

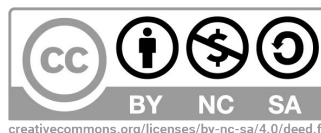
**Premier Tech and  
Canada Economic Development**

***Case Study of an Extremely  
Successful Partnership***

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## **Introduction**

Since mid-1995, a business relationship between the regional office of a federal agency and a family business in the Lower St Lawrence has developed in a way that has made it a concrete example of the “ethos of confidence” principle, which was set out by researcher Alain Peyrefitte and suggests that confidence is the key to modernity, progress and growth. The report that follows bears witness to this theory, describing a relationship that, in its early stages, was based on caution on both sides through an exemplary partnership, but developed into a concrete example of the theory put forth by Peyrefitte.

## **Caution**

### ***Mobilisateur I***

Although Riviere du Loup’s regional economy is extremely diversified, its industrial base depends on the exploitation and processing of natural resources. Close to one third of jobs are directly related to the forest industry, farming and peat moss. The region accounts for 40% of Quebec’s peat production, of which 90% is exported. A new economic development project definitely has something to do with this.

The *Mobilisateur* project was launched by Premier Tech, a Riviere du Loup company that produces and processes peat moss. In 1995, after 15 years of investment in R&D, the company decided to forge ahead in R&D and developed three specialized niches that would make it a market leader.

As part of the first component of the project, called *Mobilisateur I*, the company wanted to conduct eight research projects over four years (1996-2000) in its three main divisions: packaging and handling, biotechnology and environment.

The packaging and handling division was involved in three projects: new packaging technology, compression bagging (fibrous materials market) and deaeration bagging (powders). Two projects were carried out at the biotechnology division: the industrial production of endomycorrhizal fungus in bioreactors and the development of biological control products. The environment division had to conduct three projects in the development of aerobe pretreatment and trickling filters, that is, the microbiological characterization of anaerobe pretreatment and development of a physicochemical screen.

When Canada Economic Development (CED), at that time the Federal Office of Regional Development–Quebec, was first approached, the research projects were already at the applied research and experimentation stage. As far as Premier Tech was concerned, market potential studies conducted were conclusive. In reality, the project did not directly effect competition in Canada because it dealt with new products to be developed and most of the extra production would be exported.

CED regional office advisors immediately recognized the project's potential. However, because Premier Tech was such a large company, the project bordered on being ineligible under the IDEA-SME Program.

Between 1997 and 2001, some \$25 million was invested in *Mobilisateur I*. Federal government assistance was in the form of a \$4-million loan from CED and served as leverage, facilitating the economic involvement of other key partners. As a result of CED's support, Innovatech Québec committed \$5 million to the project. Premier Tech was to repay the contributions from CED and Innovatech Québec from sales of products developed as part of the project. CED regional office staff also mobilized other partners, including the Regional Development Secretariat (SDR), Quebec Department of Natural Resources (MRNQ) and the Quebec Department of Agriculture, Fisheries and Food (MAPAQ), who combined to contribute over \$1 million. The company also received tax credits from the federal (\$2.2 million) and provincial (\$900,000) governments. Total government support exceeded \$10 million and Premier Tech was responsible for the balance of project costs.

*Mobilisateur I* was extremely successful, producing economic spinoff far greater than expected. Research carried out by the Groupe Roche in 2001 indicated that Premier Tech's project generated employment and had positive effects on the economies of the Rivière-du-Loup MRC as a whole, Quebec and Canada.

The eight R&D projects supported by this major investment helped further diversify the regional economy, both vertically, through lateral value added and the development of new products, and horizontally, through the development of secondary and tertiary processing products.

According to research data collected by Groupe Roche (2001), in addition to developing 34 innovative products, *Mobilisateur I* contributed to the creation of 355 jobs. It should be noted that in 2001 Premier Tech's team totalled 673 person-years in the Rivière-du-Loup MRC with an average salary of \$32,559, generating salary spinoff of \$32.8 million. The average salary of induced employment, that is, jobs created outside Premier Tech, was about the same as that of Rivière-du-Loup MRC workers as a whole, \$23,919. In fact, close to 4.3% of jobs in the MRC resulted from employment development generated by *Mobilisateur I*.

This project helped attract highly qualified workers. According to Premier Tech's Director of Business Development, the employee retention rate is much higher than in major urban centres, such as Montreal. Management, working conditions and quality of life drew employees to the region and kept them there.

Government revenues in the form of tax rates and monetary benefits must also be considered spinoff of the *Mobilisateur I* project. For the project time frame, these revenues totalled \$56.7 (Roche, 2001), resulting from the compensation of Quebec taxpayers in direct and indirect jobs.

## **CED areas of activity as part of *Mobilisateur I***

*Mobilisateur I* is perfectly in line with CED's main objectives in terms of both innovation and market development within the context of regional development. It contributes to the attainment of three objectives: job creation, economic growth and sustainable development.

*Mobilisateur I* essentially fits in with CED's IDEA-SME program and the federal science and technology strategy. In the region, the projet created direct jobs for engineers, researchers and technical specialists and jobs in production-related manufacturing, a corporate-university partnership and new economy projects. It promoted innovative management practices and an increase in sub-contracting.

While results such as these were desirable, they were unattainable in 1995, when Premier Tech contacted officers at Canada Economic Development's regional office. The company had identified CED as a possible financial backer for its R&D innovation project. The project was very daring and required a major financial investment, difficult to obtain from any financial institution. In fact, despite sound management by the working employers, who were involved and visionary, its capitalization was too weak to fund the development of several products resulting from the findings of all their past and future research. While research is necessary to keep the company in the forefront for knowledge in its field, development ensures its survival in the competitive arenas where global battles are fought. The question was how to fund it.

This was the crucial question. Banks or credit unions could be approached for funding, but local financial institutions require guarantees that the development of new niches could not provide. Knocking on the door of community investment funds was an option, but the amount required for development exceeded the capabilities of such organizations. What to do?

CED advisors and Premier Tech representatives worked out a strategy to bring together several federal and provincial funding agencies in order to establish an appropriate funding arrangement for Premier Tech's project. Government stakeholders assembled by the company had to be bold, considering the innovative nature of the project submitted, its financial risk at that time, as well as evaluations and sectoral opinions required for the project to be approved.

In this context, CED was the economic lever because its contribution enabled funding from Innovatech Québec to be obtained for the project. An agreement was reached between the two government bodies and Premier Tech on repayment terms and conditions and disbursement methods that considerable limited the financial risk. Therefore, CED played a key role in completing the funding structure.

Throughout the agreement negotiating process, CED also provided guidance for the company in terms of the action framework of it own structures and according to its program requirements. The sharing of information and guidance helped create a project that reconciled the objectives and interests of each of the organizations involved. Once the project was well established and approved by CED Bas-Saint-Laurent regional office, staff became catalysts for the project within CED and the other federal departments and agencies concerned with sectoral opinion (eg, National Research Council of Canada,

Environment Canada and Industry Canada). This role included developing a strategy for defending the project and obtaining the required funding. Sectoral opinion was requested to support the project and the preliminary presentation of its orientations was refined, speeding up the funding process.

Once Mobilisateur I was assured core funding, the CED advisor responsible for the file continued to support the project through standard financial and management monitoring and as a member of Premier Tech's science committee. *Mobilisateur II* began here.

## **Confidence**

### ***Mobilisateur II***

From the time the advisor and project catalyst within the government structure became members of Premier Tech's science committee, CED worked with Premier Tech officials on the design and development of a new project, *Mobilisateur II*. This time, CED proposed itself as the sole provider of funding in accordance with the Agency's mandate and intervention limits. In addition, Premier Tech had proven its capabilities both in the area of follow-up actions and contribution repayment.

The second component is a logical follow-up to that begun in 1997, which demonstrated boldness and courage. It was a major challenge that met with success. Today, *Mobilisateur II* is much more openly accepted, but expectations, in terms of results, are considerably higher.

*Mobilisateur II* is a major R&D project in which CED has invested \$9.2 million of a budget of \$42 million over four years (2001 to 2005). This project will lead to the creation of more than 200 new jobs in the Rivière du Loup region and will help maintain 350 jobs created as a result of the *Mobilisateur I* project.

More than 55 new products will be developed in the four divisions: Premier Tech Packaging (14 products), Premier Tech Environment (17 products), Erin Systems (13 products) and Premier Tech Biotechnologies (11 products). Jean Bélanger, President and CEO, and son of the founding president said: "[...], we have decided to add a technology showcase component to *Mobilisateur II* that will enable us to carry out more testing and put on more demonstrations for our clients in order to speed up market penetration."<sup>1</sup>

In addition, *Mobilisateur II* allow for the cross-fertilization of five new companies, generating economic benefits and job creation in many sectors of the regional economy.

Premier Tech's strategy for the second component, currently underway, is to develop the project so as to relate it to CED's areas of activity. This will avoid having to create a link between the programs of the two levels of government, which requires a great deal of effort and time.

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<sup>1</sup> Comment from the press release issued by CED on January 14, 2002.

## **CED areas of activity in *Mobilisateur II***

At the same time, a strategy developed by CED's regional office is being carried out to promote the project within the government structure. In addition, considering the company's size, contacts were established in an effort to increase federal government funding, but because CED's involvement is limited, mainly in terms of company sales and the number of people it employs, officers at the regional office and Premier Tech management had to find other sources, particularly Technology Partnerships Canada.

Ideas, discussion and innovation were on the agenda. Both the company and the Agency wanted to retain the momentum. One of the strategic choices in this second component is to design projects based on the strengths of each funding structure, at both the federal and provincial levels, giving CED exclusive financial involvement in *Mobilisateur II*.

Canada Economic Development has proven to be a very important player in this matter. Starting as a simple contributor, the government agency became a major financial lever for the initial project, *Mobilisateur I*, and has ultimately contributed to the development of the second component, *Mobilisateur II*. More specifically, the regional office was a catalyst for the project at the Agency with a well defined strategy whose aim was to obtain the funding required for the project. In co-operation with Premier Tech, the CED advisor guided project catalysts to help them situate the project within the Agency's limits and areas of activity.

Today, the CED regional office is still involved in this project, and with a broader vision, its activities continue to promote regional development by providing an innovative vision and skills and strategic information networks for new projects. It should be noted that Premier Tech is an important company for the Rivière du Loup economy, not only because it creates direct jobs, but also because of its role in economic development through sub-contracting, which takes various forms, depending on the needs of the products to be developed. A general trend is, however, apparent in terms of a competitive quality-price ratio: to give preference to regional sub-contracting companies. In fact, according to Yves Goudreault, Director of Business Development at Premier Tech, one of the company's objectives is to promote the development of the Rivière du Loup region.

Increased sales and job creation in sub-contracting companies depend on the pace at which agreements and contracts are signed with Premier Tech. These firms carry out contracts established by Premier Tech research teams and engineers without being involved at the design stage. They come in only at the implementation phase. Their managers either acquire or adjust their equipment to meet the contract Premier Tech has given to them.

In some cases, Premier Tech imposes conditions, such as dividing production of some parts between two plants, ensuring it a steady supply of products in the event that one plant experiences difficulties. This type of condition requires significant investment on the part of the sub-contractor, often leading



them to do business with local development agencies such the Quebec Community Futures Development Corporation (CFDC) or local development centre (CLD).

In other cases, companies form a sub-contracting network that helps meet the conditions. A company enters into a contract with Premier Tech and sub-contracts a portion of the work to another SME if it does not have the specialized equipment or expertise. As a result of the networking, several businesses benefit from Premier Tech contracts, business partnerships are established for future projects and companies retain their specialization while ensuring controlled competition.

However, in some cases, small companies depend too heavily on Premier Tech's contracts (up to 65% of sales figures), which could threaten the survival of these SMEs should contracts no longer be available. Many SMEs have difficulty obtaining contracts with companies other than Premier Tech because the products they manufacture are so specialized. However, Premier Tech has occasionally invested and become a shareholder in sub-contracting companies to help them produce what was requested. In R&D, Premier Tech and these companies must work much more closely together to favour the sharing of expertise and knowledge.

Key elements at the design phase of *Mobilisateur II* included previous experience working with partners (*Mobilisateur I*), knowledge of each organization's skills and professionals involved in the project. Professional co-operation and the pleasure of working together resulted in a vision and a project design that are in line with regional economic development activities. "Team"<sup>1</sup> members work in structures with the desire and flexibility necessary to promote creation and innovation. In addition, the average age of team players (about 40 years old) and the importance of their network of contacts are valuable to the project's completion.

These individuals see themselves as very proactive, forward-thinking and actively involved in their own fields and related areas of expertise. They work together to create a motivating synergy that promotes the attainment of results.

From an overall perspective, in the medium and long term, new funding structures to support Premier Tech's development and innovation projects were identified. In 1996, CED had first contacted Technology Partnerships Canada (TPC), which would otherwise never have known that this type of company existed in the region. Although initial contacts were difficult, the company's management team took steps to set up a meeting to which CED advisors would accompany Premier Tech representatives. The wheels were set in motion in the knowledge that CED might eventually no longer be able to directly support Premier Tech, which currently has \$110 million in projects on the drawing board.

All indications point to CED wanting to remain involved in the activities in order to support companies that do business with Premier Tech and create new companies and jobs. Other projects may benefit established partnerships, which would promote significant spinoff in the region. In fact, the sharing of

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<sup>1</sup> Yves Goudreault and Jean Bélanger from Premier Tech and CED Advisor Ludovic Lévesque will be on the team.

business expertise and networking would contribute to supporting new initiatives, developing new projects and identifying new approaches to working together and new perspectives.

The continuation of *Mobilisateur II* is in sight. One of the main concerns for Premier Tech administrators and CED's regional office is to develop strategies to find ways to continue to be innovative. The future success of projects depends largely on previously established work relations. Partners must identify and test new co-operative mechanisms (intervention tools, forms of non-monetary assistance, etc). Premier Tech no longer fits in as a target client under the IDEA-SME program, but cross-fertilized SMEs and sub-contractors are part of its target clientele.

### **What is Premier Tech?**

Premier Tech, known as Entreprises Premier CDN Ltée before 1999, is made up of complementary business units that develop value-added products made from sphagnum peat moss. The business units are: Premier Horticulture (markets horticulture products for home gardeners and professional producers), Premier Tech Packaging (develops, manufactures and markets packaging, handling and palletizing systems), Erin Systems (designs, manufactures and markets mobile and fixed screening and sizing systems and equipment for organic and inorganic materials), Premier Tech Environment (wastewater treatment), Premier Tech Industrial (manufactures indoor and outdoor mechanical equipment and parts) and Premier Tech Biotechnologies (researches, develops and markets products and technologies for enhancing plant growth and disease resistance while protecting the environment).

In 2000, Premier Tech's consolidated sales figures were \$150.7 million and its net earnings were \$1.9 million. More than 75% of the company's sales are on international markets, 60% in the United States. It operates many peat bogs, some in western Canada, but most in Quebec. It has 22 plants and does business in Canada and Europe. A new project in Mexico is being developed, following Premier Tech's participation in the last economic mission organized by the federal government to Mexico.

Premier Tech has more than 1,200 employees and over 15 union certifications. It has a young, experienced and multidisciplinary team of engineers, chemists, marketing and sales specialists, biologists, manufacturing managers, etc. The company favours a non-hierarchical structure that offers flexibility and mobility and promotes teamwork and direct communication among staff and team members of all the business units.

Premier Tech is very active and involved in the Riviere du Loup region and its development. It supports the education and training of young people through secondary school, college and university scholarships. The company also offers paying internships every year. Premier Tech contributes to and sponsors amateur sports activities and community organizations.

“The principle of pursuing innovation everywhere at all times is far-reaching. In fact, it is one of the

basic concepts behind Premier Tech's customer focus. Our teams constantly challenge our operational processes, business strategies, technologies and products. Naturally, this desire to innovate has one sole end goal which is customer satisfaction." This quote, which is from the 2000 annual report, demonstrates the importance of innovation to the enterprise's sustainability.

Innovation is in the blood. In the 1990s, Jean Bélanger, son of Premier Tech founder, returned to his native region after completing his university studies in mechanical engineering. He also returned to the family business where he worked in Groupe Premier's technology unit. The purpose of this unit was to design and create products to meet the needs of Groupe Premier Tech. In a short time it was awarded outside contracts and formed a research and development group, which joined the one in existence since 1984.

Today, this research laboratory manages the main research sectors, including specialized industrial equipment, biotechnology and ecotechnology, as well as new research priorities in horticultural biotechnology and ecotechnology. Multidisciplinary and self-directed teams work on specific projects, in an effort to enhance high value-added products and integrate the most advanced technology available on the market.

To pursue innovation and R&D, the secret of Premier Tech's success, management hired a director of funding arrangements at the time of *Mobilisateur I*, who helped design *Mobilisateur II* and worked closely with the President and the directors of the company's 22 units.

The Premier Tech team has a long-term vision and seems to have identified the niches to develop. The key to remaining competitive is innovation and the development of new products in line with environmental concerns of the countries in which the products will be sold. The company exports close to 80% of its production outside Canada and considers the international market its playing field.

A director of funding arrangements on Premier Tech's team is very important to the company's development. Its innovation vision is reflected in funding arrangements, which, overall, will help integrate research and development funds, as well existing federal and provincial infrastructure development funds.

Premier Tech also receives funding from regional and local contributors, such as the Conseil régional de concertation et de développement (CRCD), for very specific and concrete projects. The most effective strategies to meet needs will be determined, taking into account the company's medium- and long-term issues and orientations, including the creation of self-directed business units that will establish direct partnerships with funding and development agencies.

## **Conclusion**

Since 1997, R&D innovation at Premier Tech has been gaining momentum. The direct stakeholders (Premier Tech and CED) would like to maintain and even increase this momentum. Various strategies need to be developed, and in anticipation of a third *Mobilisateur* component, CED must determine to what extent it will be involved, taking into account the limitations of its programs and mandate in dealing with a company that does not fit the criteria of the clientele targeted by the IDEA-SME Program (sales and number of employees). Other interesting options do exist, for example, pairing up with cross-fertilized or sub-contracting companies that work with Premier Tech.

However, as original as this option appears at first glance, CED has already taken this approach through its support of CRDCs, who assist companies in the region, including SMEs with business ties to Premier Tech. Some sub-contracting companies have had to make significant investment, with assistance from a CRDC or other local or regional funding agency, that helped them follow through on contracts with Premier Tech. But there is always the flip side, in this case, concern regarding the level of dependency between these companies and Premier Tech, as well as the potential economic risks.

Despite these minor concerns, economic stakeholders in Rivière du Loup have demonstrated, through experience and the implementation of *Mobilisateur*, that it is possible to be a leader in local development that could benefit globalization. These individuals believe that cities and regions must focus their activities on one of the three areas of high value, that is, intellectual production, manufacturing or trade, and that they must invest in the appropriate infrastructure to support these activities. This is exactly the case with Premier Tech. In addition, the competitive advantage of cities and regions depends on networking among companies in order to get the most from local resources, including innovation and trade and manufacturing capabilities. Premier Tech achieves this through its involvement in a number of local and regional partnerships.

Networks and people are central to preparing a project. Premier Tech's success and impressive results for the *Mobilisateur I* program are mainly due to the work of a team who wanted to give a project shape and see it grow. Many meetings and discussions were held in order for the project to take shape, in the form in which it was approved and funded. However, before reaching this point, the company had to have a desire for and interest in innovation, as well as the will and the means to venture on this new road. Several elements proved to be key: a visionary director general and unit manager who used the services of a director of funding arrangements, together with ideas for innovative products.

The CED regional office and the advisor responsible for the project worked on development and investment in this project. This is a sound project, introduced and carried out by a recognized and serious company, that has produced excellent results. The project was carried out as part of a relationship that helped transform the caution required at the beginning of a project to the confidence required for its success. This was a model intervention that deserves to be repeated.

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Pemier Tech and CED: *Case Study of an Extremely Successful Partnership*

City of Rivière-du-Loup : [www.ville.riviere-du-loup.qc.ca/](http://www.ville.riviere-du-loup.qc.ca/) (French only)