

Business Insights 2012: On-the-ground in Ontario

Highlights from the Business Insights® Survey of Canadian Private Companies 2012

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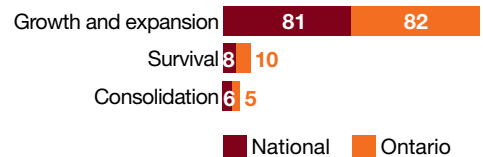
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The 2012 Business Insights Survey reveals that Canadian private companies are feeling confident in their ability to navigate through the uncertainties of today's economy. They are focusing their attention internally on areas within their organizations that are under their control. Over the last few years, private companies have cut costs, improved efficiencies and now more than three-quarters (77%) of privately-held companies expect their business to get better over the next 12 months. And yes, they are aware of the external uncertainties. Top three concerns for the coming year are the economy, competition/discounting and labour. Still, the overwhelming majority plan to grow and four out of five leaders report their company's performance over the last year was excellent relative to their competitors, their business plan and/or budget.

Canada's private companies seem to have taken the lessons from the past and built on them, developing a deep self-confidence through their resilience and knowing they will not allow uncertainty, change and volatility to stop them from taking charge of their own future.

In the next 12 months, which one of the following strategies is your company striving for?

Percentage of respondents



For a copy of the 2012 Business Insights report, visit www.pwc.com/ca/businessinsights

On-the-ground observations: Ontario

Throughout the year, Glen Dyrda, Southwest Ontario Private Company Services Leader, PwC and Frank Magliocco, Greater Toronto Area Private Company Services Leader, PwC, work closely with private companies who are striving to build on their previous successes while faced with a volatile global economy and increased competitive pressure that has become the new reality in today's marketplace. Through their day-to-day interactions, they gather a wealth of insights from Canadian business leaders on best practices, as well as the issues and challenges their companies are facing.

Here, they share some of their on-the-ground observations:

Focused on growth

"I think companies in Ontario are fairly astute now in terms of cost control," says Dyrda. "A couple of years ago, companies began to recognize that efficiency within their organization was critical for getting through difficult economic times. Now, they've improved those processes and embraced it as an ongoing part of doing business in the modern environment. They're no longer looking at cost control as the primary way to increase profitability—that's behind them. Their focus is on new growth."

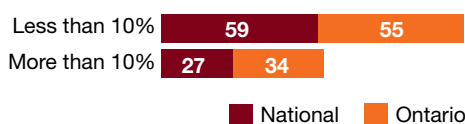
Exuberant and cautious

There's a sense of confidence among many of Ontario's private companies. The province was hit hard, particularly its manufacturing industry, by the recession, but most companies appear to be on a stronger footing these days. "The majority of my clients in a cross section of industries are growing," says Dyrda.

In fact, one third of companies surveyed in Ontario for the Business Insights Survey were planning to grow more than 10% in the coming year.

What growth rate (based on gross revenue) did you set for your business in this fiscal year?

Percentage of respondents



This is particularly true in the GTA, which has been experiencing economic growth over the past year, says Magliocco. "Without talking about the real estate market, we'd be remiss because it is such a big part of what's going on in the GTA," he says. "Real estate has had a significant run for a decade with a short lapse during the financial meltdown. Last year was a record year in terms of residential sales in the GTA. I'd say the local economy is in pretty good shape. When you consider what's happening in Europe and in the US, where they are still struggling to get back on their feet and compare that to what's going on locally here, even if our growth is modest, we're still moving along."

It's a new world, however, one in which exuberance can go hand in hand with caution due to the new norm of uncertainty. "The companies I deal with always keep what's happening globally in the back of their minds. They have taken the lessons from the global financial crisis of 2008, when banks turned the taps off. Companies recognize there is still a level of risk," says Magliocco. "Moving forward, there is concern about government intervention, while the media weighs down economic confidence with talk of a housing market bubble and movement towards a housing market crisis similar to what we saw in the US in recent years. They don't see the slight slowdown we've had in recent months as being an indicator of a crash coming, but rather as a small but needed correction to keep things more measured and back to normal."

The future: fighting back against price cutting

One of the biggest issues most companies are facing, says Dyrda, is a fierce price war in the market. This isn't just coming from local competitors. "Price cutters are knocking on Ontario doors, sometimes from half-way across the world. Similar to the uncertainty, price cutting will likely continue to be part of the new norm. Companies need to develop effective strategies to overcome this," says Dyrda. "It's very tough in that regard," he says. "It has always been important, but is even more so today. Companies need to find new ways to add value to their customers, beyond offering the lowest price. Some are looking to develop new products and services, for example. It really helps to have strong, long-term relationships with your customers that they value. Many customers won't change suppliers quickly based on price, as it can be very disruptive to their businesses. However, that means you need to have great connectivity to your customer to help you compete with other suppliers coming in and undercutting your price."

If there is one lesson that Ontario private companies forging ahead must keep in mind, it is the importance of their leaders building strong relationships with their core clients. "I had one CEO mention to me how important it is that their clients can just pick up the phone and call them directly," says Dyrda. "That one-on-one interaction can make a real difference in building long-term relationships and can see you through the inevitable bumps in the road that will happen from time to time."

Looking forward

Overall, both Dyrda and Magliocco see most private companies in Ontario faring well, striving for growth, embracing change and keeping their eye on external forces and challenges. However, they remain confident in their ability to be proactive. While they are not counting on the US and global economies to pick up, given how well these companies have bounced back and fared through the tough years, they are well positioned to seize the opportunities, if and when that day comes.