

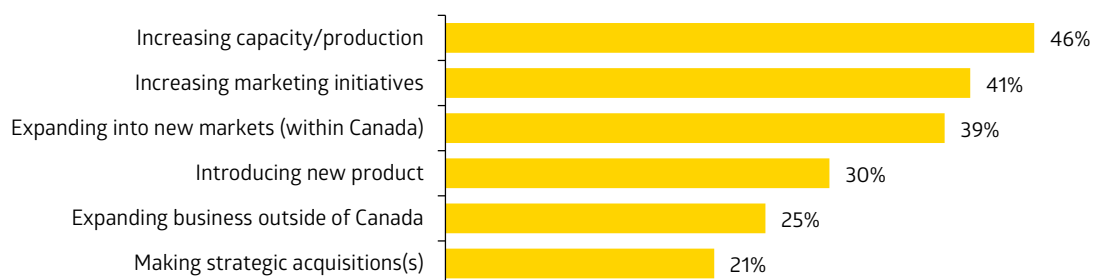


Secrets to Small Business Success

If you are one of many small business owners looking for ways to increase your bottom line, now may be an ideal time to grow. A recent CIBC poll indicates that 85% of Canadian business owners feel optimistic about the future success of their business and 43% plan to expand their business over the next two years.

Of those who are planning to expand the poll also reveals that most are focused on growing their business by investing in their existing operations domestically, while only a quarter of small businesses said they planned to expand their business outside of Canada. The following were ranked as the top ways they planned to expand:

Certainly conditions appear to be ripe for the creation of new businesses according to a CIBC Economics report released in October 2012. "Irreversible structural forces suggest that the next decade might see the strongest start-up activity in the Canadian economy on record," says Benjamin Tal, deputy chief economist at CIBC. "The gradual shift to a strong culture of individualism and self-betterment; the role of technology in driving the transition from boardrooms to basements; the more global and inter-connected markets that require greater specialization, flexibility and speed; as well as small business friendly demographic trends are among those forces that are likely to support a net creation of 150,000 new businesses in Canada in the coming ten years."



Many of those same factors spurring the creation of new businesses will also factor into the expansion of existing ones, but what does it take to expand successfully? We posed that question to 638 owners and managers of businesses that have experienced periods of strong growth or expansion over the course of their existence. Here's what they had to say:

- Loyal Customers.** It's no surprise that customers are at the forefront of your business' success. 55% of business owners cited attracting and retaining clients as a significant obstacle in the success of their business in the first years, so naturally fostering and maintaining established customer relationships was equally important for 57% of owners of growing businesses. Understanding what your customers' needs are and ensuring your company's vision is aligned to those needs is critical. As part of your expansion plans, make sure to look at your products and services, as well as your delivery and distribution channels in the context of customer need and identify reasons why your customers choose your business over your competitors. Match your strengths and weaknesses with opportunities. Having an in-depth understanding of your customers and the marketplace in which you operate can help you meet the needs of your customers and establish a long term relationship with them.

- **Reliable Employees.** Attracting bright, creative, committed talent and retaining them was an important factor of managing a successful business for 50% of respondents. Many successful businesses attribute their success in the expansion phase to great employees and managers. One way to get and keep the best employees is to meet their needs outside as well as inside the workplace. As a business owner, you can demonstrate this commitment to your employees in a combination of ways, including providing financial, health, and career benefits or career development opportunities. While smaller business may not be able to offer the perks that working with larger corporations often entail, they can make up for that by offering their employees greater flexibility and a better and more rewarding working experience.
- **Experience of owners / managers.** Having experienced owners/managers played an important role in successfully growing a business according to 40% of polled respondents. It appears that higher levels of experience may work to increase the ability of an entrepreneur to cope with problems and seize opportunities. Experienced owners/managers are also able to use their well-developed skills and take advantage of their wide business networks and connections more effectively.
- **Effectively Managing Cash Flow.** 34% of respondents cited effectively managing cash flow as an important function in managing a growing business. Cash flow is the fuel that keeps a business running smoothly and applying simple cash flow management strategies can result in better control over your business. Ensure that you have a financial strategy that supports and complements your growth/expansion strategy. Consider the implications of expansion on your cash flow and make sure that your company will not find itself short of funds during this.
- **Successful Planning.** While only 20% growing business owners cited having a sound business plan as being key to their success in growing their business, a larger 47% attributed growing too quickly without a proper plan as one of the reasons they see other growing businesses fail. Whatever way you slice it, business owners recognize that careful business planning is critical. Setting out their plans for growth in a formalized plan is an important first step in establishing your objectives and reaching them. Whether you are starting a new business or running an established one, a good business plan helps set you on the road to financial success. Creating a business plan is not a one-time activity. It should be reviewed and updated annually, and especially when you are contemplating a major change to your business. By mapping out your goals and strategies, you'll get a clearer picture of your business, your competition, your strengths and weaknesses and what your business really needs to succeed.
- **Access to Capital.** For 20% of growing business owners, having access to the capital needed to growth their business is important. Having a good relationship with your financial partner, who can offer a wide range of convenient and flexible options, such as an overdraft or line of credit, can help in ensuring you have the funds you need to purchase new facilities or equipment or to help you bridge temporary fluctuations in cash flow. Having an up-to-date business plan that includes accurate cash flow forecasts will also help you find the financing to grow your business.
- **Having good advisors.** Whether it's a banker, lawyer or accountant, or another trusted partner, having a panel of trusted experts to consult with is important at every stage of your business, including growth. 27% of respondents pointed to a lack of outside counsel as one of the reasons they see many growing businesses fail. Getting a point of view from external partners and advisors gives you an arm's length perspective that can add clarity and provide new insights. External consultants also provide invaluable advice to protect your business from external factors and unforeseen events.

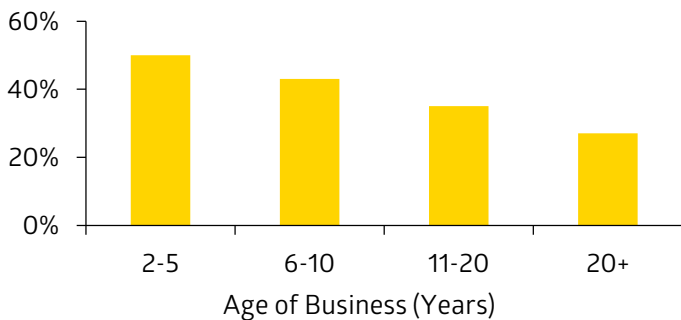
The Future of Small Businesses in Canada

With more than half a million entrepreneurs in the process of establishing their own business in 2012, according to deputy chief economist at CIBC Benjamin Tal, Canadians are expected to become their own bosses at an accelerated pace in the coming decade. Rapid change is reshaping the nature of the small business sector in Canada, with six major forces identified as having the greatest impact not only on new business, but also on growing ones, over the next ten years.

- **Increased export orientation** – The growing impetus to think and act on a global scale is quickly modifying the environment for new and existing businesses as small businesses are increasingly identifying foreign markets and foreign sources of supply as an important part of their strategy for growth and success. As the chart below shows, younger businesses are much more export-

Younger Firms Export More

% of business conducted outside Canada



Source: Leger, CIBC

oriented than more established firms. No less than half the revenues derived from businesses aged 2-5 years are coming from outside Canada.

- **Immigration** – Contributing to the export trend is immigration. Currently, close to 20% of the self-employed are immigrants. Given that more than two-thirds of these immigrants arrived in Canada as adults, this suggests that they still have some potential business connection with their country of origin.
- **Competing Globally** – Both increased export orientation and rising immigration will also work

to increase foreign competition in the products and services firms provide and purchase. This type of competition will put increasing pressure on small business in terms of price, quality, cost control, efficiency, marketing expertise, customer satisfaction and innovation. The implication is that in order to profit from globalization, these small firms will have to be able to penetrate new markets. This, in turn, is achievable only if these firms succeed in identifying niche markets. Increased export and import orientation also suggests increased complexity of doing business. Small businesses will have to be increasingly more aware of...

- **Increased Connectivity** – Technology is increasingly leading to a higher level of cooperation between small business, self-employed and larger firms. Larger firms are calling upon the specific expertise of smaller enterprises to complete projects. Increased connectivity will both allow and require small businesses to be more responsive to their customers' particular needs. The development and design of new customized products will give small firms an advantage and, at the same time, put pressure on them to produce customized products with greater speed than ever before. Small businesses must diversify to a greater extent to maximize their ability to respond rapidly to new demands for products and services.
- **Growth in Outsourcing** – Canadian small businesses are in a co-evolutionary relationship with corporate business in the economic landscape. With governments downscaling and large corporations looking to save costs in an increasingly competitive environment, outsourcing activity will play a major role influencing the evolution of small businesses in Canada. Small businesses are needed by large corporations to create the necessary reach and depth into local markets as distributors and agents for products and services and provide many of the inputs to production, management and distribution systems of corporate business. Small businesses exist to simultaneously service large business and to fulfill the gaps left by them.

- Increased Demand for Personalized Products** – An aging population means growing sophistication and a rapid change in consumer tastes. This is positive for self-employment as small scale operations are flexible and can support increased demand for personalized services given their ability to focus on niche markets.

Key Poll Findings

Percentage of Canadian small business owners who say they are optimistic about the future success of their business:

Optimistic	85%
Pessimistic	15%

Percentage of Canadian small business owners who say they are optimistic about the future success of their business, by region:

National Average	85%
British Columbia	78%
Alberta	89%
Manitoba / Saskatchewan	90%
Ontario	83%
Quebec	90%
Atlantic	87%

Percentage of Canadian small business owners who say they have plans to expand their business within the next three years, by business age:

National Average	43%
2-5 years (start-ups)	59%
6-10 years	50%
11-20 years	43%
20 years +	34%

Percentage of Canadian small business owners who say they have plans to expand their business within the next three years, by region:

National Average	43%
British Columbia	44%
Alberta	46%
Manitoba / Saskatchewan	47%
Ontario	40%
Quebec	41%
Atlantic	45%

Sources:

Unless indicated otherwise, the data sources used in this study are the 2012 CIBC Leger Marketing Poll, Statistics Canada and CIBC World Markets.

Notes:

This CIBC Léger Marketing poll was conducted online in every province of Canada with a representative sample of 801 decision-makers in Canadian companies between July 3 and July 12, 2012. Final data were weighted by business size in order to obtain a representative sample of Canadian businesses. A probabilistic sample of 801 businesses would yield a margin of error of +/- 3.46%, 19 times out of 20.