



Entrepreneurs Keep Their Enterprise Lean

Just two years after it opened for business, Be the Change Group Inc. is riding high on its reputation as a thought leader, with a client portfolio that includes the United Nations, amfAR and the Public Health Agency of Canada.

But the entrepreneurs behind the public health consulting firm aren't popping the champagne or calling decorators into their Vancouver office. Instead, they're keeping their operation as lean as possible, and tracking every dollar earned and spent on the business.

"We run a very frugal operation," says

Brandy Svendson, CEO and co-founder of Be the Change, which provides research, branding, content development and marketing services for public health organizations. "We work hard to minimize our costs and expenses, and any time we have a bit of extra money we put it back into the company."

The result of this fiscal prudence: a debt-free enterprise where the owners can focus on growth, not loan repayments, and where strategic decisions are made without pressure from debtors or investors.

Natalie Chan, president and co-founder of Be the Change, says she and Ms. Svendson decided early on not to borrow money or seek investors. To seed their venture, the partners put up \$20,000 of their own money. In their first year, they rented a small, \$600-a-month shared office in the same building where Ms. Svendson, a photographer and filmmaker, had kept a studio.

"It was a pretty small initial investment to cover basic costs such as legal fees," says Ms. Chan, who is in the last year of medical school at the University of Calgary. "We slowly paid ourselves back and have now fully recovered our investment."

To keep their overhead low, Ms. Svendson and Ms. Chan built their team from contractors. Instead of spending money on traditional marketing, they tapped into their networks and those of their consultants with the goal of breaking into the industry through small contracts with big impact and reach.

"We realized our best marketing would be those small contracts that had big exposure," says Ms. Svendson. "So we took on an AIDS Vancouver campaign and got exposure across the country. After that, clients like the UN started coming to us."

In its second year of operations, Be the Change saw its revenue grow by 400 per cent. But Ms. Svendson and Ms. Chan have stayed their frugal course, working closely with their bookkeeper to keep spending in check and ensure their financials are on track. They continue to collect relatively small salaries and dividends so they can reinvest earnings in the business. They also frequently defer or downright nix non-essential expenditures.



Supplied

Natalie Chan (left) and Brandy Svendson (right), co-founders of Be the Change Group, have focused on minimizing expenses and eliminating debt to ensure the long-term success of their business.



Anthony C. Taylor, principal at SME Strategy Management Consulting, a Vancouver firm that provides business advisory services, lauds Be the Change's disciplined approach to its finances. Entrepreneurs can easily lose track of their spending, says Mr. Taylor, especially when they're growing quickly. They then risk spending more than their cash flow can cover and could quickly find themselves squeezed for funds.

"Make sure you build a slush fund and save for a rainy day," he says. "I've seen small businesses with a lot of overhead losing one or two key clients, and suddenly they don't have enough funds to pay employees and keep the business running."

Entrepreneurs also need to be strategic in their borrowing and ensure any debt they're taking on will actually yield a return for the business, says Mr. Taylor. It makes sense, for instance, to borrow for equipment that will increase manufacturing efficiency and productivity. Borrowing to cover the costs of fulfilling a signed-and-sealed order is also a financially rational move, he says.

At Be the Change, being rational and disciplined applies not only to the company's finances but also to its growth strategy. While revenue surged in the company's second year, Ms. Svendsen and Ms. Chan want to ensure the business doesn't grow too fast too soon. Instead, they're aiming for moderate growth over the next five years.

"Entrepreneurs often want to be big fast, with a big brand, big staff and big office," says Ms. Svendsen. "But I feel that for us, steady growth over the next five years will help us fine-tune who we are and clarify our vision."

CIBC Tips: Building a Cash Reserve for Your Business

- 1. Focus on your goods and services** It's a common practice for businesses to buy additional inventory to have a safety net in case of a sudden increase in demand; however, this can unnecessarily tie up a significant amount of your business's capital. Regularly evaluate your stock levels and implement a build-to-order business plan to free up cash that may be better used as working capital to grow the business.
- 2. Improve your cash cycle** A shorter cash cycle can make it easier to manage your money. Develop an effective collection policy that will enable you to collect faster and encourage early payment by offering some form of value to your clients. This could be an early payment discount or a discount on follow-up orders. Whatever you choose, make sure these incentives are feasible and won't dramatically impact your bottom line.
- 3. Trim your costs** Reducing your costs can be a fast and effective way of increasing the amount of cash in the bank. Track your expenses closely to see what items you can reduce or eliminate, without compromising business effectiveness. Take advantage of innovative practices and technology that will save you time and money and understand what expenses really contribute to the profitability of your business.

For more business tips from CIBC, please visit cibc.com/cashreserves

This article originally appeared in The Globe and Mail / globeandmail.com in a Redefining Success small business Sponsor Content series produced by RandallAnthony Communications Inc. (randallanthony.com / TheRAC.ca) in co-operation with The Globe and Mail's advertising department. The Globe's newsroom was not involved in its creation. Reprinted with permission. All rights reserved.

Originally published Oct 14, 2014.