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## Learning to carry the load of success

If you're ready to take the next big step  
with your small business, help is at hand, David Bruser writes

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DAVID BRUSER BUSINESS REPORTER

For a young small business, success can be fatal.

Gord Demers is starting to understand.

Now six years old, his Markham print and mail processing shop, Taylor-Demers Mail Processing Inc., climbed to \$ 3 million annual revenue last year. But as he built the company, Demers also spent.

Money for new, bigger equipment needed to handle new and bigger clients.

"It continues to multiply as you go up the ladder. Your receivables increase. But the larger the client, the longer the pay period. Now your receivables get extended beyond 30 days and maybe into 60 days. Now you've got that cash flow problem," said Demers, 58.

Walking that knife-edge led Demers to the Innovation Synergy Centre of Markham (ISCM), a new not-for-profit resource office offering advice to small businesses, typically those with 10-50 employees and annual sales of \$1 million-\$5 million.

Just before he discovered the centre, Demers had begun courting a prospective client that could double the company's revenues but felt caught in a small business no-man's land where he had no one to turn to for advice, couldn't get the kind of bank loan he needed to deal with this potential client and didn't know

where to look for alternative financing.

ISCM president and chief executive Bob Glandfield, who has been involved with several small businesses, has seen it all before.

"This is a significant problem for small companies—you can actually grow yourself out of business. That can happen very quickly," he said. "The faster you grow, your cost goes up. You can't get the money in fast enough. The receivables are there. You can't collect them fast enough to cover the cost of growth."

Glandfield said he and his staff have counselled 200 small business owners like Demers, mostly in Ontario, in just more than a year.

At ISCM, staff with extensive experience in the business work with clients like Demers. ISCM learns the client's business, discusses problems and works to put the client in touch with a prospective investor, marketer or whomever the small company needs to take the next big step.

Glandfield calls the ISCM a sort of "floating advisory board."

"There's always been a lot of support for start-ups, through incubators and other initiatives, (but) when a company hits five, 10, 15 employees, there's no help," he said. "They have a much higher level of expertise required than a start-up company. They need more senior people who

have been there and done it."

"The challenges are different than a start-up. Companies struggle for years establishing themselves and somebody drops a big order in front of them. What do they do next? Or they're trying to expand into a new market. Where do they start? How do they finance it? What are the risks?"

To hear Glandfield describe it, the ISCM is almost like a small businessperson's headshrinker.

"These guys have got their lifeblood on the line. (They're) past the adrenaline because you're talking four, five, six years down the pike. They need some place to come and talk."

Created by the Town of Markham, National Research Council Canada and York University, and sponsored by the Royal Bank of Canada, the ISCM offers free advice from experts with a range of skills.

"We only use senior people. These aren't MBA students. They've all been in business 20 or 30 years. We've all made mistakes along the way."

The ISCM often deals with company presidents too immersed in the minutiae of the company to deal with strategy. Glandfield wants them to pull up their heads.

"In this range of business, the president is also the CFO, is also the shipper, is also the dishwasher. They have to do everything. You can't stand back

and really analyze what's really happening out there."

For starters, ISCM senior advisor Doug McIntyre always insists on hearing a client's elevator pitch.

"Give me 30 seconds on what you do," he said.

"We've had some guys in here and after five minutes, I still don't know what they do."

The pitch sessions help Mark Murrell focus on how his Markham-based company, Cranial Expansion, is preparing to launch a new product.

Now in its fifth year, Cranial Expansion offers custom employee training programs to companies—in a classroom environment as well as through online courses—and is preparing to launch next month a comprehensive packaging online product.

Murrell has attended several meetings hosted by the ISCM attended by other small businesspeople who shared their marketing successes and follies.

"As we're putting together a boxed product, we're making sure we have a very clear one-sentence overview of why it's the greatest thing ever," said Murrell, principal consultant at Cranial, which employs 12 and nets less than \$ 5 million per year.

Some of the pitches he heard at the meetings were instructive, even if muddled.

"Somebody is trying to give their elevator pitch and at the end of it you just want to get away from them," Murrell said.

"(ISCM) put us in touch with people who have gone through this before, which has been very helpful."

A product launch poses many risks, Glandfield said, mainly because the creator is often too attached to the concept.

"They fall in love with it," Glandfield explained, noting some believe their product is so unique they are convinced there is no competition.

"Well, we already know that there are five or six people locally doing it."

"They spend all their earnings.

They got that first prototype and they sold one to grandma, and they have no idea what's going on in the world."

Another hard lesson learned during a product launch is ratio of dollars spent developing to dollars spent marketing.

"It takes 10 to 100 times as much money to take a product to market as it does to develop it," Glandfield said.

"People don't realize that that new idea, no matter how good it is, takes a

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### **'This is a significant problem for small companies—you can actually grow yourself out of business'**

*Bob Glandfield, ISCM president*

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### **'I did not know that there was another level within the bank'**

*Gord Demers, small business owner*

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long time to filter through and get market acceptance. How do you finance yourself through that?"

And if it's financing a small company needs, getting the person in charge to admit it can be a challenge.

"You sometimes get the 'I built it and I don't want to share it' attitude," said Rod Graham, another of ISCM's senior advisors. "We go through the process of trying to bring them to the realization that if you want to go further, you have to share a little bit."

Demers figures he needs to invest \$ 700,000 in more space and equipment for the kind of growth that will accommodate bigger clients.

"We're on the verge of landing a very significant contract. You have to have the capabilities. We'll likely double the company overnight. That's how big it is for us," he said. "I'm kind of leaning on (ISCM) for help."

Demers said he couldn't find a

bank loan under terms that weren't crippling and didn't know where to go for the money he needed.

ISCM introduced him to a department within the Business Development Bank of Canada that specializes in mezzanine financing—higher-interest loans secured by the company, not individuals within it—and helped Demers prepare his pitch. Demers had dealt with the bank before but had no idea such a department existed.

"It's a whole different group of people in the bank," he said. "I did not know that there was another level within the bank. They didn't advertise it or promote it."

Demers said he is now dealing with the Business Development Bank. He's also excited that the ISCM hasn't charged him a penny for its services.

"I was impressed that there was an organization out there that would actually go to that extent and not charge you."

#### **SMALL BUSINESS TIPS**

Michelle Field, Vice President of Banking at the Bank of Montreal, offers the key questions small business people should ask:

- Are my goals realistic?
- Should I adjust my business plan because the market has changed?
- Am I listening to my clients?
- Am I effectively advertising my services?
- Do I have enough money to support my business and how do I work around these financial limits?
- Should I extend credit? What assures me I will be paid?
- How do I deal with the long lead-time for orders? Do I have more inventory than I need?
- How do I have a plan to collect payments on time?
- Is my banker up to date with changes in my business?

*Source: BMO Bank of Montreal*