

# Reality check

## Executive summary

The Business Insights<sup>®</sup> Survey of  
Canadian Private Companies 2009



# Welcome to Business Insights

This document provides an overview of some of the key findings from PricewaterhouseCoopers' (PwC) fifth annual Business Insights® Survey of Canadian Private Companies. Since conducting our survey a year ago, private companies have had to live through a climate of more uncertainty than many would like to experience. Although it has been by no stretch an easy year, I was not surprised to see that, on the whole, Canadian private companies have fared better throughout this period than one might have expected.

What I was happy to see in the survey results was that many private companies have used this recession as a "reality check", to step back and take a broad look at their business and in many cases, get back to business basics. As a result, many have been able to take advantage of opportunities created by the downturn.

The challenge for the coming year will be for Canadian private companies to step up their game and focus on becoming more innovative. With a good reality check behind them and a back pocket full of lessons learned, I think private companies are up for the challenge!



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## Executive summary

**The 2009 Business Insights Survey, conducted in May and June of 2009, reveals that this recessionary year has served as a reality check for Canadian private companies.**

After a prolonged economic upturn, many leaders of Canadian private companies were faced with the challenges of a recession for the first time. While the recession has not been easy for Canadian private companies, many have concentrated their efforts on ensuring they will be among the survivors and taking advantage of opportunities presented by the recession.

Leading companies have focused on getting back to basics—using this time to catch their breath, look inward, clean house and find efficiencies. They have done this by focusing on performance improvement, cost reduction and encouraging innovation.

Looking ahead to the next 12 months, private company respondents cite the economy, competition, finding new clients and profitability as their most pressing challenges. To be competitive and successful, this will mean changing old habits and focusing more on the future—being more strategic about their important customers, suppliers and key people in their organizations.



# Key trends



\_\_58% of respondents are still planning for growth and expansion in the next year.

**This year's data indicates that Canada's private company leaders have used the global economic downturn to regroup and get back to business basics. Although many felt the repercussions of the recession, most have not only survived but continue to be in growth mode.**

Private companies' confidence has rebounded since last October with almost 60% of survey respondents planning for growth and expansion in the coming year. To achieve that growth, respondents across the country plan to improve sales and marketing (82%), gain market share (75%) and develop new products and enter new markets (72%). Only 18% are counting on a buoyant economy to help them achieve their goals.

How have Canadian private companies fared?

- In BC, the number of companies surveyed that said they were in survival mode rose from 6% in July 2008 to 20% in 2009.
- In Alberta, the number shot up from 4% to 32%.
- In Ontario, the province that took the deepest economic blows, the percentage of companies that said they were in survival mode went up to 27% from 15% last year.
- Meanwhile in Quebec, which managed to avoid the worst effects of the recession, the number stayed virtually the same, inching up from 21% in 2008 to 22% in 2009.

Companies are working on fighting the recession and looking at opportunities to grow their business after the recession. Many of the private companies surveyed have taken advantage of the slowdown to focus on improving their efficiencies and playing to their strengths by building on their core businesses.

Although the reality checks of the recession were evident, the vast majority of this year's private companies surveyed went into the recession well-capitalized, with minimal debt, seasoned and able to weather a market correction.

# The credit freeze panic

Over the past 12 months headlines around the world have screamed credit crisis and lending freeze. This year's survey findings reveal a different reality: across the board and across the country the majority of private company leaders surveyed have not had trouble accessing capital.

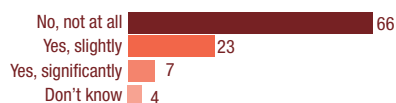
## Whether business plans for 2009 have been compromised by lack of access to financing

Percentage of respondents



## Whether bank has noticeably tightened covenants in past six months

Percentage of respondents



\_\_Leading private companies are focusing on maintaining strong relationships with their banks as banks are moving back to more conservative lending practices.

# Back to business basics

For many Canadian private companies, the recession has been a wake-up call to the reality that every economy has cycles and what goes up eventually comes down.

The recession has become a time for introspection for leading companies. The majority of private companies surveyed are using this time to catch their breath, look inward, clean house and find efficiencies.

62% of respondents are focusing on reducing costs of operations.

## Consideration for medium-term strategy

Percentage of respondents

National		Ontario	
Reducing costs of operations	62	Reducing costs of operations	65
Improving processes	61	Better targeting of customers	63
Better targeting of customers	60	Maximizing return on investment	60
Improving staff skills	58	Improving processes	55
Maximizing return on investment	57	Improving staff skills	53
BC		Quebec	
Reducing costs of operations	58	Improving processes	63
Improving staff skills	55	Staff retention	60
Better targeting of customers	53	Better targeting of customers	58
Maximizing return on investment	53	Collaboration/strategic alliances	56
Improving processes	51	Reducing costs of operations	55
Alberta			
Better targeting of customers	61		
Improving processes	58		
Improving staff skills	57		
Staff retention	53		
Reducing costs of operations	52		

\_\_Leading companies are resilient and agile—they are able to contract and expand when the economy demands it.

# A new approach to the war for talent



Leading companies are actively seeking top talent for their core teams.

**For the first time in three years, labour was not among the top three priorities for Canada's private companies in the past 12 months, nor in the coming year.**

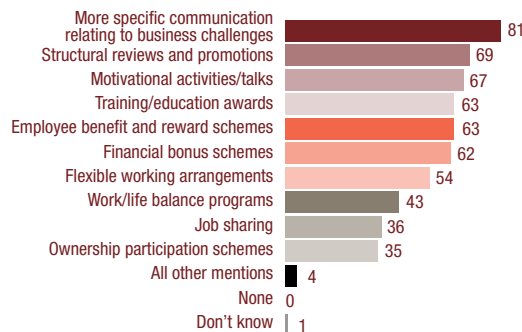
Understandably, this year's survey results revealed companies shifted their attention from the war for talent to cost reduction in light of the recession—but the war for talent will return. Leading companies are being proactive in focusing on their employment needs to move forward and past the recession and engaging their top performers.

63% of companies that plan to improve staff engagement are investing in training and technology.

When asked to rate whether they had a well understood strategy of how to fill talent needs and gaps, only 37% of total respondents rated their companies between 8 and 10, with 10 being excellent.

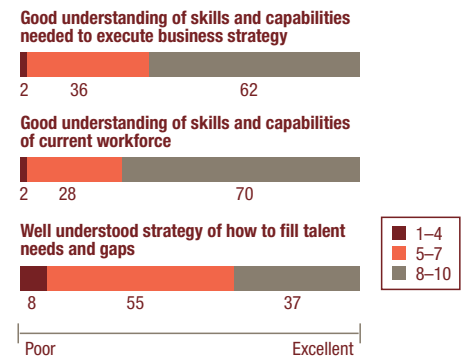
## Strategies to improve staff engagement

Percentage of respondents



## Rating of company for talent management

Percentage of respondents



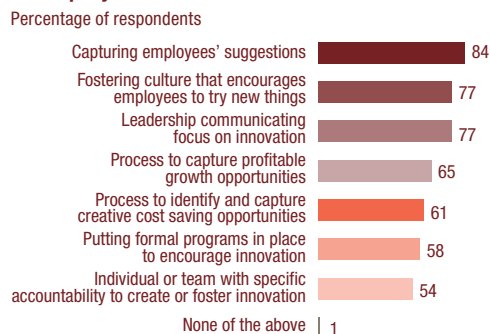
# The importance of innovation

The responses to this year's survey questions around innovation reveal many Canadian private companies understand innovation takes several forms and involves everyone. They are taking steps to encourage innovation in their companies, but are they investing enough? As the economy ramps up, innovation will become even more important.

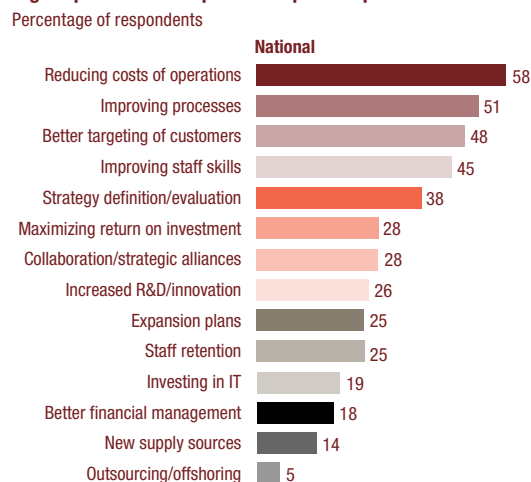
84% of respondents are capturing employees' suggestions as the primary strategy. Only 26% of respondents consider increasing R&D/innovation as one of their higher priorities to improve their competitiveness.

\_\_In the full Business Insights Report, CEOs of Canadian private companies including McCain Foods Limited, Banff Caribou Properties and OpenRoad Auto Group share their views on innovation.

## Strategies being used to encourage innovation in company



## Higher priorities to improve competitive performance



# Lessons learned

Private companies say they have taken advantage of opportunities created by the recession with the top opportunity cited being getting a firm control of costs. The need to pace growth, to keep processes efficient and not to stretch themselves thin are lessons many companies with no prior experience dealing with a recession will likely not soon forget.

While this year's findings seem to indicate that Canadian private companies addressed the short-term challenges robustly by taking advantage of short-term opportunities, they failed to do so with an eye to the future.

Only 40% of respondents are buying new equipment, only 28% are making strategic acquisitions and only 50% are improving liquidity to be in a position to take advantage of future opportunities.

## Opportunities created by the recession being taken advantage of

Percentage of respondents

### National

Getting a firm control of costs	86
Reinforcing client relationships	84
Identifying new markets	74
Strengthening core competencies	70
Identifying best customers and focusing on them	69

### BC

Getting a firm control of costs	90
Reinforcing client relationships	81
Identifying new markets	69
Strengthening core competencies	68
Identifying best customers and focusing on them	67

### Alberta

Getting a firm control of costs	81
Reinforcing client relationships	79
Strengthening brand	73
Identifying best customers and focusing on them	68
Strengthening core competencies	67

### Ontario

Getting a firm control of costs	83
Reinforcing client relationships	81
Identifying best customers and focusing on them	74
Identifying new markets	70
Strengthening core competencies	68

### Quebec

Identifying new markets	88
Reinforcing client relationships	86
Getting a firm control of costs	83
Strengthening core competencies	69
Strengthening brand	68

# The light at the end of the recession

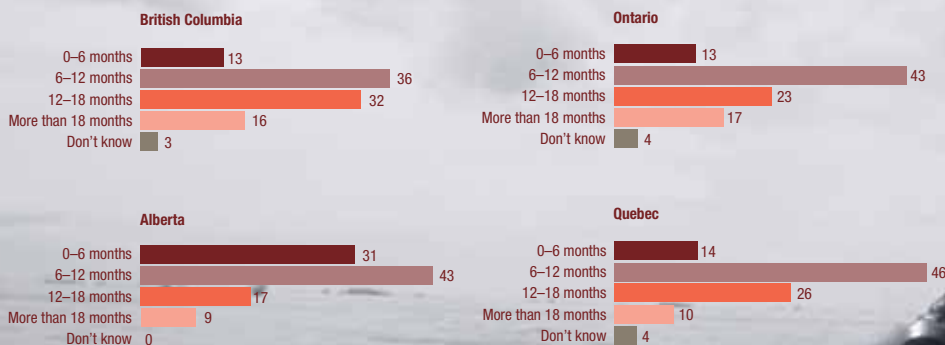
At the time that our survey was conducted, headlines were just beginning to talk about signs of recovery. Leaders of Canadian private companies are reflecting that optimism.

40% of respondents expect the economy to come out of the recession six to 12 months from now (being May or June of 2009).

## Anticipated time for economy to come out of recession

(Survey conducted May/June 2009)

Percentage of respondents



# Looking forward

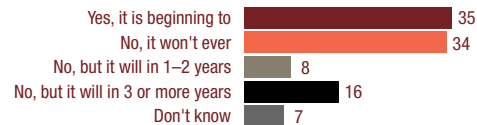
Looking ahead to the next 12 months, private company respondents cite the economy, competition, finding new clients and profitability as their most pressing challenges. Climate change has been put on the back burner in light of the focus on the economy, but it is an issue that cannot be ignored in the long-term.

53% of respondents cited the economy as one of the top three issues that will influence the company over the next year.

Only 59% of respondents believe that climate change is an issue that will impact their company now or in the future.

## Whether climate change is an issue that will impact your company

Percentage of respondents



## Top issues that will influence the company over next year

Percentage of respondents

<b>National</b>	
Economy	53
Competition	33
Finding new clients	31
Profitability	31
<b>BC</b>	
Economy	64
Profitability	44
Finding new clients	33
<b>Alberta</b>	
Economy	61
Competition	39
Profitability	32
<b>Ontario</b>	
Economy	56
Finding new clients	35
Profitability	34
<b>Quebec</b>	
Economy	42
Competition	33
Currency	32

Leading companies understand that their people are the primary drivers of innovation.

## Conclusion

This recessionary year has served as an overall reality check to Canadian private companies and Canadians in general. After a sustained period of growth, the recession took hold. When the recession did hit, fear took over for many. Those with little experience dealing with economic cycles saw no end in sight to the downturn, just as they saw no end to the upswing.

The recession has given companies a chance to retrench, to look at their business with a fresh set of eyes and that will have ongoing benefits. They are trying to be more strategic about their important customers, suppliers and key people in their organizations. Companies have refocused, and that is a significant by-product of the last 12 to 18 months.

For the most part, private companies in Canada did what they had to do to make it through the recession and many took advantage of opportunities. The silver lining for a lot of businesses is that many are going to come out all the stronger.

For the complete version of the Business Insights 2009 Report, visit: [www.pwc.com/ca/private](http://www.pwc.com/ca/private)

# About the research

## Methodology and demographics

The fifth annual Business Insights Survey examines issues affecting Canadian private companies. In May and June of 2009, 466 participants from across Canada completed the survey. Business leaders from a broad range of industries of various sizes and locations were questioned about their strategies. The issues were selected following input from private company leaders at our CEO Connect discussions.

The survey sample is concentrated around four provinces—British Columbia, Alberta, Ontario and Quebec. Survey participants outside these provinces have been aggregated for presentation purposes.

### Participant demographics

Survey participants represent a wide range of revenues, locations and industry sectors.

### Revenues

Of 466 companies surveyed, 47% have revenues between \$5–10m and the remaining 53% have revenues over \$10m.

### Employees

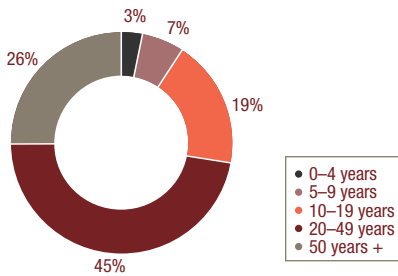
42% of companies surveyed have fewer than 50 employees. 26% have between 51 and 100 with 32% having more than 100 employees.

### History

10% of companies have been operating for less than 10 years, 19% between 10 and 19 years, 45% between 20 and 49 years and 26% over 50 years.

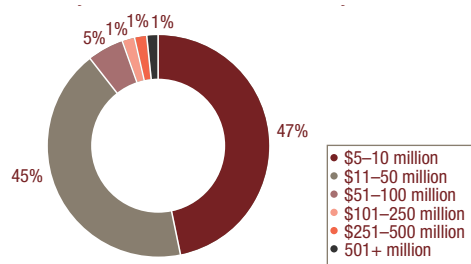
#### How long has your company been operating?

Percentage of respondents



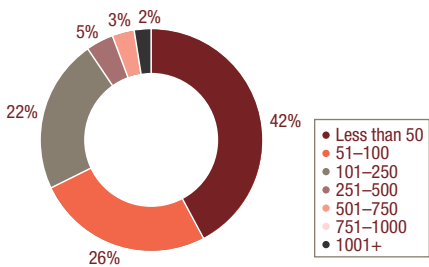
#### What was your revenue in the last financial year?

Percentage of respondents



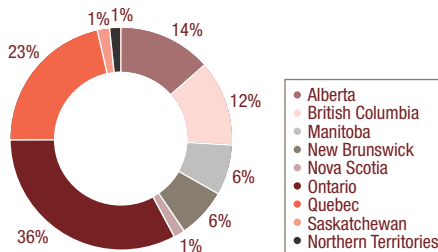
#### How many people does your company employ?

Percentage of respondents



#### Where is your company headquartered?

Percentage of respondents



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