

# Global Entrepreneur Indicator

from the Entrepreneurs' Organization

## Alternative Asset Class Predictions: Canada Region

### Interim Findings Summary - First Survey (May 2010)

Adapted from detailed Interim Report 28 June, 2010 by Dr. Sally Ernst

#### Summary of Findings



*With an Indicator benchmark of 6.22 (out of a possible 10), Canadian entrepreneurs are slightly bullish on alternative asset class performance predictions. This score is boosted their notable bullishness about their businesses and – to a lesser extent – residential property and precious metals as an alternative asset class investment.*

*This score is higher than the global benchmark of 5.70.*

#### **Entrepreneurs, relying on the advice of their peers, are saying yes to starting a business in Canada.**

The vast majority of Canadian entrepreneurs (89%) would start a new business in the Canada. This is in line with the findings of the Global (86%), US and Asia (87%) Indicators. It is, however, slightly less than Australia, where the overwhelming majority would start a business there (93%).

Canadian entrepreneurs are in line with American and Asian entrepreneurs in whether they would recommend a foreign entrepreneur invest in doing business in their country (85%), which is strongly more than the Global Indicator benchmark (77%). Again, this is slightly less than Australia, where most entrepreneurs would recommend a foreigner invest in doing business in their country (89%).

According to the Entrepreneurs' Organization Global Entrepreneurial Efficiency Indicator which measures countries' effectiveness in fostering entrepreneurship, this is important as the advice and experience of other entrepreneurs is the most important influencer in an entrepreneur's decision making about starting a business in a country, along with the economic environment (3.95 on a scale of 1-5).

#### **Canadian entrepreneurs are creating jobs with real employment, while clearly outperformed by Australian and Asian entrepreneurs' and – to a lesser extent – their global peers.**

The vast majority of Canadian entrepreneurs have maintained or increased their headcount (80%) over the past 12 months, but less than half (46%) of Canadian entrepreneurs have actually increased it. This was significantly less than Australia (87% and 60% respectively) and Asia (86% and 59% respectively) and notably less than the US (77% and 51% respectively) and Global Indicators (79% and 51% respectively) in terms of an actual increase in headcount.

Notably higher than the global benchmark (77%), at least 70% of jobs generated by Canadian entrepreneurs were filled by employees rather than a flexible workforce in the vast majority of cases (83%) and at least 85% in more than two-thirds of cases (70%). This was greater than the US (77% and 64% respectively) and Australia (78% and 62%) benchmarks, who were broadly in line with the global benchmark (77% and 64% respectively). Interestingly, leveraging a flexible workforce was slightly more likely in Asia (74% and 58% respectively).

Over the coming 12 months, almost all Canadian entrepreneurs (98%) predict their headcount will increase or remain the same, with just less than three-quarters (72%) predicting an actual increase. While broadly on par with the Global and US benchmarks (96% and 76% respectively) regarding a predicted increase in headcount, Canadian entrepreneurs are significantly below the overwhelming majority of Australian and Asian entrepreneurs (98% and 91% respectively; 95% and 87% respectively).

**Canadian entrepreneurs are being outperformed by their peers in other countries on profit. However, Canadians are expected to outperform them over the coming quarter, which is in line with Australia, as well.**

Less than three-quarters of Canadian entrepreneurs (72%) saw their net profit remain the same or increase over the past quarter. However, a far greater majority of Canadian entrepreneurs (91%) predict their net profit to stay the same or increase over the coming quarter, with almost double the number of the past quarter (24%) expect an increase in profits (44%).

The past quarter's profit performance of Canadian entrepreneurs was significantly lower than Global (82% and 36% respectively), US (84% and 37% respectively), Asian (87% and 42% respectively) and Australian (88% and 47% respectively) Indicators.

Regarding predicted net profit performance over the coming quarter, Canadian entrepreneurs are slightly higher than the global and US benchmarks (both 89%), and slightly less than Australia (93%). Interestingly, far fewer Asian entrepreneurs (70%) are predicting their net profit will remain the same or increase into the coming quarter.

**Canadian entrepreneurs are focusing on debt reduction.**

Notably less than their global peers (49%), far less than half of Canadian entrepreneurs (42%) have seen their exposure to debt remain the same with almost a quarter (23%) seeing it increase. However, very few had increased their debt significantly (5%). Looking into the coming 12 months, there is a similar trend in maintaining debt levels (47%), and a marked increase in the number looking to reduce their exposure to debt significantly (from 15% to 24%). This is broadly in line with their global peers with the exception of Australia and Asia where half as many entrepreneurs are looking to reduce their exposure to debt significantly (10% and 12% respectively).

**Entrepreneurs' predict biotechnology to be the hottest sector.**

Canadian entrepreneurs are broadly in line with the Global and US entrepreneur Indicators predicting biotechnology (51%) to be the hottest sector, followed by health and medical services (35%) and computer services (37%) and environmental (39%) sectors.

**Entrepreneurs are on the fence on alternative asset class performance. Currencies are predicted to be volatile, and Canadian entrepreneurs are slightly more bullish on precious metals.**

With a score of 5.91 (out of 10), entrepreneurs are predicting no significant increases in any alternative asset class over the coming 12 months. With a score of 6.22, Canadian entrepreneurs are marginally more bullish than their global counterparts.

The significant majority of Canadian entrepreneurs (83%) are predicting the price of gold will stay the same or increase, and just less two-thirds (62%) predict it will actually increase over the coming 12 months. This is slightly more bullish than the Global Indicator (74% and 58% respectively), almost on par with the Australian (80% and 63%, respectively) and Asian (82% and 66%) Indicators, and significantly more bullish than the US Indicator (68% and 52%).

Over the coming 12 months, entrepreneurs globally are broadly predicting that major currencies will remain neutral (average 3 out of 5) against their own or are too volatile to have a clear view. Entrepreneurs globally are also neutral on managed futures and returns on hedge funds.

**Canadian entrepreneurs are slightly more bullish on property than their US peers, but as bearish as compared to the Australians and Asians.**

Just more three-quarters of Canadian entrepreneurs (79%) predict Canada's residential property prices will remain the same or increase. This metric is in line with the global benchmark (76%), slightly greater than the US benchmark (72%), and dramatically less than the Australian (91%) and Asian (90%) benchmarks. More than two-thirds of Canadian entrepreneurs (63%) predict property prices will actually increase with a negligible number (8%), predicting it will increase significantly. This is significantly greater than the global (46%) and US (36%) Indicators, and dramatically less than the Australia (79%) and Asia (77%) benchmarks.

Just less than three-quarters of Canadian entrepreneurs (73%) predict commercial property prices will remain the same or increase, with a third (33%) predict it will actually increase and very few (<2%) believe it will increase significantly. This is significantly more bullish than the Global Indicator (50% and 23% respectively), dramatically more bullish than the US Indicator (33% and 10% respectively), and significantly less bullish than the Australian Indicator (79% and 44% respectively).

Asian entrepreneurs are significantly more bullish than their global peers on commercial property performance with the vast majority (83%) predicting it will increase or remain the same, well more than half believing it will actually increase (57%) and almost a quarter (24%) believing it will increase significantly.

Over the coming 12 months Canadian entrepreneurs are looking to the similar alternative asset classes as their global counterparts for intended investment in residential (33%) and commercial (35%) real estate, private equity (31%), precious metals (22%), commodities and gas (12%) being the top ranked.

Globally, entrepreneurs currently have alternative asset class investments in residential real estate (54%), private equity (30%), commercial real estate (29%), real estate equities (14%), art (14%), precious metals (10%), commodities (10%) VC funds 10% and coins 10%.

Canadian entrepreneurs have current alternative asset class investments in residential (62%) and commercial (33%) property, private equity (30%), art (22%), precious metals (20%), commodities (15%), gas and real estate (12% for both).

**Entrepreneurs are snubbing carbon offsetting and consultancy, and instead are focusing on decreasing their carbon footprint with recycling and reducing office paper usage.**

Canadian entrepreneurs are lowering their carbon footprint by recycling (70%) -- which is significantly more popular than the global benchmark (57%) -- and reducing office paper usage (54%), which is broadly in line with the global benchmark (58%). Interestingly also in line with the global benchmark (27%) but slightly less so, almost one in four (23%) Canadian entrepreneurs have no plans to decrease their carbon footprint and almost none are considering carbon offsetting (2%) or consultancy (2%), which is broadly in line with the global benchmark (5% and 3% respectively).

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The significant majority of Asian entrepreneurs (86%) are planning to decrease their carbon footprint. This is well above the global benchmark, which shows that just less than three-quarters of entrepreneurs (73%) have green business plans and also well above Canada (77%), Australia (74%) and the US (67%).

## About the Research

This report is part of the Global Entrepreneur Indicator research program conducted by the Entrepreneurs' Organization in partnership with The Standard Chartered Private Bank. This research program began in May of 2010 and consists of a five-year series of quarterly surveys of Entrepreneurs' Organization members. The full report and findings are available at:

<http://www.entrepreneurindicator.com/>

The significance and uniqueness of this global research program lies in the very tight definition of a successful entrepreneur represented by the Entrepreneurs' Organization's membership base. All those surveyed have successfully founded a business grossing more than US\$1 million in revenue annually. Overall, EO members average US\$18.4 million in revenue per year. Between them, these entrepreneurs employ more than 1.3 million workers, with an average of 191 employees per entrepreneur. The average age of the entrepreneurs surveyed is 40. This group provides the ability to gain an entree to this highly important sample of the successful entrepreneur population.

This initial research surveyed more than 7,300 entrepreneurs in 42 countries from the Entrepreneurs Organization, achieving a response rate of 20% based on a minimum reach of 7,300.

## Methodology

### Survey

The survey incorporates elements of cited Alternative Asset Class investments as described in the research report literature scan. The litmus test for the choice of key indicators for the purposes of this research is that they are later measurable against actual asset class performance.

There are 7 categories measured in the indicator:

- Currency
- Residential real estate
- Commercial real estate
- Precious metals
- Managed futures
- Hedge funds
- Selves/own businesses

Some additional questions, which are not used in the calculation of the Indicator, have also been included in the survey for other insights into topical areas of interest from time to time. These, as well as data from Indicator questions, may be used in the Alternative Asset Class Indicator or other Entrepreneurs' Organization Indicators.

The Indicator is calculated as the category score, or averaged upper end and neutral percentages divided by 10, which are then averaged across all category scores with equal weighting to give the final Indicator benchmark out of 10.

### Limitations

- Over 50% surveyed were based in the U.S., however they only represented 38% of respondents thereby reducing the impact of this limitation.
- The EMEA and Asia regional Indicators have a small response rate relative to their size. These reports can perhaps be used in the context of the longitudinal data as a benchmark made richer over time.
- 42.5% of responses for the EMEA Region Indicator were from the Netherlands.

- There may be anomalies in the membership data, such as an owner or major shareholder rather than founder may be included in respondents or other anomalies.
- There may be anomalies caused by technology in the process from data extraction, to survey delivery, to responses, to first stage analysis. While noted as a limitation, this is for probity as these are estimated to be minimal.

### Response Rates Summary

	Number of Respondents
Global	1477
Australia	67
Asia	120
Canada	101
U.S.	564
Europe/Middle East/Africa	120

Just under 10,000 words of free text were recorded.

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