

## **Tipping the scales in favour of small business; Two experts weigh in on how you can get financing during a recession and what are the biggest mistakes owners often make**

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### **Catarina von Maydell, director of the Innovation Synergy Centre in Markham, explains how a small business can secure financing in a recession:**

1- Know the best financing source for your company. Consider what stage of development you're at and what type of investor would be suitable for you and what expertise you are looking for.

2- Make a strong business case. A lot of times people build a product or service because they feel they need it, but they haven't really stopped to think about who's really going to pay for this. If you're not marketing to the right audience in the right way, it's not going to sell.

3- Focus on building the company vs. the product. A lot of entrepreneurs think they have a great product and it should sell itself. This is where many entrepreneurs get lost in the woods. They're overly focused on the product and product development.

4- Be prepared for the investment process. It's much more involved and will take longer than you think. It can take about six months just to become investment-ready. That means having a good business plan, a good pitch and a lot of documents ready for the due diligence process. Once you're investment-ready, it takes at least six months to get the cheque in the bank.

5- Having an open attitude. Too often the entrepreneur is so focused on getting cash they ignore some very valuable advice they may be getting through the investment process. Sometimes the value of the advice might be worth more than the monetary investment.

### **Jim Stewart, a mentor with the Innovation Synergy Centre, reviews the five biggest mistakes a small business can make during a recession, and how to steer clear of them**

1- Lack of planning. It's hard to make planning part of your culture when you're busy reacting. We advise businesses to take time once a year to figure out where they see the company in three years' time, and what do they have to do to get the company there. At the end of each quarter, compare what you thought would happen to what actually happened and adjust your planning accordingly.

2- Confusing profits with cash flow. You can't spend profits. You have to bring in cash faster than you spend it, or you have to have some in reserve. In a recession, people typically don't pay invoices as quickly. That stretches out your cash receivables. Watch your expenses, also.

3- Hiring people who you think can do the job, rather than someone who has already done the job. When you're trying to keep up with explosive growth, or fighting your way through a recession, there's really no time to train anybody. Hire someone who has been through the growth you want to take your company through, or someone who has managed through a recession.

4- Looking for a quick marketing fix. Business owners tend to have unrealistic expectations; they expect a marketing campaign to work perfectly the first time. It often doesn't. The response to a first-time direct mail campaign, for instance, may be only 1 or 2 per cent. It may have to be sent out a couple of times, it may have to be followed up with a phone call. The list or the content may have to be changed.

5- Cutting marketing or promotion expenses in a downturn. When cash gets tight, it's easy to just to cut these programs. In fact, it's the worst time to do that. Your competitors are doing the same thing. If you keep up your marketing campaign, you continue to attract attention where your rivals may have backed off.