



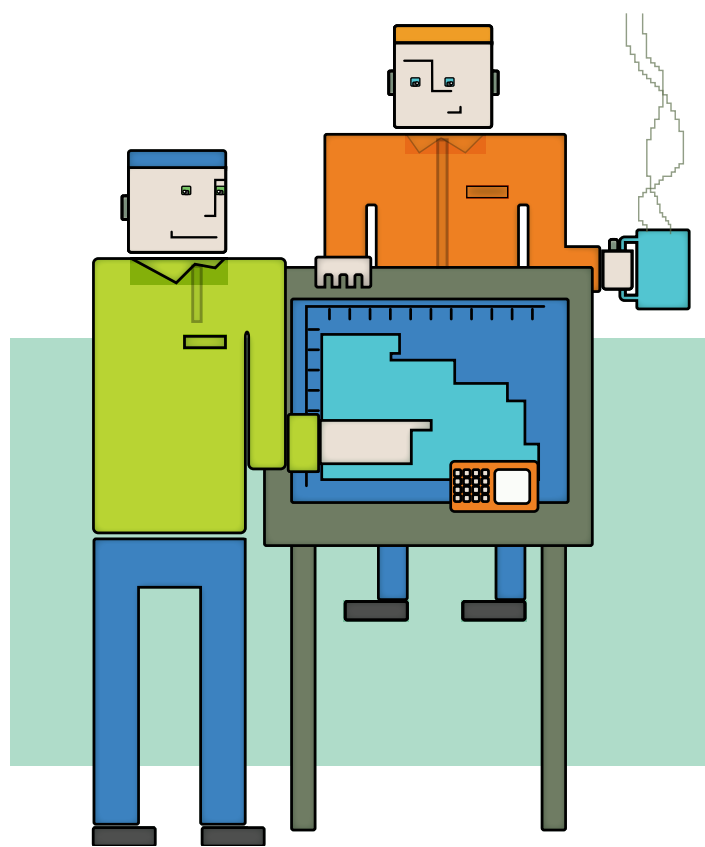
WHEN YOU SHOULD EXPAND

*Sustainable and profitable expansion
starts with these 3 steps.*

Text LEIGH DOYLE / *Illustration* GREG HALL

In eight years, Toronto's Ferro Canada, an environmental contracting company specializing in asbestos abatement, has gone from the basement of Peter Ferrante's home to \$8 million a year in revenue. Ferrante, the president, says he always knew he wanted a bigger business. "My strength was sales, so to reach my goal I exploited all the contacts I had to keep getting contracts. At the end of the day, you can't have employees if you don't have the work for them."

FERRANTE ADMITS HIS GROWTH WASN'T FLAWLESSLY EXECUTED FROM A DETAILED PLAN, BUT HE DID COVER THE BASICS THAT A SEASONED EXPERT WOULD SUGGEST. Rony Israel, business-development consultant with the Business Development Bank of Canada in Ottawa, says that for expansion to be successful it needs to be sustainable, profitable and, most importantly, planned. To prepare for an expansion, you need to take three key steps: review your business, strengthen the financials and surround yourself with the best people.

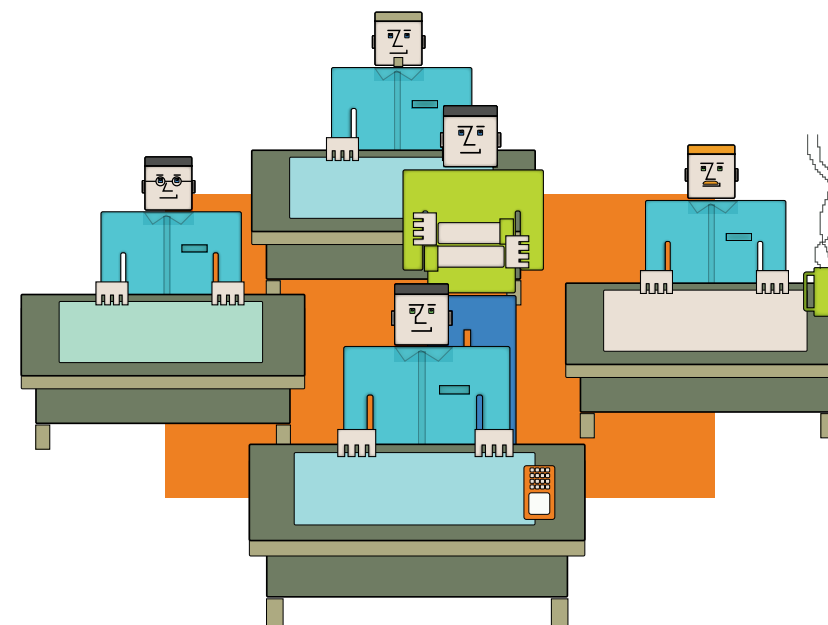
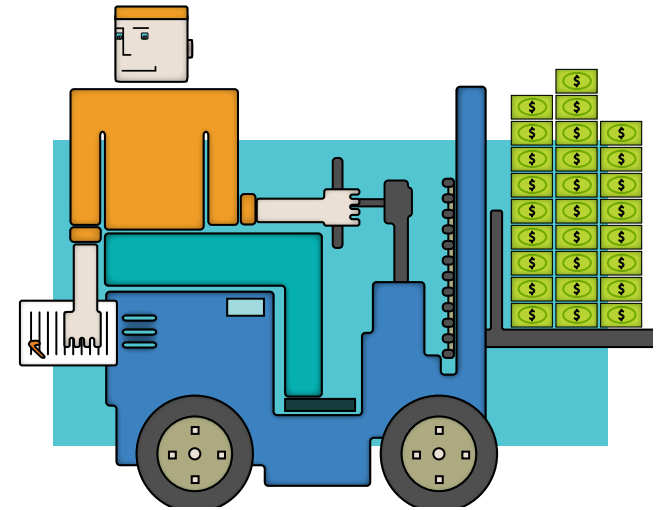


EXPANSION STARTS WITH A DETAILED REVIEW OF THE BUSINESS AND AN IDENTIFICATION OF WHAT IS DRIVING THE DESIRE TO GROW. "Are you expanding because customers are demanding more products or a new line? Are you looking to buy a competitor to gain market dominance? Do you have an opportunity to capitalize on economies of scale?" asks Eileen Fischer, marketing program director, entrepreneurial studies and family enterprise at Toronto's Schulich School of Business. "If you don't really understand how you're going to grow, it can be haphazard and you can make mistakes," adds Charles Chang, president of Port Coquitlam, B.C.-based Sequel Naturals, the makers of Vega, a plant-based whole-foods supplement. Sequel has experienced 60% growth year-over-year for six years, and will do \$30 million in revenue in 2011. Chang says his company's goal of becoming the leader in their retail category shapes his expansion decisions.

Skipping the planning step can lead to serious problems. Fischer has seen many companies dilute the focus of their businesses by offering a new product or service because they jumped on an opportunity too quickly. "Without proper planning, you risk losing competitive advantage and confusing customers and investors," she says. Ferrante avoided this mistake by observing the needs of his existing clients. "I diversified within the service requirements of the clients I was already doing work for," he says. "I was maximizing the revenue stream I already had." For example, his company would be doing an asbestos removal job for a client and see the client also needed general contracting or haz-mat services, so he began offering those to get more contracts.

THE SECOND STEP IN AN EXPANSION IS LOOKING AT YOUR BUSINESS FINANCIALS. "You have to understand your source of financing and make sure it is reliable. Also, make your processes for accounts receivable solid and ensure your cash flow management is close to flawless," says Israel.

Sequel Naturals is self-financed and Chang lives by the motto: cash is king. "We manage our accounts receivable very tightly and keep our inventory low. The cash we have turns over quickly." When Chang does have to spend in large amounts, he makes sure he has enough cash to carry him through the entire process of buying materials, distribution of product and the collection stage. "It might be six months before we collect that output," he says. "We're always considering that with our cash flow." Failing to deal appropriately with your financials can put the brakes on growth.



ONCE YOU'RE CONFIDENT WITH YOUR CASH FLOW, THE NEXT AREA TO REVIEW IS YOUR PEOPLE. Putting a strong management, sales and production team in place is critical to successfully expand, says Fischer. Ask yourself if you have the human resources capacity for growth. This doesn't mean just bodies, it means securing the best people you can afford. "It can be extraordinarily difficult to find good people, so if you don't have a reliable team in place, you need to be thinking about where you are going to get them," she says. Ferrante manages his staffing

concerns by using reliable sub-contractors. "My philosophy was to get the work first and figure out how to get it done second. I never once aimed to get enough work for my crew. It was always about how much could I get," he says. He knew it was time to hire more permanent staff when he used contractors too often. To find great people, Ferrante is always watching for them through his employees' networks, subcontractors, and even competitors. "I'm all over talented people when I meet them, and I've hired people before I really needed them so I wouldn't lose out," he says.

But an even bigger HR hurdle to overcome is putting people in the right positions in the company, he says. Successfully matching skill sets to job demands can support the growth of a company. But roles can change quickly during expansions, leaving people's skills incompatible with their jobs. Chang has experienced this regularly as Sequel Naturals rapidly expanded. "Unfortunately, we have a lot of non-elective turnover because roles change so much. Having a good crew in place helps you move ahead, so we strive to put the right people in the right places," he says.

By loosely following these three steps, Ferrante and Chang were prepared for successful expansions. Both are on track to hit their growth targets for the coming year. Ferrante has added full building demolition to his business and continues to look for ways to diversify in a controlled manner. Chang now has his eyes on the market south of the border. "The reality is we are in a constant state of expansion," he says. "It's the culture here, so we're always focused on improving the processes that support expansion. It's an everyday exercise for us." ●



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