

# Small business can lead to bigger, better things

Written by Keith Moen

There's no denying that small business is the cornerstone of both the provincial and national economies. Among employed Canadians, 99 per cent work for a small or mid-sized enterprise (SME). But when you break the figure down even further, it's evident that the small business sector is the driving force of this economic engine. Indeed more than half (54.7%) work for a micro business (one to four employees), while just under half (43.1%) work for a small business (five to 99 employees). That leaves just two per cent (actually, 1.9%) of the employee base who work for a mid-sized enterprise (100-499), which in fact leaves less than one per cent (0.3%) of Canada's workforce working for firms that have in excess of 500 employees.

Small business is driven largely by an entrepreneurial spirit. This spirit is embraced and respected by employees at smaller firms as they generally work hand-in-hand with their owners/employers. This understanding might help us when we go to answer the next question: Where do mid-size and large enterprises come from? More often than not, they have sprung from small businesses that grew from the right idea, opportunity, business plan and execution of the plan. And again, entrepreneurship plays a part in this quest for business growth and development.

This is certainly the case for Alliance Grain Traders, a publicly traded company headquartered in Regina, and employer to 230 people around the world (most of which call Saskatchewan home). Initially known as Saskcan Pulse Trading, this company began six years ago as a one-person operation under the guidance of Murad Al-Katib, who was chosen BDC's Young Entrepreneur of the Year in 2005.

"In 2002 there was just me. In six-and-a-half years we went from the basement of my house to a publicly traded company with 230 employees around the world selling products all over the world. It's been quite the turn of events," Al-Katib admits.

An entrepreneur by nature, Al-Katib's father was the doctor in Davidson, SK, and his mother served as the town mayor. In addition, they farmed in the district and hard work was just a part of their family's values. Al-Katib parlayed a commerce degree from the University of Saskatchewan and a U.S. MBA into a job as a trade development officer with Saskatchewan Trade and Export Partnership (STEP). In this capacity he gained integral insight into the world of commodities and exporting. He excelled in these surroundings, but this got him to thinking about the possibilities that were all around him.

"I thought, 'Why can't we grow commodities here and turn them into food products?'" Al-Katib recalls. "I was lucky enough to find four brothers in Turkey with Arbel Company

that had the same vision I had. Together, the vision was, 'How do we build the largest lentil splitting and value-added processing company in the Americas?' And we succeeded in building the largest company of its kind in the world."

Indeed the partnership Al-Katib forged with the four brothers from the Arslan family, the majority owners of the Turkish company Arbel, was as savvy as it was fortunate – for both sides. Saskatchewan is home to approximately 97 per cent of the lentil production in the world, and Arbel was the world's largest importer of Canadian red lentils. Arbel sent technicians to Saskcan's plant and provided technical and marketing expertise to the processing plant, giving the brand new splitting facility 50-plus years of expertise overnight. Furthermore, Al-Katib is of Turkish descent and is fluent in his parents' native tongue. Therefore the partnership made sense on so many levels.

Despite these uncanny synergies, the rate of growth for the company has been remarkable, even to Al-Katib. The growth, he attests, has been the result of finding the right plan and sticking with it. Although they've grown beyond small business status, Al-Katib says for Alliance Grain Traders, there are many similarities between running a medium-sized enterprise and running a small business.

"People still say 'What's your secret?' The vision is really simple: we grow the best product, we have a strong financial position, we have markets around the world and we know how to manage our risk. It's a very simple formula," he says.

"The original slogan of the company was 'From producer to the world.' And that's still kind of what we use for Alliance today. We process at the origin and if you look at our strategy with our plants located all over the province now, including two



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acquisitions just this year, we're in local communities, processing. So the old acting locally, thinking globally, we put that into play in our business."

"The one thing is with our strategy, we're really running eight small businesses. We have eight independent plants that are all being independently co-ordinated, but I don't think we've changed our philosophy of running as a small business. We're still empowering our people and putting the right people in place, building the right team."

"Challenges-wise, really just the scale grows. I don't think that the challenges I faced as a small business are very different than the challenges that I face today. Except that as you get bigger, you just have more resources to solve your problems."

Certainly no one needs reminders in today's bear market about the importance of capital in the world of business, but the fact remains that it takes money to make money. It was through his mentorship as a small business that this message really sunk home to Al-Katib. In fact it was reinforced by another Regina-based entrepreneur, Tim Young of Young's Equipment, when he and Al-Katib were presenting at a Regina event for Small Business Week a few years back.

"I remember Tim Young saying to the crowd there, that the one piece of advice he'd give to small business is that cash is king. That's something that I took away from that. I said 'You know what? Tim's right.' If you've got the financial resources to grow your business and have that working capital, then you have a much better chance of succeeding. That's something that we really took away from there and built on."

"And that's advice I give now. Make sure you know your plan and make sure your plan is properly capitalized. We're in a challenging environment if you look at what's happening in the world right now with credit markets being really tight. But for small businesses, I think financing is a really key issue."

Getting the initial plant up and running was about a \$10-million endeavour. Since that time, further expansions and acquisitions have resulted in total investments in excess of \$30 million. Access to this type of capital has been realized thanks to the strong financial position the company has put itself in.

"If I look at it on my side, the financial community has been very good to our company. Interestingly, BDC was one of our original lenders. As a former client and as one of the Young

Entrepreneurs of the Year as well, for me the original BDC and Farm Credit Canada loans really started us off. As we got bigger, the one thing that has been really positive is getting stronger on the balance sheet side as necessary."

Though what's been described as a market meltdown has had its effect on Alliance Grain Traders, by and large it has been minimal. Al-Katib credits this to a couple of key factors: geographic market diversity and a growing global demand for their products.

"For us, we're very diversified. Last year we exported to 85 countries around the world. So with us, we've chosen the different regions and we have target countries in every geographic region of the world."

"And because we're dealing with food products, in times of economic crisis, people still need to eat. So our story is really a global protein story."

"The emerging markets, as they grow their incomes, are consuming more protein. Lentils, peas, chickpeas and beans are a very stable part of their diets. And in the developed world, we look at what's happening and it's an exciting opportunity."

"I always give the example of hummus. How many people 10 years ago ate hummus regularly? Well today, you can go to any grocery store, even in rural Saskatchewan, and you can find four flavours of pre-packaged hummus that you can take home and eat. Well that's a really big demand for chickpeas. So those kinds of things are growing and that's an exciting part of what we see."

"The vision that we see developing is the pulse products are going to go into foods that kids want to eat and moms want to buy. That's where we feel our future is."

Having catapulted from a micro business, to the small business category, to now being part of the top two percentile in terms of business size based on the number of employees, it's evident that Alliance Grain Traders has a very good grasp on its products, market and future. About the only question that remains is, will they remain as a medium-sized enterprise, or evolve even further into a large business? Based on past performance, the smart money may be on the latter.

But that's not the be-all, end-all goal for the company, Al-Katib says. Rather, the goal is to remain the best lentil splitting and processing company in the world. In other words, it's business as usual at Alliance Grain Traders. **SD**

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