

Big gap in business outlook

Bigger companies more upbeat, new poll shows

BY CHRISTINE DOBBY

Canadian entrepreneurs are cautiously optimistic about the future, but most remain unlikely to take an aggressive approach to growth this year, a new poll of mid-sized busi-

nesses suggests.

The Ernst & Young LLP/Financial Post survey conducted in April and released Monday, is the first of four polls on entrepreneurs' post-recession outlook. More than a third of respondents (37%) said they were more optimistic about their own company's future than they were six months ago. But about another third (36%) said their view on the issue had not changed, while almost 28% took a dimmer view of

their company's prospects.

Brian Allard, a partner with Ernst & Young and senior vice-president of Ernst & Young Orenda Corporate Finance Inc., characterized the results as encouraging in general. However, he highlighted the contrast to a global survey of capital confidence Ernst & Young conducted earlier this year, which found 78% of Canadian businesses were more upbeat than they had been six months earlier.

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Organic growth key for small businesses

SURVEY

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Mr. Allard said the businesses that responded to the earlier survey were typically larger, which may explain the seemingly dramatic gap in outlook. “We’re seeing this confidence building a little more quickly in the large corporate sector than in the entrepreneurial sector,” he said.

Large Canadian companies, which tend to be clustered in hot sectors such as energy, mining and commodities, he said, are not feeling the ill-effects of the economic downturn at this point. Meanwhile, small businesses are still focused on keeping costs down and not looking to expand aggressively.

More than 150 respondents completed the survey and while Mr. Allard could not comment on its statistical significance, he said it does indicate general trends and entrepreneurs’ perceptions of the market.

Close to half of survey respondents (46%) said they would focus on organic growth in the next year while almost a third (32%) said bare survival would still be their goal. Only 17% were looking for merger and acquisition or joint venture opportunities.

In contrast, the global report found 48% of Canadian businesses were planning on making an acquisition in the next one to two years.

“The Canadian economy seems to be characterized by haves and have-nots right now,” Mr. Allard said. “Larger companies that have weathered the financial storm seem to be in a position of building on their past successes while smaller businesses, principally in manufacturing and the service-oriented sectors, continue to be focused on organic growth and battening down the hatches.”

What’s more, he said, entrepreneurs may still have a sense — not shared by their larger counterparts — that they cannot easily access capital: 70% of respondents said cash was their primary source of financing over the past 12 months and 67% expected that would be the case for the coming year as well.

Mark Cahsens, founder of toy company Great Circle Works Inc., reflects that perception. The Oakville, Ont.-based entrepreneur said he organizes his business so that he pays his suppliers after he sells his products and feels lucky he does not have to rely on bank loans or other forms of financing.

“When I meet with my bank manager, I’m so relieved that I don’t have to ask him for money, because I can sense that he wouldn’t be forthcoming,” he said. “I get the sense that banks are making it tough and entrepreneurs have to be quite creative in figuring out how to make everything work.”

Colleen McMorrow, Ernst & Young Canadian leader of entrepreneurial services, acknowledged the concern entrepreneurs may have about accessing financing.

“The last few years have left people a little gun-shy. They want to make sure they’ve got sufficient cash resources to sustain their businesses.”

Overall, however, Ms. McMorrow said the survey results show the return of some degree of optimism, crucial because of the “vital role” she said entrepreneurs play in the economy.

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cdobby@nationalpost.com