

**Deloitte.**



**The infinite organization**  
Realizing lasting success

CANADA  
— AT —  
**175**



# Executive summary

Deloitte believes that Canadian businesses have a crucial role to play in ensuring Canada remains the world's best place to live and work over the next 25 years. For years, we've worked to share this optimistic vision for the future and identify what it takes to make Canadian businesses more successful.

But we've also been sounding the alarm. We've warned business leaders and policymakers about Canada's lagging productivity, and we've cautioned companies about the impact of the coming age of disruption. Today, challenges that were once on the far horizon are now on our doorstep—and we're still not ready.

Over the next quarter century, the world will likely be utterly transformed. Everything we know about what it takes for businesses and nations to thrive will be challenged. *The infinite organization* offers Deloitte's perspective on the critical organizational behaviours that we believe will enable Canadian companies to effectively compete over the long term in a rapidly changing world.

Because, if we want Canada to be the best place to live and work for generations to come, we'll need many more enduringly successful companies than we have today.

# Why lasting success matters

Being able to stay in business isn't the same as building a business that adapts, thrives, and continues to win as the years pass by. To achieve lasting success, companies must be long-lasting *and* able to maintain success at the peak of their field. Canada needs more companies like this.

We have concerns about the country's business dynamics. We have too many older, low-growth companies that...well, exist. Instead of following the natural business cycle, they're stuck in neutral, neither exiting nor continuing to grow.

**>40%** More than **40 percent** of Canadian businesses, both public and private, can be considered mature (aged 15 years or older), up from just over **30 percent** the decade before. That means a rising proportion are reaching the stage where their most dynamic years are behind them—and either decline or renewal await.



While some of our businesses are growing, many are watching their revenues stagnate or shrink. Roughly **44 percent** of firms aged 10 years or older recorded **stagnant or negative three-year revenue growth rates** between 2009 and 2016.



Business exit rates are **steadily declining**, and currently sit at the lowest level in decades.



Our analysis found that at least 16 percent of Canadian public companies are what the Organisation for Economic Co-operation and Development (OECD) calls **zombies**: mature businesses whose earnings are not enough to cover the interest payments on their debts but still manage to survive, thereby diverting capital and talent away from more productive firms and hindering the ability of younger, more dynamic businesses to grow.



## We can't rely on what made us successful in the past

Rapid technological development and globalization are changing how we live, work, and conduct business. What made companies successful in the past is no longer the best predictor for success in the future.

Canadian companies must recognize these changes, embrace ambiguity, and find the courage to adopt new ideas, approaches, and behaviours.

- **Scale and market position aren't the advantages they used to be.** Digital offerings and new technologies enable smaller entrants to challenge large competitors more easily than ever.

- **Industry boundaries have blurred.** Competition can come from anywhere, with technology providing a platform for companies to diversify into previously unrelated industries.
- **Businesses must compete based on ideas and know-how.** Attracting and mobilizing highly skilled talent is increasingly vital.
- **Shifting consumer expectations are redefining the relationship between businesses and customers.** In a digital world, consumers expect instantaneous satisfaction and services tailored to their unique needs. With a click,

customers can share their feedback or take their business elsewhere.

- **The definition of leadership is evolving.** Democratized access to information has made people more skeptical and distrustful of many institutions, and CEOs are being asked to step in to fill the void.
- **Power is shifting from West to East.** As Asia-Pacific countries gain economic and geopolitical clout, Canada's continued reliance on the United States as its key trade partner could leave its businesses in a difficult position.

# The essential behaviours for success

Based on our understanding of how the business landscape is changing, supplemented by our conversations with more than 50 prominent Canadian business leaders, we identified five behaviours that we believe will be critical for companies to practice for sustained success on the road ahead.

## Disrupt with resilience

The most successful companies will be the ones that combine resilience and disruptive capacity to become agile, forward-looking businesses that see change as an opportunity to experiment, learn, and grow.

## Nurture your roots

Businesses need to develop strong, deep roots to sustain robust growth and withstand constant challenge. Companies must nurture their connection to customers and mobilize people and technology.

## Assert global leadership

As global competition heats up, Canadian companies will need to get out on the global stage at the highest levels, or Canada will be left behind.

## Pursue tough decisions

Navigating a faster-paced, more competitive environment will require businesses to find ways to combat the uncertainty that comes along with making tough decisions.

## Drive purpose and impact

An organization's purpose can serve as an important touchstone in moments of crisis and can be a critical filter for decision-making.

# Where Canadian companies stand

How many organizations in Canada embody these five behaviours today? We surveyed more than 700 of them to find out. While 55 percent believe they're positioned for lasting success, our analysis found that few in fact are. Canadian companies perform some of the key behaviours well and others poorly—for example, they are good at driving purpose and impact but struggle to assert global leadership and to disrupt with resilience. This is consistent with our past research on productivity, technological disruption, and export readiness.

## Recommendations: How to build thriving businesses that last

What Canadian companies need to do



### Disrupt with resilience

- **Make innovation a discipline and invest in it.** Establish and fund processes to continuously develop and test new ideas. Take calculated risks and foster thoughtful experimentation.
- **Expand your ecosystem to find new ideas and challenge orthodoxies.** Start talking to people outside your sector, region, or country to hear fresh perspectives. Get involved in innovation ecosystems, and collaborate with startups, academic researchers, incubators, even competitors.



### Pursue tough decisions

- **Adopt a zoom out/zoom in approach to strategy.** Zoom out to tackle risk, consider potential disruptors, stay on top of trends, and counteract uncertainty. Zoom in to grab opportunities to strengthen your business and generate quick returns.
- **Play the long game and make small bets along the way.** Combine a strong “future sense” with pragmatic opportunism. Make small bets on new opportunities as they arise.



## Nurture your roots

- **Invest in people like they're the competitive advantage you say they are.** Define and cultivate a work culture and environment where your people can work the way they feel most productive and are motivated to add value as they see it.
- **Focus on what technology enables you to accomplish.** When you explore or invest in a new technology, make sure you clearly understand what it will help accomplish and how it will enhance your business's value proposition.
- **Get serious about the market of one.** Don't wait to capture and harness your customers' data. Act now to develop the capability to quickly transform that data into meaningful insights that you can act on. Don't assume you understand your customers; back it up with data, research, and outreach.



## Drive purpose and impact

- **Declare your organization's purpose—and live up to it every day.** Be clear about your company's purpose. Use this purpose to drive innovation, motivate your people, foster a strong, healthy work culture, and shape decisions.
- **Understand what makes you great, and make sure everyone knows it.** Zero in on what makes your business great to help set you apart in a tough market and tell a clear, compelling story that gets noticed.



## Assert global leadership

- **Champion a win-win ethos.** Embrace all opportunities to collaborate with customers, partners, vendors, and governments to understand and co-develop products, services, and strategies that bring real benefit to all involved.
- **Go global, but invest in local talent.** Capitalizing on Canada's diversity to recruit local talent can give Canadian businesses an insider's perspective on local conditions, help establish a solid foothold in new markets, and provide a way to demonstrate our unique way of doing business.

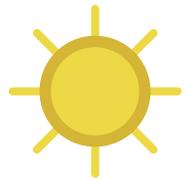
# The good news: This is Canada's moment to shine

The world is a tumultuous place today. Many countries are turning inward. Attitudes are hardening and once-cordial relationships are growing frostier. Yet, in many ways, it's never been a better time to be Canadian.

At Deloitte, we're convinced Canada will remain the best place in the world to live and work when we mark Confederation's 175<sup>th</sup> anniversary. Our companies will play a critical part in achieving that vision—harnessing

innovation, creating new opportunities, and proudly expressing Canada's values.

Or at least, they will if we have the courage to take the necessary action today. We must take risks, embrace new ideas, and be willing to try—and not afraid to fail. By creating the conditions for lasting success, we can establish the foundation for a prosperous Canada for all.



# CANADA AT 175

**Canada at 175** refers to Deloitte's vision for the future of our nation's prosperity by July 1, 2042. Now is the time for Canada to redefine what it means to be a global leader.

Our ambition as a nation must be bolder—we must aim to not only achieve economic prosperity, but to elevate our quality of life for our vast and diverse population.

Deloitte believes that in the years leading up to our 175<sup>th</sup> anniversary Canada can remain in a class by itself—not one of the best, but the best place in the world to live and work. To do this, we must adopt an unrelenting commitment to developing courageous leaders who embody an inclusive way of being.

Contact us at [canada175@deloitte.ca](mailto:canada175@deloitte.ca)

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[www.canada175.ca](http://www.canada175.ca)

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Designed and produced by the Deloitte Design Studio, Canada. 18-5765V