from moving toward growth," says Stang, "but I had a vision and was able to keep building the business. If I'd waited till everything was perfect, we wouldn't have achieved 20 times growth in 20 years." Stang learned it's far better to course-correct as you go than to let a time-sensitive opportunity slide. Now, Gincor has one of the broadest product suites in the industry and is the country's No. 1 producer of dump trucks. Undaunted by obstacles—including some internal opposition—Stang applied the same attitude to its overseas expansion. Its products are now used across four continents. The takeaway: Don't let perfection get in the way of greatness.

Empower your employees

Groupe Morneau

(Saint-Arsène, Que.)
1,468 employees
23 terminals in 3 provinces

Freight transportation and logistics company Groupe Morneau doesn't refer to its employees as such. Instead, the fourth-generation family-owned company calls them collaborators, and the attitude extends well beyond nomenclature. With a flat organizational structure, employees (or collaborators) are assigned a specific role instead of a list of tasks. The idea is that if everyone knows where the ship is going—and has the autonomy to make their own calls—they'll carve out the right tasks to match their assigned role. Nixing a bloated middle-management structure also means company leaders are relatively accessible to everyone, which translates to more synergies. "Our corporate culture is based on trust and offering the conditions to empower our employees," says executive VP and general manager Catherine Morneau. "We must remain agile and attentive to our environment, because the world is changing faster and faster. We have to adapt to remain useful for an evolving society."

2023 BEST MANAGED COMPANIES

Mevotech

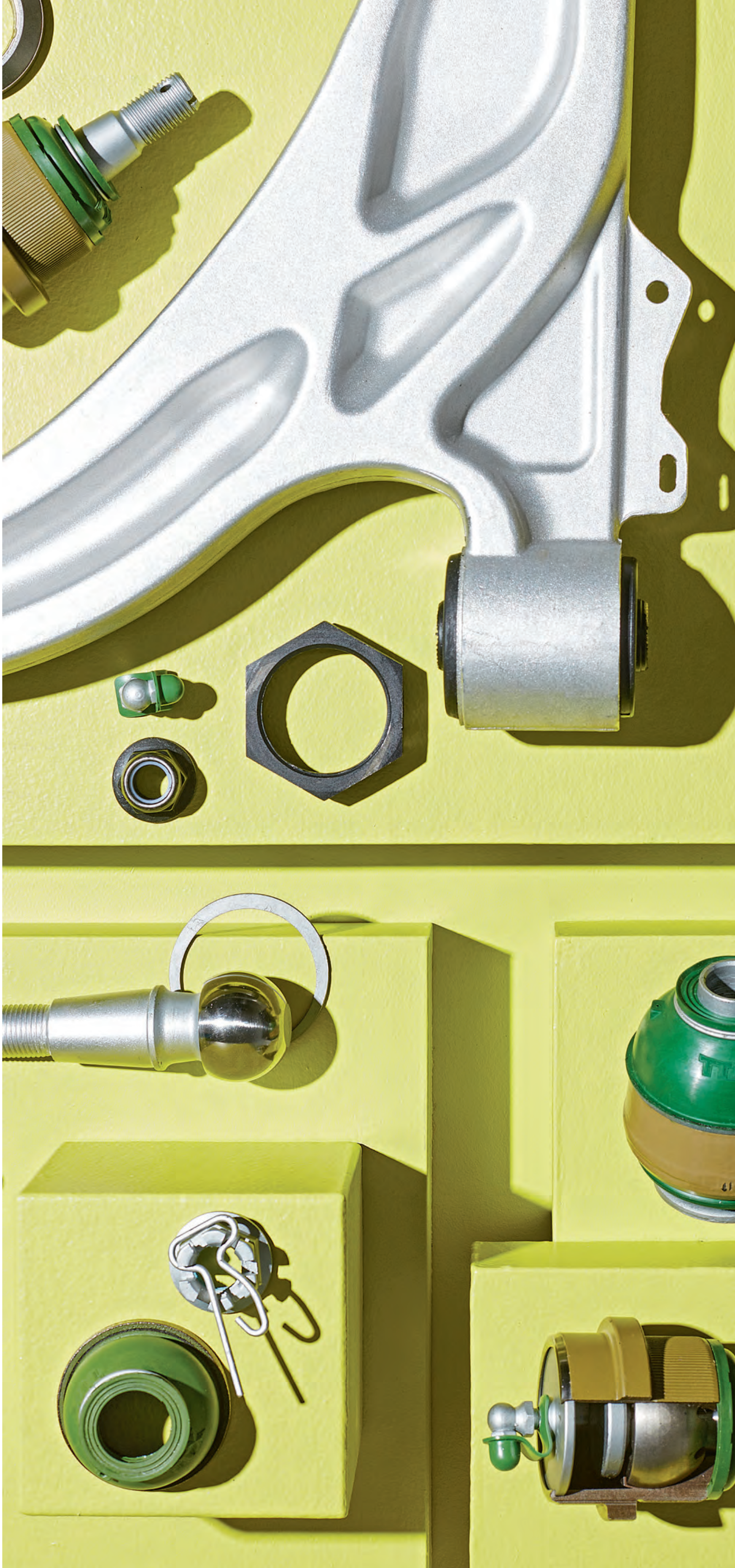
(Toronto)
600+ employees
15,000+ products

It's not every day that an American market leader puts a Canadian business at the top of its list. But that's what happened to Mevotech in January, when the Toronto-based automotive engineering company was named supplier of the year by O'Reilly Auto Parts, a leading automotive retailer in the U.S. "To be recognized as the top vendor really speaks to how innovative and progressive we are," says Mevotech's CEO, Ezer Mevorach, who co-founded the company in 1982.

Indeed, Mevotech is known as a leader in design and engineering, and for being first to market with its products. "That really makes us stand out," says Mevorach. The insistence on being first also led to the profitable decision, years ago, to focus on chassis parts, which management identified as an underserved market before other suppliers did.

Asked about the company's ability to make these decisions, Mevorach points to an agile team culture. "Where a quick decision is required, our senior team and I will meet, debate and take action without much red tape," he says. When the COVID-19 pandemic caused a sudden fall in demand, for example, they immediately decided on a plan to keep their supply chain going uninterrupted, which served them well when demand rebounded.

Today, in addition to maintaining that ability to pivot, Mevotech is focused on being a great place to work in an era when office work is changing rapidly: "Employee morale and work-life balance are very important," says Mevorach, adding, "We have a great culture, a compassionate culture." **/Jaime Weinman**



Give in to transformation

ITI
(Quebec City)
450 employees
5 offices in Quebec City, Montreal, Toronto, Ottawa and Kingston

Five years ago, Quebec-based digital services and consulting firm ITI underwent a major shareholder transition—and with it, a rebrand and thorough reassessment of its offerings. The company went from reselling IT equipment to providing strategic consulting services that cover everything on your IT bingo card, including cloud computing and data analytics. The transition led to a 105% increase in revenue (and counting). For a company that heavily promotes digital transformation for its clients, it makes sense that it would embrace change as a norm. But the key, says president Jonathan Legault, is a basic understanding that even a tech company's stakeholders are people, not machines. "I believe the secret to our success is our ability to listen—to trends, our clients, our partners and our employees," he says. "Thanks to these insights, transformation is the core of our business."

Love what you do

Lee Valley Tools
(Ottawa)
1,000 employees
5,000 different products

To read about how Lee Valley Tools and its second-generation CEO bounced back after the pandemic, read "The sharpest tool in the shed" on page 26.

Trust your instincts

Logistec
(Montreal)
3,700 employees
Operates in 60 ports and 90 terminals across North America

Soon after CEO Madeleine Paquin took over Logistec from her father, a cousin approached her with a radical idea: expand marine cargo handling services and create a new environmental division focused on decontaminating industrial sites. He needed a $750,000 investment, and the CFO at the time advised Paquin against the deal. She went with her gut and today, 40% of Logistec's business is in environmental services, from site remediation to soil and materials management. If Paquin hadn't made that leap, Logistec would have missed out on all 6,500-plus of the projects the company has completed to date. "Put simply, we innovate because the world does not stand still," she says. "There has never been a greater opportunity for our team to support today's economic and environmental imperatives."

Lead by example

Light Speed Logistics
(Rocky View County, Alta.)
500+ employees
1,000+ refrigerated trailers, 330 tractors

Today, food transportation firm Light Speed Logistics (which operates 24-7, 365 days a year) has one of the largest fleets in Western Canada, but it started as a one-truck operation back in 2000. Director of operations Ashish Gill has worn many hats along the way, including dispatcher, HR manager, safety manager and accountant, to name a few. (The only thing he hasn't done is drive a delivery truck.) Gill's jack-of-all-trades mentality was initially a practical necessity, but it became a management edge. "I'm engaged with every aspect of the business on a day-to-day basis," he says. "I have been everywhere my employees are, so I don't believe in managing through memos. I want to lead by example, and I think our staff sees the value in that."

Prepare for the unprecedented

Metro Supply Chain
(Montreal)
6,000+ employees
14 million square feet in 6 countries

If you get a new wave of pandemic fatigue each time you hear "supply chain issues," rest assured specialists are working to stay ahead of whatever unprecedented event befalls us next. "Macro events such as digital transformation, climate change and world conflict continue to impact supply chains everywhere, and each of the industries we support carries its own challenges and opportunities," says Metro Supply Chain CEO Chris Fenton. "It's our job to anticipate what may affect our customers and their markets so we can provide the strategic support they need to meet their goals." In 2021, the company invested $100 million to automate several of its fulfillment facilities—which handle more than 20 billion items annually—to bolster its resilience amid future peaks and valleys in consumer demand.

Give back to get back

Roy
(Anjou, Que.)
2,800 employees
3 acquisitions since 2018

Quebec-based janitorial services company

Roy regularly participates in its clients' fundraising events. Its custodial employees clean and perform other support duties while Roy absorbs all the associated labour and supply costs. Besides being a concrete way to support local causes, CEO Julie Roy (part of the third generation to run the company) sees it as an opportunity to network and advertise the quality of her company's customer service, making it a win-win for Roy and its clients. She also regularly participates in industry panels and juries, volunteers for organizations like United Way, and encourages her management staff to do the same—even if it means volunteering during business hours. It's a genuine effort to give back to the community, but also no small boon for the business.

Look beyond the numbers

Rustica Foods
(Anjou, Que.)
400 employees
40 million pizzas made annually

Rustica Foods started as a 600-square-foot family pizzeria in Montreal North. Over time, the brand grew to commercialize its pizzas, keeping quality at the forefront of its operations. But in 2016, when Rustica decided to start offering frozen pies, something got lost on the production line. "We were making pizzas at very high speeds, and our P&Ls looked great, but we noticed—through customer feedback and internal taste tests—that quality was suffering," says founder and CEO Richard Morgante. Rather than hoping customers would adjust, Morgante ultimately opted to slow down the production process (which includes a kilometre-long production line), sacrificing some speed to stay in line with the brand's original purpose: to offer artisanal-quality goods on a commercial scale. "You can be blinded by profitability," he says. "Looking beyond that was a big lesson for me."

Diversify strategically

Seaboard Transport Group
(Dartmouth, N.S.)
1,500+ employees and contractors
15 terminals across Canada and the U.S.

Seabord Transport started as a petroleum transportation business that delivered to rural service stations on Cape Breton Island. To be precise, it owned exactly one truck and one trailer. Looking to increase its geographic footprint, the company's leaders knew diversification was next on the docket. Seaboard moved into chemical and other liquid and dry bulk transportation, which fuelled growth across the country and into the U.S. market.

29

Years both Boston Pizza and Fountain Tire have been on the list, making them the longest-standing recipients of the Best Managed designation in Canada

Since then, it has further diversified into more sustainable commodities and by providing niche rail-terminal services. "Diversification makes us more resilient and sustainable through improved equipment utility and the creation of more opportunities for our people," says president and COO Mark Shannon. Part of that strategy is acquisitions-based—Seabord has bought more than 30 companies, including its 2021 purchase of Armour Transportation. The latter made it a leading provider of total logistics services—quite a journey for what was once a two-vehicle operation.

Adapt or get left behind

Sinobec
(Saint-Laurent, Que.)
300+ employees
8 storage/distribution centres globally

The aluminum wholesaling business may not immediately come to mind when you think about innovation, but for Sinobec president John Lee, enthusiastically embracing change is his modus operandi. The company's roots are in raw ore trading, but since pivoting to aluminum, Lee's willingness to get a handle on a variety of distinct sectors has been a major boon. Sinobec supplies aluminum solar-panel frames for clean energy providers; high-grade aluminum for the aerospace industry; specialized plates and coils for the truck and oil-tank business; and metals for the IT and electronics world, including to subcontractors for Apple and Foxconn. When the pandemic hit, Lee even branched into personal protective equip-

Blendtek
(Cambridge, Ont.)
55 employees
Creates ingredients for food, pharmaceuticals, packaging and more

When you see a fast-growing startup that develops plant-based proteins and other innovative ingredients, you might assume dietary zealots launched it. Actually, Blendtek co-founder and VP Rob Bianchin says he came from "a pretty meat-and-potatoes family." What he and president

Steve Zinger started with in 2014 was a distribution centre left orphaned after Zinger's family sold its salt business, and a focused plan.

Bianchin, 35, graduated from Wilfrid Laurier University with a business degree and spent five years in Silicon Valley before returning home. Blendtek has been built on three pillars: a team of experts help clients develop new foods, beverages or supplements; a selection and distribution arm helps manufacturers procure ingredients; and a custom operation combines inputs for bakeries and other food processors.

To do all that, Blendtek works with large and small suppliers and customers. Big deals in the past year include partnerships with global giant Bunge Ltd. (to distribute its proteins in North America) and Cargill Inc. (to distribute oils, sweeteners, cocoa and more).

"When I came into this industry, I learned there were fads, trends and mainstays," says Bianchin. With a compound annual growth rate that consistently averages 20%, Blendtek has found its sweet spot. **/John Daly**

ment, establishing a full-fledged medical supply operation; the stable revenue stream allowed Sinobec to minimize COVID-19 layoffs. "As company leaders," he says, "we have to be ready to adapt to market trends."

Don't spread out your R&D

StackAdapt
(Toronto)
1,000 employees
Operates in 15 countries

The machine learning–based advertising software firm StackAdapt—whose programmatic platform makes 108 billion decisions each *second*—started expanding south of the border in 2020. Before that, the 175-strong team was concentrated in Toronto. The first step was migrating some sales and marketing employees, after which CEO Ildar Shar had to decide what to do with its core: the engineers who make the product run. He decided to keep StackAdapt's entire engineering force in Toronto, figuring in-person collaboration was especially important for R&D. Now, the company operates in 15 countries, and all employees work remotely but with unlimited access to co-working space. Turns out Shar's early call was right on the money—of all its employees, the engineers use the co-working facilities the most, regularly meeting in person to flesh out ideas. And Shar suspects that's the secret sauce to StackAdapt's success

Embrace new-school work culture

Synergie Canada Inc.
(Boisbriand, Que.)
105 employees
50,000 annual imports/exports

For many businesses with deep roots, the old ways of doing things can have a stranglehold on corporate culture. Not so with Synergie, a logistics and international transport company that covers 187 countries. Five or so years ago, president Marc-André Guindon and VP Sebastien Suicco decided to see if a new, fun-centered approach could help distinguish the business from its competitors. Besides installing arcade games in the office and instituting a casual-dress policy, they started letting employees self-schedule and reduced the number of days they were expected to work in-office. In the past four years, sales have tripled, the headcount has more than doubled, and the company has fixed a nagging employee retention issue, which in turn increased the average seniority of its staff and improved customer experience. "We learned that creating a fun and enjoyable work environment is a necessity, not a luxury," says Guindon.

Ren's Pets

(Oakville, Ont.)
700 employees
6 stores opening in 2023

Scott Arsenault has been with Ren's Pets so long that he still remembers when it was a small business. "I've been here since store No. 3," says the company's CEO. Today, it's a chain of 50 shops with a devoted following of fur moms and dads—who can buy everything from puppy strollers, canine cologne and cat trees to rawhide treats, food dishes and calming hemp oil—plus a bevy of awards celebrating its retail prowess.

Much of that success comes from shrewd management, including the company's decision in 2021 to partner with DoorDash to deliver pet food. "We were the only retailer doing that, so that's why we won—we could get it to people within hours," says Arsenault. Another innovation was to invest early in walk-in freezers for perishable food—a huge investment that paid off. "Now, we have them in 90% of our stores, and we are by far the leader in Canada in that frozen category," he says.

The company (now owned by Quebec's Legault Group) is anything but icy, however. "We're becoming more caring and socially responsible, and we're listening more to our teams," says Arsenault. Intitiatives include investing more in sustainability and forming a committee called the "Turnover Troop" to help increase employee retention.

Ren's Pets also just completed its first employee engagement survey, with a completion rate of nearly 65%—high for retail and a very good sign, as far as Arsenault's concerned. "If you have low engagement, people don't care about giving feedback," he says. "This shows they believe we're going to take the feedback and make the company better." **/Jaime Weinman**

Don't neglect the human element

Transit
(Lévis, Que.)
135 employees
99.8% order accuracy

It should come as no surprise that an automotive parts manufacturer and distributor like Transit, with $65 million in annual revenue, invests heavily in technology to stay competitive. From automating parts of its shipping process to developing an intuitive online ordering system, Transit owes much of its growth to an enthusiastic embrace of technological innovation. But what distinguishes this company from its competition is an unwavering focus on people. Transit models its office amenities on Silicon Valley, runs a heavily discounted auto repair shop for employees and operates on a flexible-hours policy. Even warehouse employees have flexible schedules—there's no bell-ringing for breaks. It's been a boost for culture and employee retention, and clients—mostly auto parts retailers—benefit from a happier, more engaged workforce.

Know the lay of the land

Tulloch Engineering
(Huntsville, Ont.)
400 employees
Employees travel 4 million km each year

Tulloch Engineering operates in a roughly 2,000-kilometre stretch between Ottawa and the Manitoba border. According to CEO Mark Tulloch, running a multifaceted engineering business that covers a huge swath of northern Ontario means this isn't cubicle engineering—Tulloch employees travel long distances between projects and are sometimes the only engineer for a significant distance. "Besides being willing to travel, you have to be a jack-of-all-trades in the north," says Tulloch. "You can't be a specialist. People will rely on you to do all sorts of things that might otherwise fall to multiple people." That's the reasoning behind one of Tulloch's core values: giving freedom and responsibility to every team member. Being a generalist, Tulloch knows, means operating with considerable autonomy. This is a company that thoroughly understands its geographic situation and leverages its workforce accordingly.

Let your purpose drive decisions

Universal Group
(Langley, B.C.)
2,500 employees
900+ traffic support vehicles

In 2019, Michael Menzies, CEO of the traffic control company Universal Group, sat down with his leadership team to create a mission statement and list of core values. Universal had grown quickly since its 2016 founding, and its other leaders thought the company's culture needed stronger scaffolding. Menzies was initially reluctant. "Aside from the challenge of staying awake in these types of sessions, you usually come out with a convoluted mission statement and a five-year plan you never look at again," he says. But thanks in part to a skilled facilitator, this time was different. The purpose that emerged was to "provide peace of mind to both our clients and team members," with the core values of being "passionate, authentic and driven." It sounds simple, but it's actionable, and that's the point. Now, no matter the decision or at what level it's being made, Menzies asks his staff to act according to the company's purpose. Since 2019, Universal (which has more than $200 million in annual revenue) has completed nine acquisitions; having a common focus has made all the difference to successful integration.

Make friends with criticism

Verve Senior Living
(Toronto)
2,450 employees
32 residences serving 5,000 seniors

When Verve Senior Living (known formally as Diversicare) sets out to build a new residence, it first engages construction and operations managers in a "lessons learned" exercise. Employee and resident feedback from past projects feeds into the new design, too. "We apply a continuous-improvement loop to our designs, resident programs and team-member engagement," says CEO David Bird. "We recognize that constructive criticism makes us better at what we do." Said criticism is gathered via regular surveys, implemented wherever possible, and reviewed in follow-up meetings with staff and resident councils. For instance, in an effort to support residents' health, the company used to offer exclusively healthy meals on certain days—think salmon and sweet potato fries instead of battered fish and chips. But after residents complained about lack of choice, comfort-food classics now appear alongside lighter fare. For Bird, change is about humility and maintaining a growth mindset. When you make peace with the fact that you'll make mistakes, correcting course comes easier.

One additional newcomer to the Best Managed Companies list: Therrien Engineering (Nicolet, Que.)

CANADA'S BEST MANAGED COMPANIES

METHODOLOGY

Established in 1993, Canada's Best Managed Companies recognizes excellence in private Canadian-owned companies. *The Globe and Mail* is a media sponsor of the program in partnership with Deloitte.

To be eligible for the Best Managed program, companies must be privately owned, headquartered in Canada and have revenues of $50 million or more. In terms of ownership, a company must be privately owned, including private equity portfolio companies. They can also be Canadian-owned co-operatives or foreign-owned with Canadian-based headquarters; a private company where the management team resides in Canada; or a Canadian-owned closely held public company with fewer than 50% of its shares or units traded.

Each applicant undergoes a multistep evaluation of management abilities and practices across four pillars: strategy; culture and commitment; capabilities and innovation; and governance and financials.

In terms of strategy, Best Managed companies must have a formal methodology for strategy development, ensure the strategy reflects all stakeholders, have the right capabilities and metrics in place to execute, and clearly and consistently communicate the strategy to all levels of the organization.

Best Managed companies must also prove their culture and commitment by building a strong corporate culture and legacy, actively developing their people and leadership team, providing a holistic compensation system, and addressing continuity issues within the company.

To show their capabilities and innovation, Best Managed Companies develop valuable capabilities and resources, are highly execution-oriented, are focused on productivity and innovation, and are thoughtful about hiring the right people to execute their business model and strategy.

For the fourth pillar, Best Managed Companies are expected to install strong governance structures, use KPIs to manage progress, maintain a strong balance sheet, and apply the financial discipline required to drive revenue growth, improve operating margin and increase asset efficiency.

For 2023, there are 30 new Best Managed Companies on the total list of 486. The remaining 456 companies are divided into three groups based on the number of years they have been included in the program. Best Managed winners: two to three years; Gold Standard winners: four to six years; Platinum Club members: seven-plus years.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YEARS IN A ROW

2023 BEST MANAGED COMPANIES

STILL *the* BEST

WELCOME BACK TO THESE 456 BEST MANAGED COMPANIES

BEST MANAGED 2 TO 3 YEARS ON THE LIST

	COMPANY/HEADQUARTERS	LEADER	SECTOR
1	**AAG Tailored Cutting Solutions** Burlington, Ont.	Luke Hansen-MacDonald	Manufacturing
2	**Adfast Canada Inc.** Saint-Laurent, Que.	Cindy Dandurand	Manufacturing
3	**Almita Piling** Edmonton	Jeff Lloyd	Industrial products
4	**Aquifer Group of Cos.** Saskatoon	Glenn Wig	Consumer
5	**Auto Export Corp.** St. Catharines, Ont.	Andrew Pilsworth	Automotive
6	**Automobile en direct.com inc.** Saint-Constant, Que.	Sébastien Bisaillon	Automotive
7	**Averna** Montreal	François Rainville	Testing and quality control
8	**BE Power Equipment** Abbotsford, B.C.	Curtis Braber	Manufacturing
9	**BioScript Solutions** Moncton, N.B.	Heather Tulk	Life sciences and health care
10	**Bondi Produce & Specialty Foods** Toronto	Gus Bondi	Wholesale and distribution
11	**Book Depot Inc.** Thorold, Ont.	Wilf Wikkerink	Wholesale and distribution
12	**Brookdale Treeland Nurseries Ltd.** Schomberg, Ont.	Jeff Olsen	Wholesale and distribution
13	**Carrington Group of Cos.** Edmonton	Dan Slaven	Construction
14	**Centra Windows** Langley, B.C.	Garett Wall	Manufacturing
15	**CMP Advanced Mechanical Solutions** Châteauguay, Que.	Steve Zimmermann	Manufacturing
16	**Comptoir Agricole Ste-Anne Inc.** Repentigny, Que.	Sébastien Fréchette	Agriculture
17	**Crawford Packaging** London, Ont.	Clarence Covey	Industrial products
18	**De La Fontaine** Sherbrooke, Que.	Gabriel de La Fontaine	Manufacturing
19	**Duvaltex** Quebec City	Alain Duval	Retail
20	**GrainsConnect Canada** Calgary	Warren Stow	Agriculture
21	**Groupe Beaucage** Sherbrooke, Que.	Daniel Beaucage	Automotive
22	**Groupe Boucher Sports** Quebec City	Martin Boucher	Retail
23	**Groupe Ouellet Canada Inc.** L'Islet, Que.	Martin Beaulieu	Manufacturing
24	**Groupe Park Avenue Inc.** Brossard, Que.	Norman Hébert	Automotive
25	**Groupe Tornatech Inc.** Laval, Que.	Dominic Bergeron	Manufacturing
26	**Gusto 54 Restaurant Group** Toronto	Janet Zuccarini	Restaurants
27	**H.H. Angus & Associates Ltd.** Toronto	Harry Angus	Consulting
28	**HGrégoire** Saint-Eustache, Que.	John Hairabedian	Automotive
29	**Inflector Environmental Services** Ottawa	Jeffrey W. Clarke	Industrial services
30	**Ironclad Developments Inc.** Springfield, Man.	Ryan Van Damme	Financial Services
31	**L. Fournier et fils inc.** Val-d'Or, Que.	Jérémi Fournier	Mining
32	**LCI Education** Montreal	Claude Marchand	Government and public services
33	**lg2** Montreal	Claude Auchu	Advertising
34	**Logistik Unicorp Inc** Saint-Jean-sur-Richelieu, Que.	Chris Dixon	Consumer
35	**Magna IV Engineering Inc.** Edmonton	Kelly Butz	Engineering
36	**Mastermind Toys** Scarborough, Ont.	Sarah Jordan	Retail
37	**Medicom** Pointe-Claire, Que.	Guillaume Laverdure	Life sciences and health care
38	**MedSpa Partners Inc.** Toronto	Dominic Mazzone	Life sciences and health care
39	**Mikisew Group of Cos.** Enoch, Alta.	Dan Gallagher	Government and public services
40	**Miralis inc.** Saint-Anaclet-de-Lessard, Que.	Daniel Drapeau	Manufacturing
41	**MOBIA** Dartmouth, N.S.	Rob Lane	Telecommunications
42	**MP Lundy Construction Inc.** Ottawa	Sean Lundy	Construction
43	**Muraflex** Montreal	Fernando Petreccia	Manufacturing
44	**Neighbourly Pharmacy** Toronto	Chris Gardner	Life sciences and health care
45	**New Look Vision Group** Saint-Laurent, Que.	Antoine Amiel	Retail
46	**Norbec** Boucherville, Que.	Jan Lembregts	Manufacturing
47	**Norda Stelo Inc.** Quebec City	Alex Brisson	Construction
48	**ORAM Mécanique du bâtiment** Mirabel, Que.	Marie-Claude Allaire	Industrial products
49	**Osmow's** Mississauga	Ben Osmow	Restaurants
50	**P3 Veterinary Partners Inc.** Oakville, Ont.	Bruce Campbell	Life sciences and health care
51	**Peavey Industries LP** Red Deer, Alta.	Doug Anderson	Retail
52	**Policaro Group** Brampton, Ont.	Francesco Policaro	Automotive
53	**Polykar** Saint-Laurent, Que.	Amir Karim	Manufacturing
54	**Préval AG inc.** Saint-Hyacinthe, Que.	Fabien Fontaine	Agriculture

	COMPANY/HEADQUARTERS	LEADER	SECTOR
55	**Previan** Quebec City	Martin Theriault	Technology
56	**Priestly Demolition Inc.** King, Ont.	Ryan Priestly	Demolition
57	**Rockwood Custom Homes** Calgary	Allison Grafton	Construction
58	**Samuel, Son & Co.** Oakville, Ont.	Colin Osborne	Industrial products
59	**Seafair Capital** St. John's	Anne Whelan	Government and public services
60	**Seasons Retirement Communities** Oakville, Ont.	Mike Lavallee	Life sciences and health care
61	**Showcase** Brampton, Ont.	Samir Kulkarni	Retail
62	**Six Nations of the Grand River Development Corp.** Ohsweken, Ont.	Matt Jamieson	Government and public services
63	**Sollio Groupe Coopératif** Montreal	Pascal Houle	Agriculture
64	**Spectrum Health Care** Toronto	Sandra Ketchen	Life sciences and health care
65	**State Window Corp.** Vaughan, Ont.	Christopher Liberta	Engineering
66	**The PUR Company Inc.** Toronto	Jay Klein	Consumer
67	**Tri-Mach Group Inc.** Elmira, Ont.	Krystal Darling	Manufacturing
68	**Trudell Medical Ltd.** London, Ont.	Gerald Slemko	Life sciences and health care
69	**Turf Care Products Canada** Newmarket, Ont.	Paul McLean	Wholesale and distribution
70	**Urban Life Solutions** Calgary	John Bogert	Landscaping and maintence
71	**Wellington-Altus Private Wealth** Winnipeg, Man.	Shaun Hauser	Financial Services
72	**Westech Industrial Ltd.** Calgary	Jason Lapp	Technology

GOLD STANDARD 4 TO 6 YEARS ON THE LIST

73	**Acadian Construction** Dieppe, N.B.	David Savoie	Construction
74	**AG Hair** Coquitlam, B.C.	Graham Fraser	Manufacturing
75	**AIL Group of Coss** Sackville, N.B.	Micheal Wilson	Energy, Resources & Industrials
76	**AirSprint Inc.** Calgary	James Elian	Aviation
77	**Airstart Inc.** Mississauga	Robert Wills	Aerospace
78	**Amisco** L'Islet, Que.	Réjean Poitras	Manufacturing
79	**Anatolia Tile + Stone** Vaughan, Ont.	Berrin Elmaagcli	Wholesale and distribution
80	**Arbor Memorial** Toronto	David Scanlan	Death care
81	**Artitalia Group Inc.** Montreal	Antonio Vardaro	Manufacturing
82	**Barkman** Steinbach, Man.	Alan Barkman	Manufacturing
83	**Bee-Clean Building Maintenance** Edmonton	Brian Gingras	Janitorial
84	**Behaviour Interactive** Montreal	Rémi Racine	Video Games
85	**BMI Canada Inc.** Boisbriand, Que.	Marc Bouthillette	Wholesale and distribution
86	**Bond Brand Loyalty** Toronto	Robert Macdonald	Business services
87	**Bradford Greenhouses Ltd.** Springwater, Ont.	Len Ferragine	Agriculture
88	**BrettYoung** Winnipeg	Calvin Sonntag	Agriculture
89	**Bryton Marine Group** Vernon, B.C.	Byron Bolton	Manufacturing
90	**Campbell Bros. Movers Ltd.** London, Ont.	Adam Campbell	Transportation

	COMPANY/HEADQUARTERS	LEADER	SECTOR
91	**Caron Transportation Systems** Sherwood Park, Alta.	Bruno Muller	Transportation
92	**CEDA** Calgary	Kevin Fleury	Environtmental services
93	**Chambers Transportation Group Ltd.** Vernon, B.C.	David Chambers	Transportation
94	**Champion Petfoods** Edmonton	Blaine McPeak	Retail
95	**ClearTech Industries Inc.** Saskatoon	Randy Bracewell	Industrial products
96	**Clio** Burnaby, B.C.	Jack Newton	Technology
97	**CMiC** Toronto	Gord Rawlins	Technology
98	**Cofomo** Montreal	Régis Desjardins	Information Technology
99	**Conestoga Meats** Breslau, Ont.	Arnold Drung	Meat processing
100	**Crystal Group** Toronto	Roger Hwang	Cosmetics manufacturing
101	**Delnor Construction Ltd.** Edmonton	Glenn Cyrankiewicz	Construction
102	**Donna Cona Inc.** Ottawa	John Bernard	Consulting
103	**Eddy Group Ltd.** Bathurst, N.B.	Keith Assaff	Wholesale and distribution
104	**Electrozad Supply Co. Ltd.** Windsor, Ont.	William Smith	Wholesale and distribution
105	**Element Technical Services** Calgary	Jason Nikish	Oil and gas
106	**Elite Integrity Services** Calgary	Shawn Kirwan	Industrial products
107	**emergiTEL Inc.** Richmond Hill, Ont.	Aneela Zaib	Business services
108	**Energera Inc.** Acheson, Alta.	J. Todd Van Vliet	Business services
109	**Fourgons Transit Truck Bodies** Laval, Que.	Louis Leclair	Manufacturing
110	**Franchise Management Inc.** Woodstock, N.B.	Greg Walton	Restaurants
111	**Fruit d'Or Inc.** Villeroy, Que.	Carl Blouin	Wholesale and distribution
112	**FYidoctors** Calgary	Al Ulsifer	Life sciences and health care
113	**Geotab** Oakville, Ont.	Neil Cawse	Technology
114	**Go Auto** Edmonton	Jason Smith	Automotive
115	**Groupe Intersand** Boucherville, Que.	Stéphane Chevigny	Wholesale and distribution
116	**Harnois Énergies** Saint-Thomas, Que.	Serge Harnois	Wholesale and distribution
117	**Henry's** Toronto	Gillian Stein	Retail
118	**Index Exchange** Toronto	Andrew Casale	Advertising
119	**JNE Welding** Saskatoon	Adam Logue	Industrial products
120	**Kohltech Windows and Entrance Systems** Debert, N.S.	Kevin Pelley	Manufacturing
121	**Kruger Products Inc.** Mississauga	Dino Bianco	Manufacturing
122	**Lamour Group** Montreal	Martin Lieberman	Retail
123	**Les Toitures Hogue** Blainville, Que.	Jocelyn Hogue	Construction
124	**Location Brossard Inc.** Dorval, Que.	Guy Brossard	Transportation
125	**M.I. Integration** Sherbrooke, Que.	Francine Guay	Automotive
126	**Marco Group Ltd.** St. John's	Christopher Hickman	Construction
127	**Maritime Paper Products LP** Dartmouth, N.S.	Sheldon Gouthro	Manufacturing
128	**Mary Brown's** Markham, Ont.	Gregory Roberts	Restaurants

Listening, adapting and staying relevant are keys to success at ITI

Jonathan Legault, president, ITI.

The secret to success at ITI is not just listening to customers and employees, but acting on what the company hears.

"We're attentive to our clients' needs, but we also pay close attention to our partners' vision and to market innovations and trends," says ITI president Jonathan Legault. "We listen to our employees, to their ideas and ambitions. And we implement tools, processes and analytics to gather as much data as possible to make informed decisions, whether they concern our service offering or our management priorities."

Thanks to these insights, Mr. Legault says the company has been able to evolve and adapt when required – something it has been doing for more than 30 years.

"As a team, we've decided that evolution should be the norm," he says. "As we grow, we make sure to maintain agility in our planning, our offer, our business model, and our management style. To promote IT and operational transformation as key to improve our clients' competitiveness, we need to walk the talk ourselves, and put transformation at the core of our business."

Founded in 1991, ITI (formerly known as ProContact) has evolved from being IT resellers to strategic consultants who provide technology services and solutions for businesses and public sector organizations across the country. Along with the transformation, ITI moved from an entrepreneurial management style to a structured management framework, and evolved its family-oriented workplace culture into one that is more structured and measurable.

With the repositioning of ITI – and a growing roster of more than 1,700 clients – the company has seen its revenue take off, more than doubling from $132-million to $270-million in the last five years. Its workforce has also grown almost 30 per cent in that time, with more than 500 employees across Canada.

"We've grown alongside our clients in recent years, following our new vision to become a market leader and focus on sustained and manageable growth," says Mr. Legault. "In the last five years, with new shareholders, a new business and brand strategy, and our new ITI name and positioning – IT Intelligence, Human Intelligence – we have become a team of visionaries and passionate people recognized as a Canadian leader in technological transformation."

To keep up with demand, ITI has increased both its acquisitions and its offerings to clients, which include five technological pillars: networking and security; modern workplace; data centre and infrastructure; cloud transformation; and business intelligence and analytics.

ITI is particular about who it teams up with, as the company wants to keep its culture and focus strong, even as growth accelerates. "The main criteria when we find companies [to partner with or acquire] is they have a similar cultural fit," says Mr. Legault. "They have to value our entrepreneurial principles, such as our focus on being agile and listening to our employees – because that's our secret ingredient."

For Mr. Legault, it's paramount to foster a culture where employees are (and feel) valued for their creativity and contributions. "The best part about us, and what makes us unique, is our people," he says.

The company regularly checks in with employees, asking how the company can improve to ensure their satisfaction in the workplace. "Once a month, we ask our employees why they like working with us, and the No. 1 thing we hear is that people appreciate the culture," Mr. Legault explains.

While truly listening to its employees is a key differentiator, Mr. Legault stresses those voices must come from different backgrounds and experiences to make the most impact. That's why ITI has increased its diversity efforts, with women now making up 26 per cent of its employees, a 10-per-cent increase in the last five years.

"I don't want to hire people who are exactly like me, who think like me, because to be collaborative and creative together, you need people with different backgrounds and experiences," says Mr. Legault. "It's another one of our differentiators in the market – our collective intelligence."

	COMPANY/HEADQUARTERS	LEADER	SECTOR
129	**Mattamy Homes** Toronto	Brad Carr	Real estate
130	**McKeil Marine** Burlington, Ont.	Scott Bravener	Transportation
131	**Membertou Development Corp.** Membertou, N.S.	Terrance Paul	Government and public services
132	**mform Construction Group** Toronto	David Allen	Consruction
133	**Mint Pharmaceuticals Inc.** Mississauga	Jaiveer Singh	Life science and health care
134	**Modern Beauty Supplies** Calgary	Mike Jomaa	Wholesale and distribution
135	**Mondou (Groupe Legault)** Montreal	Pierre Leblanc	Retail
136	**Mulvey & Banani** Toronto	Domenic Bonavota	Engineering
137	**MyHealth Centre** Toronto	Suresh Madan	Life sciences and health care
138	**Nanometrics Inc.** Kanata, Ont.	Ian Talbot	Technology
139	**Nautel** Hacketts Cove, N.S	Kevin Rodgers	Telecommunications
140	**Naylor Building Partnerships Inc.** Oakville, Ont.	Tom Hitchman	Engineering
141	**Nightingale** Mississauga	Ed Breen	Manufacturing
142	**OSL Retail Services** Mississauga	Brett Farren	Business services
143	**Payment Source Inc.** Ottawa	Robert Hyde	Technology
144	**Point S Canada** Boucherville, Que.	Jean Novak	Automotive
145	**priMED Medical Products** Edmonton	David Welsh	Life sciences and health care
146	**QSL** Quebec City	Robert Bellisle	Transportation
147	**Quinlan Brothers Ltd.** St. John's	Robin Quinlan	Fisheries
148	**Regional Group** Ottawa	Sender Gordon	Real estate
149	**Romet Ltd.** Mississauga	Brent Collver	Utilities
150	**SFM** Montreal	Randal Tucker	Wholesale and distribution
151	**Sharethrough** Montreal	Jean-Francois Cote	Technology
152	**Spinrite** Listowel, Ont.	Ryan Newell	Retail
153	**StemCell Technologies** Vancouver	Allen Eaves	Technology
154	**Targray** Kirkland, Que.	Andrew Richardson	Resources
155	**Techo-Bloc Inc.** St.Hubert, Que.	Charles Ciccarelo	Retail
156	**The Deveraux Group of Cos.** Regina	Denis Jones	Real estate
157	**The Inland Group of Cos.** Truro, N.S.	Roger Langille	Transportation
158	**Trotman Auto Group** Surrey, B.C.	Mike Trotman	Automotive
159	**Viva Naturals** Toronto	Husayn Remtulla	Food manufacturing
160	**VMAC** Nanaimo, B.C.	Jim Hogan	Automotive
161	**Wesgroup Equipment** Surrey, B.C.	Dhar Dhaliwal	Heavy machinery
162	**Whitewater West Industries Ltd.** Richmond, B.C.	Geoff Chutter	Manufacturing
163	**Wills Transfer Ltd.** Smiths Falls, Ont.	Terry Wills	Transportation
164	**Winters Instruments Ltd.** Toronto	Jeffrey Smith	Industrial products
165	**WZMH Architects** Toronto	Zenon Radewych	Architecture
166	**Zulu Alpha Kilo** Toronto	Mike Sutton	Advertising

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	COMPANY/HEADQUARTERS	LEADER	SECTOR
167	**A&W Food Services of Canada Inc.** North Vancouver	Susan Senecal	Restaurants
168	**Acadian Seaplants Ltd.** Dartmouth, N.S.	Jean-Paul Deveau	Agriculture
169	**Adastra Corp.** Toronto	Darren Edery	Information technology
170	**AFD Petroleum Ltd.** Edmonton	Parker McLean	Oil and gas
171	**Agilus Work Solutions** Edmonton	Craig Brown	Business services
172	**Agri-Marché Inc.** Saint-Isidore, Que.	Patrice Brochu	Agriculture
173	**Agrocrop Exports Ltd.** Bolton, Ont.	Yash Karia	Agriculture
174	**All Weather Windows** Edmonton	Richard Scott	Manufacturing
175	**Alliance Energy Ltd.** Regina	Bryan Leverick	Energy
176	**Almag Aluminum** Brampton, Ont.	Bob Peacock	Mining
177	**Altis Recruitment & excelHR** Ottawa	Kathryn Tremblay	Business services
178	**Aplin** Calgary	Jeff Aplin	Business services
179	**Apollo Health and Beauty Care** Toronto	Richard Wachsberg	Manufacturing
180	**Arconas** Mississauga	Dan Nussbaum	Indusrial products
181	**Armco Group of Cos.** Halifax	George Armoyan	Real estate
182	**Armour Transportation Systems** Moncton	Mark Shannon	Transportation
183	**Armstrong Fluid Technology** Toronto	Todd Rief	Manufacturing
184	**Arpi's Industries Ltd.** Calgary	Julie Berdin	Industrial products
185	**Artopex Inc.** Granby, Que.	Daniel Pelletier	Industrial products
186	**ASL Distribution Services Ltd.** Oakville, Ont.	Cole Dolny	Transportation
187	**ASL Paving Ltd.** Saskatoon	Drew Mitchell	Construction
188	**Associated Engineering** Edmonton	Martin Jobke	Consulting
189	**Atlantic Coated Papers** Whitby, Ont.	David Granovsky	Forestry and paper
190	**ATS Traffic Ltd.** Edmonton	Bobby Cantera	Consumer
191	**AV Gauge & Fixture Inc.** Oldcastle, Ont.	Tim Campeau	Manufacturing
192	**Avison Young** Toronto	Mark Rose	Real estate
193	**Bäckerhaus Veit Ltd.** Mississauga	Adam Carr	Food manufacturing
194	**Bayshore HealthCare** Mississauga	Stuart Cottrelle	Life science and health care
195	**BBA** Mont-Saint-Hilaire, Que.	Jérôme Pelletier	Energy, resources and industrials
196	**BCF SENCRL LLP** Montreal	Jocelyn Poirier	Business services
197	**BEST For a Cleaner World** Coquitlam, B.C.	Bruce Taylor	Business services
198	**Bill Gosling Outsourcing** Newmarket, Ont.	David Rae	Business services
199	**Biron Groupe Santé** Brossard, Que.	Caroline Biron	Life sciences and health care
200	**Bison Transport** Winnipeg	Rob Penner	Transportation
201	**Black Cat Wear Parts** Edmonton	James Buxton	Manufacturing
202	**Blue Water Group** Dartmouth, N.S.	Patrick Wilson	Wholesale and distribution


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	COMPANY/HEADQUARTERS	LEADER	SECTOR
203	**Boire & Frères inc.** Wickham, Que.	Pierre Rivard	Agriculture
204	**Borger Group of Cos.** Rocky View County, Alta.	William Borger	Industrial products
205	**Boston Pizza International Inc.** Richmond, B.C.	Jordan Holm	Restaurants
206	**Boulangerie St-Méthode inc.** Adstock, Que.	Benoit Faucher	Food manufacturing
207	**Brandt Group of Cos.** Regina	Shaun Semple	Industrial products
208	**BroadGrain Commodities** Toronto	Zaid Qadoumi	Agriculture
209	**Brock Solutions** Kitchener, Ont.	Vivienne Ojala	Industrial products
210	**Burnbrae Farms Ltd.** Lyn, Ont.	Margaret Hudson	Food manufacturing
211	**Cactus Restaurants Ltd.** Vancouver	Richard Jaffray	Restaurants
212	**Campus Living Centres** Toronto	Ray Stanton	Government and public services
213	**CANA Group of Cos.** Calgary	Luke Simpson	Construction
214	**Canad Inns** Winnipeg	Dan Lussier	Hospitality
215	**Canadian Tire Corp.** Toronto	Greg Hicks	Retail
216	**Canarm Ltd.** Brockville, Ont.	David Beatty	Wholesale and distribution
217	**Cando Rail & Terminals** Brandon, Man.	Brian Cornick	Transportation
218	**Capital Paving Inc.** Guelph, Ont.	Geoffrey Stephens	Construction
219	**C.A.T. Holding** Coteau-du-Lac, Que.	Daniel Goyette	Transportation
220	**CBCL** Halifax	John Flewelling	Consulting
221	**CBI Health** Toronto	Jon Hantho	Life science and health care
222	**CCI Inc.** Cochrane, Alta.	Brent Goerz	Consulting
223	**CenterLine (Windsor) Ltd.** Windsor, Ont.	Michael Beneteau	Automotive
224	**Challenger Motor Freight** Cambridge, Ont.	Daniel Einwechter	Transportation
225	**Chandos Construction** Edmonton	Tim Coldwell	Construction
226	**Charger Logistics** Brampton, Ont.	Andy Khera	Transportation
227	**Charm Diamond Centres** Dartmouth, N.S.	Richard Calder	Retail
228	**Cherubini Group of Cos.** Dartmouth, N.S.	Darren Czech	Manufacturing
229	**Coast Capital Savings Credit Union** Surrey, B.C.	Calvin MacInnis	Financial Services
230	**Coleman's Food Centres** Corner Brook, N.L.	Frank Coleman	Grocery
231	**Conestoga Cold Storage Ltd.** Mississauga	Greg Laurin	Storage
232	**connectFirst Credit Union** Calgary	Wellington Holbrook	Financial Services
233	**Contrôles Laurentide** Kirkland, Que.	Steve Dustin	Industrial products
234	**Cooke Aquaculture Inc.** Blacks Harbour, N.B.	Glenn Cooke	Food manufacturing
235	**Cowan Insurance Group** Cambridge, Ont.	Janet Peddigrew	Financial Services
236	**Cowater International** Ottawa	David Baron	Business services
237	**Crosbie** St. John's	Mark Collett	Oil and gas
238	**D2L Corp.** Kitchener, Ont.	John Baker	Education
239	**Dancor/Coreydale** London, Ont.	Danny Sanita	Energy, resources and industrials
240	**Day & Ross** Hartland, N.B.	Bill Doherty	Transportation

	COMPANY/HEADQUARTERS	LEADER	SECTOR
241	**Deca Cables** Trenton, Ont.	Darrell Edgett	Manufacturing
242	**Diamond Schmitt** Toronto	Donald Schmitt	Architecture
243	**Dilawri's Crown Auto Group** Winnipeg	Ashok Dilawri	Automotive
244	**Dillon Consulting** Toronto	Sean Hanlon	Business services
245	**DPI Construction Management** Toronto	Elvio DiSimone	Construction
246	**Driving Change Automotive Group** Regina	Trevor Boquist	Automotive
247	**Durabuilt Windows & Doors Inc.** Edmonton	Joe Sunner	Manufacturing
248	**DynaLIFEDx** Edmonton	Jason Pincock	Life sciences and health care
249	**E.B. Horsman & Son Ltd.** Surrey, B.C.	Tim Horsman	Wholesale and distribution
250	**E.C.S. Electrical Cable Supply Ltd.** Richmond, B.C.	Mohammad Mohseni	Wholesale and distribution
251	**Eastlink** Halifax	Jeff Gillham	Telecommunications
252	**EBC Inc.** L'Ancienne-Lorette, Que.	Marie-Claude Houle	Construction
253	**Emmerson Packaging** Amherst, N.S.	Stephen Emmerson	Manufacturing
254	**Engineered Air** Calgary	Donald Taylor	Industrial products
255	**Equipment Sales & Service Ltd.** Toronto	Morgan Cronin	Wholesale and distribution
256	**Esri Canada** Toronto	Alex Miller	Technology
257	**Evertz Technologies Ltd.** Burlington, Ont.	Romolo Magarelli	Technology
258	**Farrow** Windsor	Grant Robinson	Customs agent
259	**Fengate Asset Management** Toronto	Lou Serafini Jr.	Financial Services
260	**Fenplast Portes & Fenêtres** Candiac, Que.	Jean Marchand	Manufacturing
261	**Fillmore Construction Management** Edmonton	Brent Fillmore	Construction
262	**First Industries Corp.** Edmonton	David Leeworthy	Transportation
263	**Fisherman's Market** Halifax	Monte Snow	Wholesale and distribution
264	**Flanagan Foodservice** Kitchener, Ont.	Dan Lafrance	Wholesale and distribution
265	**FLOFORM Countertops** Winnipeg	Edward Sherritt	Retail
266	**Forest Group of Cos,** Vaughan, Ont.	Domenic Gurreri	Construction
267	**Fountain Tire** Edmonton	Jason Herle	Automotive
268	**Fresh Direct Produce** Vancouver	Davis Yung	Wholesale and distribution
269	**Friesens Corp.** Altona, Man.	Chad Friesen	Manufacturing
270	**FWS Group of Cos.** Winnipeg	Brent Clegg	Business services
271	**G Adventures** Toronto	Bruce Poon Tip	Travel
272	**G&L Group** Concord, Ont.	Pat Lamanna	Industrial products
273	**Genesis Hospitality Inc.** Brandon, Man.	Kevin Swark	Hospitality
274	**Gentec International** Markham, Ont.	Joel Seigel	Wholesale and distribution
275	**Genumark** Toronto	Mark Freed	Retail
276	**Gerrie Electric Wholesale Ltd.** Burlington, Ont.	Heather Gerrie	Wholesale and distribution
277	**GHY International** Winnipeg	Richard Riess	Customs agent
278	**Giampaolo Group** Brampton, Ont.	Joe Caruso	Manufacturing

How Rustica Foods embraces innovation in the pizza category

Vincent Giove, co-owner, vice-president and chief strategy officer at Rustica Foods (left) and Richard Morgante, president, CEO and founder (right).

Rustica Foods may not be a household name in frozen pizza just yet, but that's expected to change by the end of 2023.

The Quebec-based manufacturer of fresh tomato pizzas, focaccias, par-baked crusts and frozen pizzas will lose its key client early this summer when Nestle will wind down production of its Delissio brand in Canada.

But the company quickly regrouped to fill a sudden gap in the market by developing its very own Rustica frozen pizza brand. In July, it will begin launching 19 products across four frozen pizza lines in major grocery chains coast to coast.

The fact that the company's 400 employees rallied to develop and market the new product lines in mere months is testament to their commitment to the business, says Richard Morgante, president, CEO and founder of Rustica Foods.

"As a family-run operation founded in 2000, we treat our staff like part of our extended family and they've demonstrated their dedication time and time again," he says. "It gives me a lot of hope for our future growth."

Over the years, Rustica Foods has grown from its humble beginnings producing fresh, Italian-style tomato pizza in a 600-square-foot restaurant to now occupying more than 100,000 square feet across three manufacturing facilities in Montreal. One of these sites is a state-of-art production facility with exclusive Canadian rights to manufacture real mozzarella-stuffed crust pizzas using proprietary technology.

"Stuffed crust has been our claim to fame with the Delissio brand and now retailers have agreed to list our products considering our proprietary know-how and our innovation capabilities," says Vincent Giove, co-owner, vice-president and chief strategy officer at Rustica Foods.

Every few years, Rustica executives meet with their equipment suppliers to talk about the next big innovation in food production capabilities. "A lot of these new technology developments happen by us working together with our vendors because we're always looking to take that next step," says Mr. Giove. "Using superior technology and continuous innovation, we've been able to deliver that hand-crafted pizza taste in a frozen format."

One of Rustica's new pizza lines, which simulates the look and taste of a wood-fired pizza (right down to the charred crust), is a key example of pizza innovation at work.

Another advantage for Rustica as it launches its new brand is the strong loyalty Canadians have to locally based manufacturers, says Mr. Giove.

"Our Rustica fresh tomato pizza line has done very well in Quebec and Ontario and now we see an opportunity with our frozen pizza line launching across Canada," he says. "In this case, it pays to be local."

A key turning point in the company's growth came with the acquisition of Montreal-based crust manufacturer Mia Foods in 2014. This move more than doubled revenues and expanded the company's reach outside of Quebec to the North American market.

The co-manufacturing agreement with Nestle, which commenced in 2017, solidified Rustica's ability to deliver high-volume, quality product to produce what became the No. 2 frozen pizza brand in Canada. Rustica also continues to manufacture private label products for some of the largest multinationals in the U.S.

Mr. Morgante says further expansion is imminent with the recent purchase of an 87,000-square-foot manufacturing facility in the Montreal area and plans to add more products under the Rustica label.

"We'll absolutely be getting into frozen premium snacking food products in the next couple of years along with our pizzas," he says. "Using technology, we've become experts at being able to scale artisanal products and we're excited to share our Rustica brand with the world."

	COMPANY/HEADQUARTERS	LEADER	SECTOR
279	**Giftcraft Ltd.** Brampton, Ont.	Todd Vore	Wholesale and distribution
280	**Global Relay** Vancouver	Warren Roy	Technology
281	**GoodLife Fitness** London, Ont.	David Patchell-Evans	Fitness and wellness
282	**Govan Brown** Toronto	Colin Gray	Construction
283	**Graham** Calgary	Andy Trewick	Construction
284	**Grascan Construction Ltd.** Toronto	Angelo Grassa	Construction
285	**Great Little Box Co.** Richmond, B.C.	Robert Meggy	Manufacturing
286	**Greenfield Global Inc.** Toronto	Howard Field	Manufacturing
287	**Gregg Distributors LP** Edmonton	Gary Gregg	Wholesale and distribution
288	**Groupe Atwill-Morin Inc.** Montreal	Matthew Atwill-Morin	Restoration
289	**Groupe Deschenes** Montreal	Francois Deschenes	Wholesale and distribution
290	**Groupe Germain Inc.** Quebec	Christiane Germain	Hospitality
291	**Groupe Master** Boucherville, Que.	Louis St-Laurent	Wholesale and distribution
292	**Groupe Montoni (1995) Division Construction Inc.** Laval, Que.	Dario Montoni	Real estate
293	**Groupe Novatech Inc.** Sainte-Julie, Que.	Harold Savard	Manufacturing
294	**Groupe Raymond** Gatineau, Que.	Alain Raymond	Construction
295	**Groupe Robert Inc.** Rougemont, Que.	Michel Robert	Transportation
296	**Groupe Savoie - Les Résidences Soleil** Boucherville, Que.	Nathalie Savoie	Long-term care
297	**Groupe Trans-West** Lachine, Que.	Réal Gagnon	Transportation
298	**GSoft** Montreal	Martin Gourdeau	Technology
299	**Harbour Air Seaplanes** Richmond, B.C.	Greg McDougall	Transportation
300	**Harry Rosen Inc.** Toronto	Laurance Rosen	Retail
301	**Hatch** Mississauga	John Bianchini	Consulting
302	**Home Hardware Stores Ltd.** St. Jacobs, Ont.	Kevin Macnab	Retail
303	**Hopewell Group of Cos.** Calgary	Sanders Lee	Financial Services
304	**Houle Electric** Burnaby, B.C.	Keith Parsonage	Energy
305	**HTS** Toronto	Derek Gordon	Industrial products
306	**Hunter Amenities International Ltd.** Burlington, Ont.	John Hunter	Manufacturing
307	**HyLife Ltd.** La Broquerie, Man.	Grant Lazaruk	Agriculture
308	**I.M.P. Group International Inc.** Halifax	Kirk Rowe	Aerospace
309	**Imperial Manufacturing Group** Richibucto, N.B.	Normand Caissie	Manufacturing
310	**Integral Energy Services Ltd.** Airdrie, Alta.	Derek Polsfut	Business services
311	**Island West Coast Developments** Nanaimo, B.C.	Greg Constable	Construction
312	**ITC Construction Group** Vancouver	Doug MacFarlane	Construction
313	**J Sonic Services Inc.** Saint-Laurent Que.	Jean Aucoin	Wholesale and distribution
314	**J.L. Richards & Associates Ltd.** Ottawa	Saverio Parrotta	Business services
315	**Jayman BUILT Group of Cos.** Calgary	Jay Westman	Real estate
316	**Jefo** Saint-Hyacinthe, Que.	Jean Fontaine	Agriculture

	COMPANY/HEADQUARTERS	LEADER	SECTOR
317	**Johnston Group Inc.** Winnipeg	David Johnston	Financial services
318	**Johnvince Foods** Toronto	Joe Pulla	Food manufacturing
319	**JV Driver Group** Edmonton	Chuck Sanders	Other
320	**Kaizen Auto Group** Calgary	Nate Clarke	Automotive
321	**Klick Health** Toronto	Lori Grant	Advertising
322	**Klohn Crippen Berger Ltd.** Vancouver	Len Murray	Consulting
323	**Kriska Transportation Group Ltd.** Prescott, Ont.	Mark Seymour	Transportation
324	**Lakeside Process Controls** Mississauga	Greg Houston	Consulting
325	**Lanctot Ltée** Saint-Laurent, Que.	Diane Lanctot	Wholesale and distribution
326	**Layfield** Richmond, B.C.	Tom Rose	Industrial products
327	**Le Groupe Dissan** Montreal	Mario Lamarche	Wholesale and distribution
328	**Lemay** Montreal	Louis T. Lemay	Architecture
329	**Les Emballages Carrousel Inc.** Boucherville, Que.	Michel Bourassa	Wholesale and distribution
330	**Levitt-Safety** Oakville, Ont.	Bruce Levitt	Wholesale and distribution
331	**Lindsay Construction** Dartmouth, N.S.	Cory Bell	Construction
332	**LMS Reinforcing Steel Group** Surrey, B.C.	Ron McNeil	Indusrial products
333	**Location d'outils Simplex s.e.c.** Montreal	Euclid Véronneau	Industrial products
334	**Logel Homes** Calgary	Tim Logel	Real estate
335	**Long View** Calgary	Brent Allison	Technology
336	**Lorneville** Saint John	Styve Dumouchel	Construction
337	**Losani Homes** Stoney Creek, Ont.	Fred Losani	Real estate
338	**M. Sullivan & Son Ltd.** Arnprior, Ont.	Robert Ball	Energy, resources and industrials
339	**Magasins Trévi Inc.** Mirabel, Que.	Benoît Hudon	Retail
340	**Maisons Laprise Inc.** Montmagny, Que.	Daniel Laprise	Construction
341	**Maple Lodge Farms Ltd.** Brampton, Ont.	Michael Burrows	Food manufacturing
342	**Maple Reinders** Mississauga	Harold Reinders	Construction
343	**Maritime Travel** Halifax	Rob Dexter	Travel
344	**Maritime-Ontario Freight Lines Ltd.** Brampton, Ont.	Doug Munro	Transportation
345	**MasterBUILT Hotels Ltd.** Calgary	David Donaldson	Hospitality
346	**Mastronardi Produce (Sunset)** Kingsville, Ont.	Paul Mastronardi	Agriculture
347	**McCain Foods (Canada)** Toronto	Max Koeune	Food manufacturing
348	**McDougall Energy** Sault Ste. Marie	Darren McDougall	Oil and gas
349	**McElhanney** Vancouver	Allan Russell	Engineering
350	**McIntosh Perry** Woodbridge, Ont.	Gus Sarrouh	Consulting
351	**MDS Aero Support Corp.** Ottawa	John Jastremski	Aerospace
352	**Medcan** Toronto	Shaun Francis	Life science and health care
353	**Mega Group Inc.** Saskatoon	Chris West	Business services
354	**MHS Inc.** Toronto	Hazel Wheldon	Business services

	COMPANY/HEADQUARTERS	LEADER	SECTOR
355	**Miller Waste Systems Inc.** Markham, Ont.	Blair McArthur	Utilities
356	**Mircom Group of Companies** Vaughan, Ont.	Mark Falbo	Manufacturing
357	**mobileLIVE** Richmond Hill, Ont.	Jahan Ali	Technology
358	**Modern Niagara Group Inc.** Ottawa	Bradley J. McAninch	Construction
359	**Molinaro's Fine Italian Foods Ltd.** Mississauga	Guerino Molinaro	Food manufacturing
360	**Momentum Technologies Inc.** Quebec City	Mohamed Guetat	Technology
361	**Morrison Homes** Calgary	Dave Gladney	Real estate
362	**Mr. Lube Canada** Richmond, B.C.	Stuart Suls	Automotive
363	**Murray Auto Group** Winnipeg	Doug Murray	Automotive
364	**Napoleon Group of Cos.** Barrie, Ont.p	Stephen and Chris Schroeter	Manufacturing
365	**Nicola Wealth** Vancouver	John Nicola	Financial services
366	**Novexco Inc.** Laval, Que.	Denis Mathieu	Wholesale and distribution
367	**NRT Technology Corp.** Toronto	John Dominelli	Technology
368	**Oceanex Inc.** St. John's	Captain Sid Hynes	Transportation
369	**Odlum Brown Ltd.** Vancouver	Debra Doucette	Financial services
370	**Omicron Canada Inc.** Vancouver	William Tucker	Construction
371	**OpenRoad Auto Group Ltd.** Richmond, B.C.	Christian Chia	Automotive
372	**O'Regan's** Dartmouth, N.S.	Patrick O'Regan	Automotive
373	**Oxford Frozen Foods Ltd.** Oxford, N.S.	John Bragg	Food manufacturing
374	**Paladin Security Group** Burnaby, B.C.	Ashley Cooper	Security
375	**Palliser Furniture Ltd.** Winnipeg	Peter Tielmann	Manufacturing
376	**Paterson GlobalFoods Inc.** Winnipeg	Andrew B. Paterson	Agriculture
377	**Payworks** Winnipeg	JP Perron	Technology
378	**PCL Construction Group of Cos.** Edmonton	David Filipchuk	Construction
379	**PD Group of Cos. Inc.** Edmonton	Brian Tiessen	Construction
380	**Pelican International** Laval, Que.	Danick Lavoie	Manufacturing
381	**Pennecon** St. John's	David Mitchell	Industrial products
382	**peopleCare Communities** Waterloo, Ont.	Brent Gingerich	Long-term care
383	**PointClickCare** Mississauga	Dave Wessinger	Technology
384	**Polycorp Ltd.** Elora, Ont.	Peter Snucins	Manufacturing
385	**Pomerleau Inc.** Saint-Georges, Que.	Pierre Pomerleau	Construction
386	**PrairieCoast Equipment** Grand Prairie, Alta.	JD Frame	Agriculture
387	**Procom** Toronto	Frank McCrea	Business services
388	**PTI Transformers** Regina	George Partyka Jr.	Manufacturing
389	**Quadra Chemicals Ltd.** Vaudreuil-Dorion, Que.	Philip Infilise	Wholesale and distribution
390	**Questrade Inc.** Toronto	Edward Kholodenko	Financial services
391	**R.V. Anderson Associates Ltd.** Toronto	Shawn Scott	Architecture
392	**Red Sun Farms** Kingsville, Ont.	Carlos Visconti	Agriculture

	COMPANY/HEADQUARTERS	LEADER	SECTOR
393	**Rex Power Magnetics** Concord, Ont.	Ara Hasserjian	Utilities
394	**RGO Group of Cos.** Calgary	Cathy Orr	Business services
395	**Richardson International Ltd.** Winnipeg	Curt Vossen	Agriculture
396	**Robinson** Winnipeg	Shea Robinson	Wholesale and distribution
397	**Rocky Mountaineer** Vancouver	David McKenna	Transportation
398	**RWDI Group of Cos.** Guelph, Ont.	Michael J. Soligo	Consulting
399	**Sargent Farms** Milton, Ont.	Kevin Thompson	Food manufacturing
400	**Saskatchewan Mining and Minerals** Chaplin, Sask.	Rodney McCann	Mining
401	**Scandinavian Building Services Ltd.** Edmonton	Russell Hay	Janitorial
402	**Servus Credit Union** Edmonton	Ian Burns Warner	Financial services
403	**Shah Canada Group of Cos.** Woodbridge, Ont.	Sujay Shah	Food manufacturing
404	**Sifton Properties Ltd.** London, Ont.	Richard Sifton	Real estate
405	**Simpson Seeds Inc.** Moose Jaw	Greg Simpson	Agriculture
406	**SiriusXM Canada** Toronto	Mark Redmond	Media
407	**Skyline Group of Cos.** Guelph, Ont.	Jason Castellan	Real estate
408	**Solutions 2 GO** Brampton, Ont.	Oliver Bock	Wholesale and distribution
409	**Source Atlantic** Saint John	Steve Drummond	Wholesale and distribution
410	**South Country Equipment Ltd.** Emerald Park, Sask.	Drew Watson	Agriculture
411	**South Shore Furniture** Sainte-Croix, Que.	Jean Laflamme	Retail
412	**Southmedic Inc.** Barrie, Ont.	Lisette (Lee) McDonald	Life science and health care
413	**Southwest Properties** Halifax	Gordon Laing	Real estate
414	**Spin Master Ltd.** Toronto	Anton Rabie	Entertainment
415	**St. Joseph Communications** Toronto	Tony Gagliano	Media
416	**Standard Products Inc.** Saint-Laurent, Que.	David Nathaniel	Manufacturing
417	**StarTech.com** London, Ont.	Paul Seed	Technology
418	**Steam Whistle Brewing** Toronto	Greg Taylor	Food manufacturing
419	**Steele Auto Group** Dartmouth, N.S.	Rob Steele	Automotive
420	**Stelpro** Saint-Bruno-de-Montarville, Que.	Yves Chabot	Industrial products
421	**Strike Group LP** Calgary	Stephen Smith	Oil and gas
422	**Summer Fresh Salads Inc.** Woodbridge, Ont.	Susan Niczowski	Food manufacturing
423	**Superior Glove** Acton, Ont.	Tony Geng	Industrial products
424	**Tap & Barrel Group** Vancouver	Daniel Frankel	Restaurants
425	**Techmation Electric & Controls Ltd.** Airdrie, Alta.	Derek Polsfut	Industrial products
426	**Tenaquip Ltd.** Senneville, Que.	Glenn Watt	Wholesale and distribution
427	**Terrapro Inc.** Sherwood Park, Alta.	Colin Schmidt	Industrial products
428	**The Bodtker Group** Calgary	Howie Kroon	Industrial products
429	**The Cahill Group** St. John's	Fred Cahill	Construction
430	**The Central Group** Mississauga	Richard Eastwood	Marketing

	COMPANY/HEADQUARTERS	LEADER	SECTOR
431	**The Dufresne Group Inc.** Winnipeg	Mark Dufresne	Retail
432	**The International Group Inc.** Toronto	John Reucassel	Oil and gas
433	**The K-Line Group of Cos.** Stouffville	Mark Kellett	Energy
434	**The Oppenheimer Group** Coquitlam	John Anderson	Agriculture
435	**The Shaw Group Ltd.** Halifax	Dean Robertson	Manufacturing
436	**Transport Bourassa** Saint-Jean-sur-Richelieu, Que.	Jean Bourassa	Transportation
437	**Trico Homes** Calgary	Wayne Chiu	Real estate
438	**triOS College Business Technology Healthcare** Mississauga	Frank Gerencser	Education
439	**Trotter & Morton Group of Cos.** Calgary	David Ryan	Construction
440	**TuGo** Richmond, B.C.	Kathy Starko	Financial services
441	**Turkstra Lumber Co. Ltd.** Hamilton	Peter Turkstra	Forestry and paper
442	**UCS Forest Group** Mississauga	Warren Spitz	Forestry and paper
443	**United Van Lines (Canada) Ltd.** Mississauga	Dan Lawrence	Transportation
444	**Vector Construction** Winnipeg	Bob Spriggs	Construction
445	**Vision Group Canada** Montreal	Mark Cohen	Life sciences and health care
446	**Waiward Industrial LP** Edmonton	Andy Brooks	Industrial products
447	**Wakefield Canada Inc.** Toronto	David Fifield	Wholesale and distribution
448	**Walters Group Inc.** Hamilton	Peter Kranendonk	Industrial products
449	**Westcorp Inc.** Edmonton	Philip Milroy	Real estate
450	**Western Sales Ltd.** Rosetown, Sask.	Grant McGrath	Agriculture
451	**Weston Forest** Mississauga	Steve Rhone	Wholesale and distribution
452	**Weston Wood Solutions Inc.** Brampton, Ont.	Alan Lechem	Wholesale and distribution
453	**WGI Westman Group Inc.** Sunnyside, Man.	Paul Cunningham	Manufacturing
454	**White Spot Ltd.** Vancouver	Warren Erhart	Restaurants
455	**Wildstone Construction Group** Penticton, B.C.	James Morrison	Construction
456	**Woodbridge** Mississauga	Kai Jacobsen	Manufacturing

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THEY'RE BAAAAACK

ACTIVIST INVESTORS HAD NO CHOICE BUT TO HUNKER DOWN DURING THE PANDEMIC-WROUGHT MARKET CHAOS. BUT NOW THEY'RE BUSIER THAN EVER—AND THEIR TACTICS HAVE CHANGED, TOO

BY TIM KILADZE

ILLUSTRATIONS BY RYAN GARCIA

Any CEO or board under siege can't say they weren't warned. In January 2021, at the height of the meme-stock frenzy that sent shares of companies like GameStop soaring, the world's largest activist investor cautioned that nothing was making sense—and there would be consequences. Businesses that had never made money were suddenly some of the most valuable, and borrowers were feasting on extremely cheap debt manufactured by major central-bank intervention.

No one would listen, of course. Maybe it was the boredom of being trapped at home during COVID-19 lockdowns, or maybe everyone was just a little bit drunk on the stimulus punch sloshing through markets. So, the best activist giant Elliott Investment Management could do was warn of trouble ahead. "We continue to press on for the day when we can say, 'We told you so,'" the firm wrote in a letter to investors.

Activists like Elliott made their names by muscling in on struggling companies and then threatening to throw out board directors—and sometimes even CEOs. They'd notched some famous victories, like Bill Ackman's overhaul of Canadian Pacific Railway in 2012. But by 2019, their tactics were getting a little tired, and a lot of copycats piled in, often looking to make a quick buck. The S&P 500 was also performing so well that investors could put their money in simple exchange-traded funds and earn just as much, if not more, than investing in a fund run by an activist investor, with way less hassle.

Then the pandemic hit and, after some early turbulence, the day traders and the meme stocks took over. Activists were completely neutered. Which is why Florida-based Elliott was shouting into the wind.

But now? Now the activists have every right to say, "We told you so." Elliott and all its peers are back, and they're fiercer than ever. Activists typically launch their board battles during the first half of the calendar year, because they like to propose new directors just a few months before a target company's annual general meeting. (AGMs are where directors are elected each spring.) The first quarter of 2023 was the busiest three months ever for new activist campaigns, according to research from investment bank Barclays, and the first quarter topped the previous record set in the same period just last year.

These are merely the campaigns we know about. Roughly two-thirds of activist battles take place behind the scenes, says Ian Robertson, CEO of Toronto's Kingsdale Advisors, which specializes in guiding boards and activists through these battles and advised Ackman on his shakeup of CP Rail. Lots of settlements are reached behind closed doors, with the public none the wiser. It's usually only when the rabble-rousers feel like they're getting the cold shoulder from a board that they go pub-

lic. Kingsdale has been around for two decades, says Robertson, and the firm has never been this busy. "The last 14 months have been non-stop."

Last year's stock market correction is the primary driver. The S&P 500 fell 19%, and the Nasdaq Composite, the frothiest of them all, lost one-third of its value. But the bubble mentality has popped, particularly for technology companies, and activists finally have an opening to outperform the market. Sagging share prices have also given investors reason to hear the activists out again. Hardly anyone cares about governance issues or executive pay when stocks are rising—everyone's making too much money to bother.

Canada has already seen some major campaigns, with TCI, a London-based money manager, forcing a CEO change at Canadian National Railway last year and installing Tracy Robinson, a former executive at rival CP and TransCanada Pipelines, as the new leader. Elliott did the same more recently at Suncor, bringing former Imperial Oil CEO Rich Kruger out of retirement in February to run the energy giant. But the battles are everywhere now—from commercial real estate to utilities to energy infrastructure.

Boards of directors might think they know how to handle activists because the activist playbook used to be pretty standard: Release a public letter to the board, propose a few new directors with relevant industry experience (maybe retired CEOs or executives) and call for some sort of strategy shift—sell off a division, say, or demand share buybacks. The kind of thing Kendall Roy might pull on his dad in *Succession* or, to use a real-world example, exactly what went down at Canadian agricultural gem Agrium in 2013.

But there are more plays to call now, and some are disguised by activists wrapping themselves in the environmental, social and governance (ESG) cloak. Elliott's battle with Suncor, for instance, was fuelled in part by safety issues—the oil producer had 13 employees die on the job in nine years. Activists are also more likely to "swarm" these days. Once one of them has called out a vulnerable company, two or three or four will pile on and demand changes, and each of them might have different requests.

It's all made for a mismatch. Boards and CEOs are still "unprepared and unrealistic about the threat activism poses," says Robertson, echoing the advice bankers and lawyers routinely offer. "They believe the activist is going to go away."

They're wrong. And this is just the beginning of a new wave. "It is unlikely that today's elevated level of activism will be curbed by legislation, regulation or market forces in the near term," lawyers from Wachtell, Lipton, Rosen & Katz LLP warned clients in April.

What follows is a guide on who and what should be keeping directors and executives up at night.

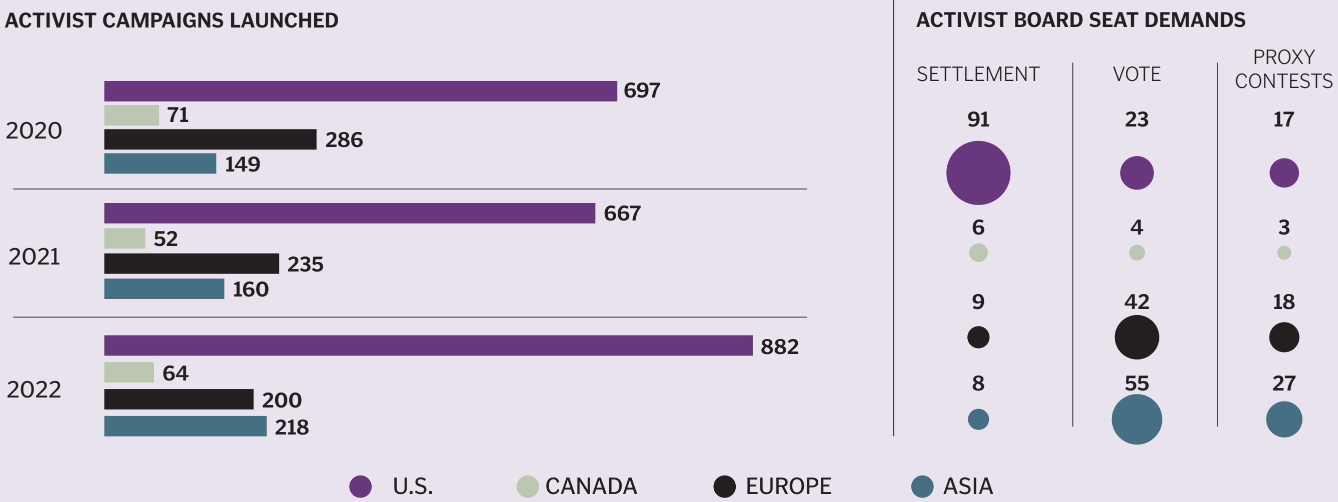
THE EVERGREEN ELEPHANT

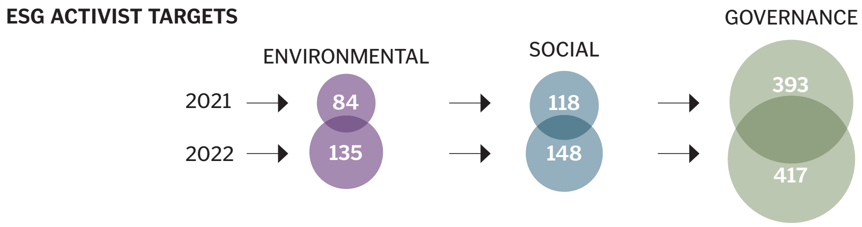
For years, Ackman, a Harvard grad who launched his own hedge fund, personified shareholder activism—particularly in Canada, because of his success at CP Rail. CP had been lagging for years, falling farther behind its Canadian rival CN, but CP's board kept giving its management team more time. Ackman fronted the activist fight and won, installing former CN CEO Hunter Harrison as CP's new leader. In 2012, this magazine named Ackman CEO of the Year for being the "boardroom barbarian who toppled four-star corporate generals at one of the country's most historic companies."

Lately, though, Ackman, who runs Pershing Square Holdings, has been preaching quieter, more co-operative fights, having endured some bruising campaigns since CP, including his disastrous short-selling campaign at nutritional-supplements company Herbalife and his unusual support for Valeant Pharmaceuticals, which saw its share price crater.

In Ackman's absence, Elliott has claimed the title of most feared activist. In 2022 alone, it launched 13 campaigns. That's roughly twice the number of its large rivals, including veteran corporate raider Carl Icahn, according to global financial services firm Lazard.

Some of that fear factor stems from Elliott's size. With US$55 billion in assets under management, it's large enough to go after big fish (Pershing has US$15 billion). The aver-





age market value of its targets is US$24 billion, according to Insightia, which tracks activist campaigns, and in the past Elliott has hit giants like AT&T and GlaxoSmithKline. Last year, the fund bought a 3.4% stake in Suncor.

Elliott also has a reputation for being ruthless. The money manager has multiple divisions, and its hedge fund arm that invests in stocks and other securities once bought Argentinian bonds, leading to a showdown with Argentina's government. Elliott would not accept the terms of the country's debt restructuring deals, and the standoff got so ugly that Elliott took Argentina to court in the U.S., then convinced a court in Ghana to detain a 348-foot Argentine navy vessel docked in its port. The fund argued it had a right to take the ship. The boat was eventually released, but Elliott later won a settlement that delivered a nearly 400% return on its investment.

Elliott has also been accused of flashing a six-inch-thick dossier during a meeting with directors of one company that purportedly contained dirt on them and their families, as well as unearthing the old divorce records of a CEO it was hoping to get fired and allegedly leaking them to the media. Elliott has denied these allegations.

Even if such tactics are a thing of the past, Elliott remains cutthroat. Many activists now try to engage boards of directors in private, hoping to reach quiet settlements. Yet, when Elliott went after Suncor, it didn't even give the board a polite heads-up. Instead, it went public from the jump with a letter addressed to the board that laid out details of its plan to elect five new directors and potentially replace CEO Mark Little (who took over in 2019), as well as explore a sale of Suncor's retail chain of Petro-Canada gas stations.

Still, the fund doesn't always get what it wants. Although there's been a CEO change at Suncor—Elliott appointed three directors in July 2022, and Little was gone the same month—the board declined to sell off Petro-Canada.

In another fight two years ago, the fund went after Scottish energy group SSE, asking management to spin out the company's renewable energy group. SSE's top investors shot down Elliott's requests, then badmouthed the fund to *The Sunday Times*, arguing that its financial analysis was, actually, rather elementary.

THE USUAL SUSPECTS

Every year, there's a steady cast of activist funds that make headlines. Carl Icahn has been at it for decades, dating back to the 1980s, when he rode the wave of corporate raiders and made his name by taking Trans World Airlines private. He struck it rich; only the airline suffered under the debt load. (Funny enough, Icahn is now being targeted by an activist short seller that argues his holding company has inflated the value of some assets. Icahn's company says it stands by its public disclosures.)

Other reliable actors include Jana Partners, ValueAct Capital Partners and Starboard Value. In the past year, their campaigns have targeted popular companies such as music streaming service Spotify, demanding cost cuts following an unprofitable expansion into podcasts, and New York Times Co., asking management to push subscribers into higher-priced bundles that include apps such as NYT Cooking.

Even though these actors may seem like the usual perennial players, their tactics are evolving, and that means the old defensive tactics won't always apply anymore. Activists used to make pretty straightforward demands: sell off assets to generate cash and pay down debt, for instance, or issue a special

SOURCE INSIGHTIA

How Hopewell builds growth for its business and people

At Hopewell, employees are encouraged to give feedback on how to continuously improve the ever-growing organization.

The success of multi-faceted real estate and logistics company Hopewell is rooted in its people, teamwork and unwavering focus on the future, says founder and executive chairman Sanders Lee.

"The people are the cornerstone and teamwork is everything," says Mr. Lee, who was born in Hong Kong and came to Canada in 1991 after studying economics in Germany.

Hopewell, a Platinum Best Managed Company, began after his parents' business venture went sideways and left them with a vacant piece of land in Calgary. Mr. Lee took over and created a team that built about 500 homes on the property and the journey of Hopewell – a name his mother chose – began in earnest.

Alberta in the early 1990s was booming and real estate was a good choice. "In those days, the Alberta advantage was true," Mr. Lee explains.

But as an economist not native to Canada, Mr. Lee knew he had to find the right people with expertise in the Calgary real estate market to help implement the vision he had for the company. "We got very lucky every step of the way," he says, finding the right people with the right skills and "being very fortunate to have opportunity at the right place and at the right time to build the company."

Part of Hopewell's "people philosophy" emphasizes that every employee must be empowered in their work, enjoy their work, know they work for a progressive organization, be recognized for their contributions, and be compensated properly.

"We like to say we make happy money," he explains, which means the people working in the business should be happy along the way. That also means giving back to the community.

The company and its staff support a wide range of charities and community groups, including the Hotchkiss Brain Institute with a $10-million philanthropic commitment through the Hopewell M.I.N.D. (Maximizing Innovation in Neuroscience Discovery) Prize.

Hopewell and its divisions are involved in residential and commercial development, property management, strategic planning, and logistics and distribution. It also has a final-mile delivery company, Ziing Final Mile, and a property technology venture capital arm, GroundBreak Ventures. The organization aims to establish each of its seven companies as a platform that has a broad range of services within its field.

Across the organization, there are currently more than 300 employees in Calgary, Edmonton, Winnipeg, Brampton, Toronto and Arizona – all with varied backgrounds and expertise in a wide range of areas.

Hopewell is a relatively flat organization, says Mr. Lee, and the company encourages all employees to come up with ideas to improve it. "We're relying on people who are specialists near the front line to be able to come back and give us feedback," he says.

Mr. Lee calls himself an "optimist" who likes to look for new opportunities to do business better. "We're constantly looking for ways to improve ourselves," he explains. "The philosophy is, if we are building, we are trying to build a best-in-class company in a specific field and service the largest number of people as possible."

The organization and its employees are also looking ahead to the future and the kinds of disruptions that may be possible in the real estate sector, and what opportunities they might bring. That's why Hopewell has its venture capital business, GroundBreak Ventures, along with Ziing Final Mile, which "give us a lens as to what might be coming in terms of disruption or changes," he says. "So that, I think, is a little bit unique in our approach."

dividend. Lately, though, they've tested out new arguments. When Icahn took a run at McDonald's last year, he sounded more like an ESG advocate than a barbarian at the gate (a term for raiders of the 1980s), calling the corporation's treatment of pregnant pigs an "obscene cruelty." But shareholders rejected his board nominees.

Activists have also taken to swarming. There have long been "wolf packs"—groups of activists that work in concert—but recent behaviour is different. Funds in a wolf pack used to talk to each other in advance and launch a co-ordinated attack. When activists swarm, the funds often act independently and sometimes demand wildly different things from management.

Enterprise software giant Salesforce faced such an attack in the past year, battling five different activists at the same time, including Elliott, Starboard Value and ValueAct. In March, Salesforce promised it would focus on profit rather than growth, doubled its share buybacks and created a new division that will work on "business transformation."

Canadian utility Algonquin Power is also dealing with multiple activists, with Starboard and Corvex joining Ancora in its call for quick asset sales to help pay down debt. Algonquin's shares are down roughly 40% over the past year. A little more than one-third of all campaigns launched in the first quarter of 2023 were swarming scenarios, Lazard reports, and that figure is expected to grow.

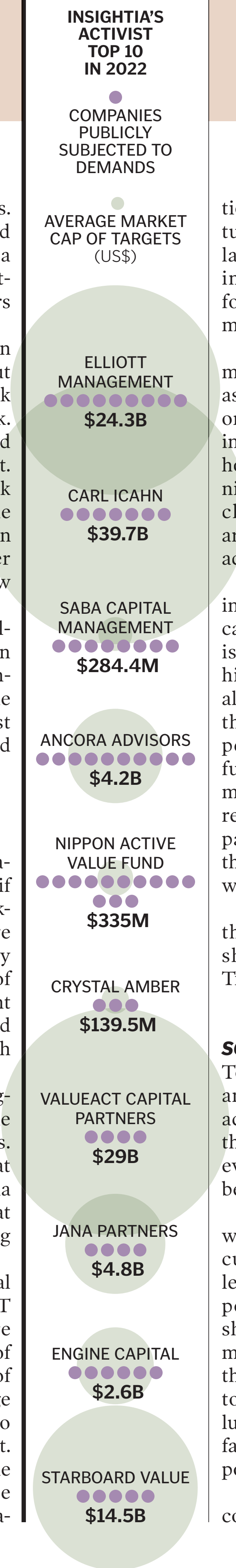
HEDGE FUNDS THAT COSPLAY AS ACTIVISTS

It's a dizzying time for directors and CEOs. After the signature CP campaign, they were all counselled on what to do if Pershing Square or another prominent activist came knocking. But now it's not just the usual suspects. Small hedge funds, like San Francisco–based Engine No. 1, which has only US$300 million in assets under management (less than 1% of Elliott's), can have just as much impact. In 2021, investment giants BlackRock, Vanguard Group and State Street all voted against the leadership of oil giant Exxon Mobil, in line with Engine No. 1.

Veteran activists have trained scores of portfolio managers on the tricks of the trade, and some of them have left the bigger funds to replicate these strategies at smaller shops. When Engine No. 1 made global headlines by prompting that shakeup of Exxon's board, the battle was framed in the media as David versus Goliath. What got lost in that narrative is that Engine No. 1 had hired Charlie Penner, a former managing director at Jana Partners, to run the campaign.

In Canada, two hedge funds have taken on established real estate investment trusts already this year: K2 at H&R REIT and Ewing Morris at First Capital REIT. Both fights were pretty benign in the end, with settlements that saw a total of five new trustees named to the boards of the REITs, none of which came from the slates of trustees proposed by the hedge funds. But these attacks can be quite challenging because no one ever knows if a small fund has a much bigger fish behind it.

To be an activist, an investor needs to be a bit brash. It's the best way to grab the attention of other shareholders, because it's tough to take a stand against management. But confrontation may not jibe with the internal culture of a traditional fund, particularly large, established ones that have holdings in many leading companies and form long-term relationships with the management teams that run them.



Conflicts of interest are also a common hurdle. Royal Bank of Canada's asset management arm, for instance, is one of the largest institutional investors in the country and therefore a top shareholder at many large Canadian companies. But these same companies may be clients of RBC's investment banking arm, which gets hired to defend against activist funds. RBC can't fight RBC.

To skirt these issues, an institutional investor who's fed up with management can put out an RFA—a request for activism—and bring on a smaller fund as a hired gun. When they do, it can throw all norms out the window. It used to be that if a small fund owned only a tiny percentage of a company's stock, the fund might be laughed at for trying to make changes—especially if it had only recently bought the shares. These campaigns were seen as attempts to make the share price pop, and then the funds would sell shortly afterward.

But these days, it's entirely possible that a small fund is a front for major shareholders—not unlike a new-age Trojan horse.

SO, WHAT'S A BOARD CHAIR TO DO?

To start: Never, ever underestimate anyone who knocks on the door. If an activist's demands are ludicrous—and they sometimes are—shareholders will eventually see through them. But don't be dismissive from the get-go.

Second, prepare now, even if there weren't any skirmishes during the current proxy season. Activists have learned they're more likely to win support from other investors if they can show they've tried to engage management and directors for months. Boards that skated through this year will want to relax, but there won't be much of a lull. Private discussions often start in the fall, and disgruntled shareholders like to pounce when boards least suspect it.

The bottom line: The activists are coming, and they can't be ignored.

THE GLOBE AND MAIL PRESENTS

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Each year, the Canadian Cannes Young Lions Competition bring out the best young talent in the advertising and marketing industry. This year, 680 competitors across five competition categories, tackled a challenging brief under extreme time pressure for their chance to qualify and compete in the Global Young Lions Competitions in Cannes, France. The competition is fierce. **CONGRATULATIONS TO THE GOLD WINNING TEAMS!**

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Shawn Weidman, Copywriter, Rethink

MEDIA

Thierry Lessard, Head of data and technology, Cartier

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Mike Miura, Manager, Commercial Marketing Strategy, MLSE

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Entrepreneurship, innovation, and an unwavering commitment to people define the UCS Forest Group of Companies

Warren Spitz, CEO and founder, UCS Forest Group.

Long before founding his first company, Upper Canada Forest Products, CEO Warren Spitz watched his father run his own logging operations in British Columbia. "I got from my dad his love of people and his spirit of hard work and determination," says Mr. Spitz.

Mr. Spitz started Upper Canada in Mississauga, Ont., in 1986 with one truck, an 8,600-square-foot warehouse and two other employees – his wife Maureen, and Andrea Moore, who is now group corporate treasurer. They expanded into the U.S. in 1988 as Sierra Forest Products, and the UCS Forest Group has grown to 18 locations throughout North America with over 500 employees.

Kelsey Spitz-Dietrich, the company's chief commercial officer and Mr. Spitz's daughter, says the company's values guide everything they do. "Our goal is to live our values of professionalism, commitment, integrity, innovation and sustainability each day."

For example, the company ceased all buying of Russian products after the invasion of Ukraine in the spring of 2022 and developed alternative products for its customers. It also made significant donations to Ukrainian humanitarian aid.

UCS Forest Group is committed to responsible forestry, having earned its FSC Chain of Custody Certification in 2003. Since then, its supplier base has grown to include more than 140 FSC Certified suppliers.

"Our values fuel our mission, which is to *'Deliver the Difference. What you need. When you need it. By people that know and care.'* We take the caring part very seriously," says Mr. Spitz.

The company is a distributor of hardwood lumber, specialty softwoods, panel products, laminates, and exterior products. Through its distribution centres and company-owned and operated fleet of trucks and trailers, UCS services thousands of manufacturers of furniture, kitchen cabinets, doors, architectural millwork, and an array of wood-related products.

UCS attributes its success to a belief that "our people are the foundation of the company – their knowledge, experience and passion are what drive us forward," says Nancee Gelineau, chief human resource & administration officer.

The family-owned company has a strong culture of community engagement, through both local and company-wide giving. A key initiative is the Spitz Fellows Program, a financial fellowship for Indigenous women at the University of British Columbia's Sauder School of Business, where Mr. Spitz serves as chair of the Faculty Advisory Board.

Both organic growth and strategic acquisitions have driven the trajectory of the company. Many of the locations developed under the leadership of a key teammate who built the location from the ground up with the support of the corporate team.

One example is group president Bryan Hoyt, who joined the company in 2007 in Seattle and established the company as a leading distributor in the Pacific Northwest.

"The intrapreneurial spirit in our company is backed by trust-based leadership," Mr. Hoyt explains, "where the company gives teammates the right to pursue great ideas with the right support."

This structure of trust and support is what Mr. Spitz feels contributes to the company's membership in the Platinum Club of Best Managed Companies. "We trust each other, our employees, our customers, and our suppliers, and when you can create that sort of trust ecosystem, great things happen," says Mr. Spitz.

ROB/ NANOS// CEO SURVEY

Report on Business teamed up with Nanos Research to conduct a first-of-its-kind survey of an elite group of Canadian leaders—with revenues totalling $224 billion—gauging their views on Canada's trade and investment policy, their outlook for the Canadian economy and their own companies' short-term health, plus the biggest threats and opportunities

ROB/ NANOS// CEO SURVEY

If you had to sum up the mood of Canada's most powerful CEOs, it would be grim. As chief execs tell it, this country has earned a reputation as an inhospitable place to do business. The economy will probably tip into recession in the coming months. Oh, and the nation's road infrastructure? Don't get them started.

Those are just a few of the insights *Report on Business* magazine got when it teamed up with Nanos Research for an exclusive survey of Canada's top CEOs. The group of respondents to the anonymous poll (which we'll conduct twice yearly) represent companies with combined revenues of roughly $224 billion and employ tens of thousands of Canadians in industries as diverse as banking, energy, manufacturing and retail.

What's on the minds of Canada's CEOs? There's clearly no shortage of uncertainties—interest rates, labour shortages, cyber attacks and climate change—but among these challenges, CEOs also see opportunity. And as concerned as the leaders of Canada's largest companies are about the economy, most of them intend to continue to ramp up hiring over the next six months.

For more, visit tgam.ca/ceosurvey.

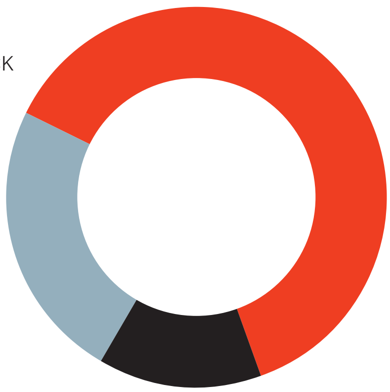
TRADE + INVESTMENT POLICY

1 Is Canada on the right track when it comes to trade and investment policy?

62% WRONG TRACK

24% RIGHT TRACK

14% UNSURE



2. What's holding Canada back from being a desirable place for businesses to invest? (top responses)

Taxes and costs are high 22%

Poor leadership, regulators, red tape or lack of clarity 22%

Incentives for business are weaker, creating an unappealing investment environment 17%

Bad policies are impeding the country's competitiveness 17%

3. What policy changes could help make Canada's economy stronger?

Reduce restrictions for bringing in labour and/or investments 30.8%

Lower or better taxation 26.9%

Create a clearer path to net zero, or better policies to support natural resources and energy sectors on this path 23.1%

Create policies that stimulate growth and productivity 23.1%

Lower or freeze interest rates 11.5%

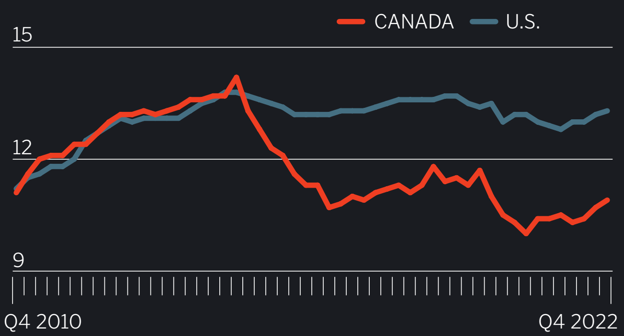
Invest in technology and innovation 11.5%

Federal budgetary control 11.5%

Improve or optimize government approval processes 11.5%

Support investments in infrastructure 11.5%

THE BIG PICTURE
Business investment in Canada and the U.S.



4. Rate Canada as a place to invest five years ago, today and five years from now.

FIVE YEARS AGO: 45% | 55%

TODAY: 33% | 53% | 13%

FIVE YEARS FROM NOW: 50% | 27% | 23%

GOOD PLACE TO INVEST / BAD PLACE TO INVEST / AVERAGE PLACE TO INVEST

PHOTOGRAPHS THE VOORHEES/TRUNK ARCHIVE

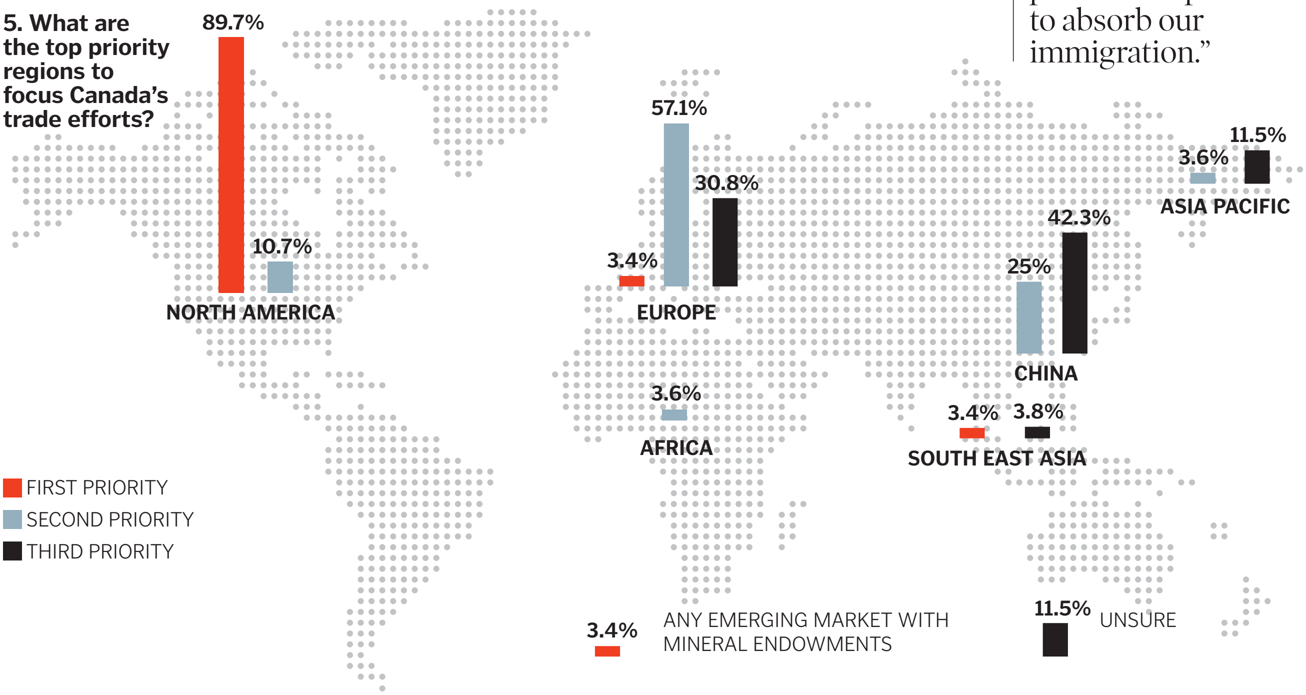
For more coverage and comments straight from participating chief executives, visit tgam.ca/ceosurvey

STRAIGHT FROM THE CEOs
INVESTING IN CANADA

"Provincial regulators are too short-term and knee-jerk according to overt political direction. There's a slow flow-through of infrastructure spending, and taxes are higher than other countries also attracting capital."

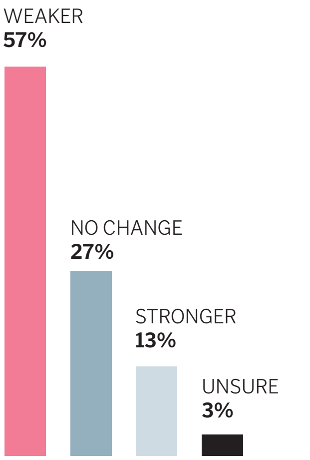
"We have a stable financial system, rule of law, immigration policy and acceptance. But we need to work on infrastructure like roads, hospitals and public transportation to absorb our immigration."

5. What are the top priority regions to focus Canada's trade efforts?

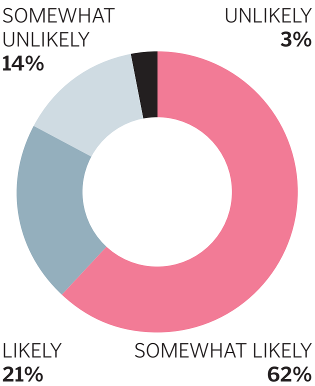


ECONOMIC OUTLOOK

Do you think the economy will be stronger or weaker in the next six months?



7. What's the likelihood of a recession in the second half of 2023?



8. If you believe a recession is likely or somewhat likely, how severe will it be?

Not severe
25%

Somewhat not severe
54%

Severe
4%

Somewhat severe
17%

9. What steps are you taking to prepare your company for a possible recession?

Managing costs
43.8%

Fortifying the balance sheet
31.3%

Managing production rates or inventory
25.0%

Focusing on growth opportunities
18.8%

Restructuring business areas or redefining our value proposition
12.5%

Investing in digital technology
6.3%

None
6.3%

STRAIGHT FROM THE CEOs
INTEREST RATES & INFLATION

"The cause of higher interest rates, inflation, is more of a concern as it drives up the costs of everything, exacerbating issues with disposable income and fears of recession."

"When interest rates skyrocket, they create a major economic downturn in which strong companies can take advantage."

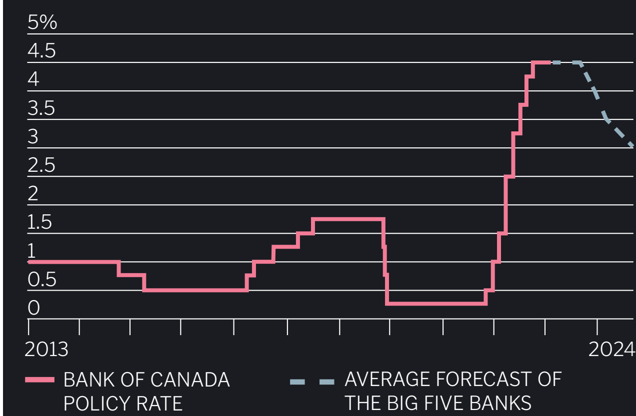
10. Where will interest rates be one year from now?

LOWER
43%

ON PAR
50%

HIGHER
7%

THE BIG PICTURE
Bank of Canada Policy Interest Rate



12

BUSINESS OUTLOOK

Over the next six months, do you expect employee numbers to increase, decrease or stay the same?

57% INCREASE

30% STAY THE SAME

13% DECREASE

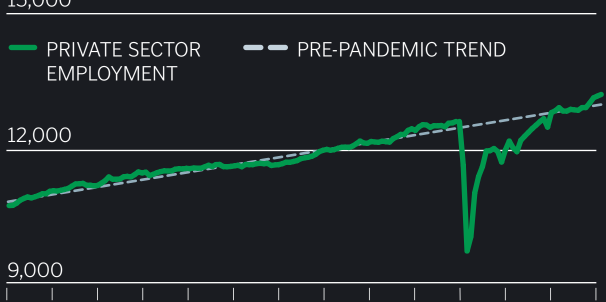
11. Rate the financial strength of your company compared to one year ago.

60% BETTER

23% WORSE

17% SAME

THE BIG PICTURE
Private-sector employment is back above the pre-pandemic trend (in thousands)



13. What's the expected demand for your goods and services in the next six months?

43% INCREASE

43% STAY THE SAME

13% DECREASE

14. How confident are you that you'll be able to find workers with the right skills to fill job openings?

Confident 20%

Somewhat confident 57%

Somewhat not confident 17%

Not confident 7%

STRAIGHT FROM THE CEOs
RECESSION

"A recession will impact the timing of certain investments, but we see a recession as an opportunity to attract key talent from other organizations."

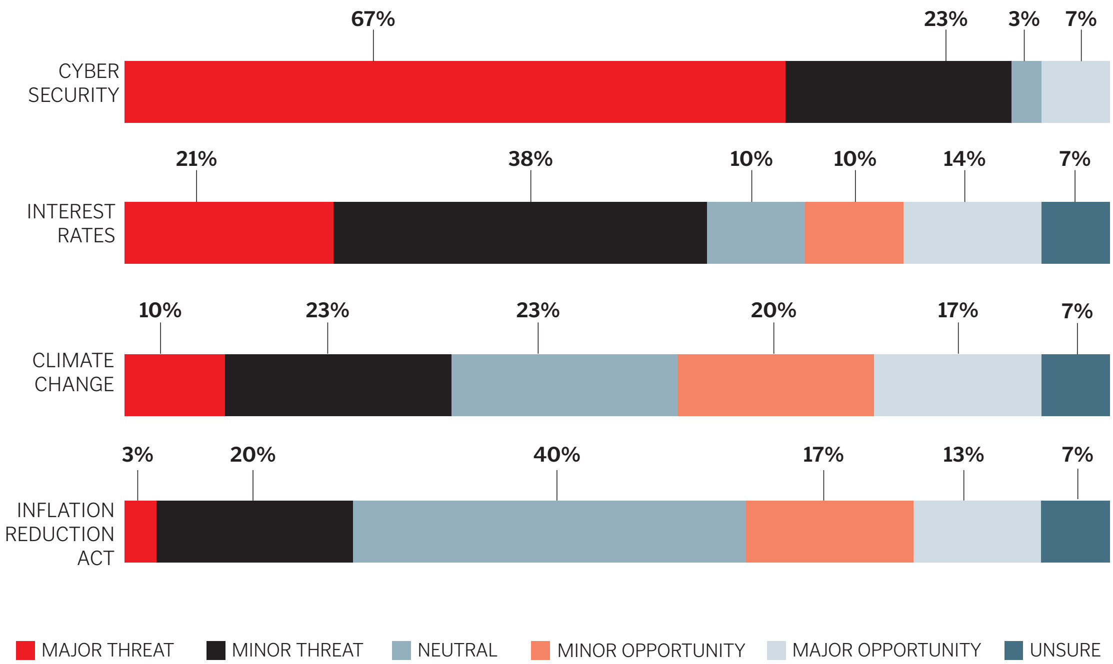
"Our demand will hold through a mild recession, so there are no inventory concerns. We're remaining cautious on operational costs but not pulling back—other than with labour costs, which will increase."

"Our business does well in recessions."

THREATS + OPPORTUNITIES

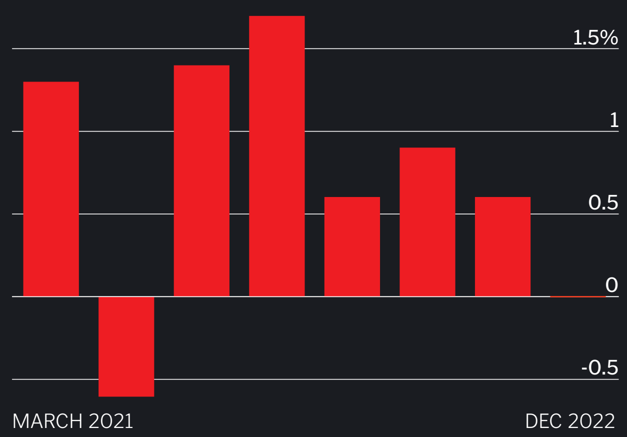
15

Do the following issues represent threats or opportunities for your company?

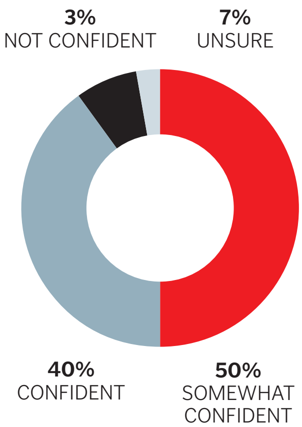


ROB/ NANOS// CEO SURVEY

THE BIG PICTURE
Quarterly change in Canada's real GDP growth



16. How confident are you that you'll be prepared for climate change?



17. What impact does cybersecurity have on your company?

Poses many threats, or consistently evolving and more sophisticated threats
36.8%

We have a lot of sensitive data to protect
21.1%

We have already experienced a cyber attack or know a company that's experienced one
10.5%

Severe reputational risks
10.5%

We specialize in cybersecurity, so it's a major opportunity
5.3%

It increases business costs to protect against these threats
5.3%

It represents both a threat and an opportunity
5.3%

Our business doesn't heavily rely on online systems
5.3%

18. What does climate change mean for your company?

It will drive demand for our products or services
27.8%

It's a major threat, and we must determine how our products or services can integrate with an environmentally friendly transition
22.2%

It could be a major opportunity to differentiate from competitors
16.7%

It's a threat to everyone, but the severity will depend on the sector
16.7%

Short-term threat, long-term opportunity
5.6%

Climate change is not real
5.6%

No impact on businesses with a good strategy
5.6%

STRAIGHT FROM THE CEOs
THREATS AND OPPORTUNITIES

"We have seen our peers and suppliers affected by cyber attacks. We believe it is a matter of when, not if."

"We were impacted by a major cybersecurity event, and we know that with the increasing prevalence of cyber attacks and rapidly improving sophistication of threat actors, it will continue to be a threat to our business and to most Canadian businesses over the coming years."

"Our government's singular focus on climate change is destroying our country."

"Climate change is a threat to the planet, of course. There's also an opportunity for us to show leadership in innovation to combat climate change."

"Climate change is a systemic risk and thus has impacts across almost all sectors. As a global investor, working through how to transition your portfolio is a key strategic imperative."

Nanos conducted an online survey of 30 CEOs in Canada from a list provided by *The Globe and Mail* between March 16 and April 12, 2023. For more details on the methodology, visit nanos.co/robceo/

STRAIGHT FROM THE CEOs
HOW TO FIX CANADA

"Implement a strong grocery supply code of conduct that will ensure fair practices for all participants in our food supply chain. Reduce congestion at Canadian ports and simplify the flow of goods. And do everything possible to strengthen the Canadian dollar."

"WE NEED POLICIES THAT PROVIDE CERTAINTY THAT PROJECTS CAN BE APPROVED AND EXECUTED, AND REDUCE THE FRICTIONS TO RAISING CAPITAL AND INVESTING IN CANADA."

"Create clarity on Canada's net zero future via disclosure, taxonomy and other foundations seen in other leading jurisdictions. Enable project approvals to be done more efficiently. Enable the immigration we need to support growth. Overall, it seems like health care is in crisis, including mental health supports. Changes are needed. And support a strong education system in areas of future growth, such as STEM skills."

"The road conditions in key cities are quite frankly embarrassing compared to other G7+ nations. But taxes are high. These two things don't go together."

"Against a backdrop of serious global crises, from climate change to geopolitical realities, outcomes-focused collaboration between the public-sector and private companies will drive a more productive, competitive and innovative Canada."

Turning Point

I'd rather have a slow burn than a knee-jerk reaction that falls off as soon as it's not trendy

Busting barriers

Keziah Myers, the executive director of Advance, Canada's Black music business collective, on opening doors for those coming up behind her

It was lonely at times in the music industry, because I was the only Black woman I saw, other than Advance co-founder Vivian Barclay, and she predates me by a few years. Were there times when derogatory statements were thrown at me? Yes. Were there times when I was presumed to be a secretary or administrative assistant? Absolutely. Was I mistaken for other Black people? Yes. But did that tarnish my experience? No.

Taking opportunities when they're presented to you is really important, because there are barriers in everybody's path. And if we become consumed by those barriers, or if we don't find ways to navigate them or open our mouths and say, "Hey, there's a problem here," then we not only potentially sell ourselves short and, through no fault of our own, fail to get to the next level, but we also leave those barriers in place for somebody else.

Advance was created to address the lack of diversity in the industry, especially at the decision-making level. Black professionals were the only ones in the room in many, many spaces. And the popularity of Black music was bringing in large amounts of revenue that hadn't been seen here before—but who was speaking for these Black artists and professionals? It was highlighted by the murder of George Floyd, when the entire world said, "Oh, wow, inhumane things are happening to Black people, and to Black men especially." Advance is the Canadian music industry's friendly accountability partner.

894
Number of Black professionals who are members of Advance

151
Number of people Advance has helped land internships or positions in the industry

We're coming at the work from a variety of angles. We focus on advocacy to address systemic change, working with organizations in the music ecosystem, along with federal, provincial and municipal governments, to remove barriers for Black music professionals. One big success is in Bill C-11, the Online Streaming Act—we were the initiators and major proponents of indicating Black as a unique group within the legislation. We're also looking at building the pipeline to ensure students have pathways to success through education with no financial barriers. And we've continued to work with the industry to ensure they're paying for internships, because that's definitely more of a barrier for underrepresented communities. And we're addressing it through knowledge sharing, best practices and capacity building, so those who are currently in the industry have the tools they need to further succeed.

Have we seen changes since Advance was created three years ago? Yes. Are there more changes to come? Absolutely. Leading Advance is about ensuring there's sustainable growth. I'd rather have a slow burn into something that's going to be positive and ongoing than a knee-jerk reaction that falls off of your plate as soon as it's not trendy. And the big success is that Advance is here, and it's supported by so many other organizations, because that allows us to look at sustainable growth and goal setting, rather than a black square that's in it for the moment. We have to continue to have the conversation and remember to think not just about who we're seeing at the table, but to empower them, as well. **/Interview by Alex Mlynek**

ILLUSTRATION KYLE SCOTT