

**ABORIGINAL BUSINESSES:  
CHARACTERISTICS AND  
STRATEGIES FOR GROWTH**

*Occasional Paper Number 20  
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**ABORIGINAL BUSINESSES:  
CHARACTERISTICS AND  
STRATEGIES FOR GROWTH**

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## **ACKNOWLEDGEMENTS**

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Tim Stupich and Jay Illingworth of Aboriginal Business Canada (ABC) began work on a first-phase Aboriginal Business Survey with Paul Johanis and Alan Shain of the Small Business and Special Surveys Division, at Statistics Canada, in the summer of 1996. Also involved in the design of the survey were Joanne Johnson of Statistics Canada, and the Native Investment and Trade Association. The first-phase survey was carried out by Statistics Canada in the fall of 1996. When the data were ready for use in the spring of 1997, ABC hired David Caldwell and Pamela Hunt of the Management Consulting Centre, Industry Canada, to undertake analysis and write this report.

Subsequently, it was decided that a second-phase survey should be undertaken to examine some of the more interesting issues that had been identified in Phase One. In addition to those named above, Pamela Miller of Industry Canada, and Brian Wilson and Dominique Colin of Indian and Northern Affairs Canada participated in the design of the second phase of the survey.

Statistics Canada prepared various tabulations of data from the ABS and calculated all the chi-square tests of statistical significance.

Comments on this report have been received from many of those named above, as well as from Tom Yeo and Pamela Christie of Aboriginal Business Canada. Anonymous referees provided valuable suggestions for further analysis of the data. The comments received have improved the exposition and analysis. Any remaining errors or omissions are the sole responsibility of the authors.



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## HIGHLIGHTS

The main findings of this report include the following:

- Like most other businesses in the Canadian economy, entrepreneurial Aboriginal businesses tend to be small. There are very few privately owned Aboriginal firms with over 100 employees.
- Aboriginal businesses are spread across the broad industrial spectrum, from primary through manufacturing and service industries. At the same time, they are concentrated in traditional niche areas that tend to be labour-intensive and less knowledge-intensive.
- On-reserve businesses are more likely to be home-based, seasonal or part-time, unincorporated, located in rural settings, more reliant on local community markets, and much more likely to have exclusively Aboriginal clients. They are significantly more aware of government procurement programs.
- Only about half of Aboriginal businesses see growth as an important goal; this is consistent with studies on small firm behaviours. Main goals of Aboriginal businesses include stability, profitability and personal/family employment. Most firms believe that management is the most important factor in achieving the firm's goals. They also view their local community as supportive of their business endeavours.
- About 60% of Aboriginal businesses expect to grow business income over the next two years, and most of these businesses expect growth to come from increasing the number of clients in their current market. The most popular strategies for increasing business income are improving the quality of the product or service offered, better marketing, and improved financial management.
- Successful Aboriginal businesses are more likely to innovate than the less successful ones. A relatively high proportion of successful businesses introduced new products and/or entirely new processes in the previous three years.
- The proportion of Aboriginal businesses providing formal training to employees was lower than that for small Canadian businesses

generally. A contributing factor appears to be the concentration of Aboriginal businesses in less knowledge-intensive industries. Aboriginal businesses in relatively knowledge-intensive sectors are more likely to provide formal training, as are successful Aboriginal businesses.

- The proportion of Aboriginal businesses using computers was lower than that for small Canadian businesses generally. A contributing factor appears to be the concentration of Aboriginal businesses in less knowledge-intensive industries. Aboriginal businesses in relatively knowledge-intensive industries are more likely to use computers, as are successful Aboriginal businesses.
- Aboriginal firms as a whole are strongly based in the local market. More successful firms are more likely than less successful firms to be active in the wider Canadian market, to wish to expand their client base and to engage in marketing. At the same time, more successful Aboriginal firms are less likely to be active in export markets which tends to be at variance with findings on the general small business population.
- Forty-three per cent of Aboriginal businesses are partly financed by debt. Less successful Aboriginal businesses are more likely than their more successful counterparts to experience problems in accessing debt financing. Overall, 44% of Aboriginal businesses thought they had inadequate access to debt financing, and 56% thought they had inadequate access to debt and/or equity capital.
- Less successful Aboriginal firms perceived that the hurdles to business expansion were related to holding and gaining market share. Firms in a growth phase are more concerned about financing difficulties and obtaining information on market opportunities than are firms that are not growing.
- Market conditions and financing difficulties were the most important reasons for business failure in the perception of the business owners/operators involved. The first year of operations tends to be the major hurdle, as most failures occur within this period.
- Only 15% of Aboriginal firms received government grants or contributions over the last five years, but those that did generally

thought that the government support had played a significant role in the development of their firm.

## **1. INTRODUCTION**

This report seeks to deepen understanding of privately owned Aboriginal businesses and their prospects for success or failure. It explores goals and strategies of Aboriginal businesses, and factors contributing to growth, such as skills, markets, technology, financing and use of government support.

The report is based mainly on the results of the two-phase Aboriginal Business Survey (ABS) of Aboriginal-owned businesses in Canada. The first stage of the survey (Tier One) was carried out by Statistics Canada in late 1996, and the second phase (Tier Two) was completed in the spring of 1997. Other information, especially on the general business population, is used for purposes of comparison and to provide context.

The post-census 1991 Aboriginal Peoples Survey (APS) was the starting point for designing the ABS: it provided the frame for the survey. The aim of the ABS was to probe characteristics, behaviours and attitudes. The survey was not designed to gauge the size of the Aboriginal business economy in terms of employment, gross domestic product (GDP) or similar measures.

Consequently, the fact that some parts of the Aboriginal business community were not part of the survey frame, and are not represented in the results reported below, is not considered to be a crucial limiting factor. Additional information on the survey design and its limitations are provided in Appendix 1. Included in the discussion is an assessment of the impact of different assumptions with respect to the weight that younger businesses carried in the survey results.

In addition to growth factors, many other aspects of the private Aboriginal business sector are touched on in this report. These include Aboriginal heritage, ownership structure of the businesses, age and gender of business owners/proprietors, and location of facilities. Nevertheless, much work remains to be done. In particular, it would be interesting to design a survey intended to improve understanding of the ways in which on-reserve businesses differ from off-reserve businesses. The ABS was not designed to explore this question in depth, although the paper notes where statistically significant differences in responses between on-reserve and off-reserve businesses occurred.

In addition, it would be of considerable interest to explore how responses to the ABS differed across detailed industry groups. Unfortunately,

the current data set does not support analysis of this nature. At the time of the survey, it was not known with any precision how Aboriginal businesses were distributed across industry sectors, and so the necessary stratification of the sample could not occur. Nevertheless, some industrial disaggregation was undertaken and the results are reported.

The report begins with a section that provides a sketch of the entrepreneurial Aboriginal business sector. The following section, "Goals and Strategies," contains information concerning the goals of Aboriginal business owners and their approach to increasing business income. The section entitled "Growth Factors for Aboriginal Businesses" examines factors that are related to the capacity of Aboriginal businesses to grow. "Aboriginal Businesses from a Broader Perspective" discusses the degree to which Aboriginal businesses are different from Canadian small businesses in general. "Aboriginal Businesses by Knowledge Category" explores how responses differ across knowledge groups. "Aboriginal Businesses by Degree of Success" reports on the differences between more and less successful Aboriginal businesses. The paper also includes a conclusion section. In addition, there are four appendices. The first discusses the survey methodology; the second presents a detailed profile of Aboriginal businesses; the third examines Aboriginal businesses that have ceased operations; and the fourth includes the questionnaires used in the surveys conducted among Aboriginal businesses.

## 2. THE ENTREPRENEURIAL ABORIGINAL BUSINESS SECTOR

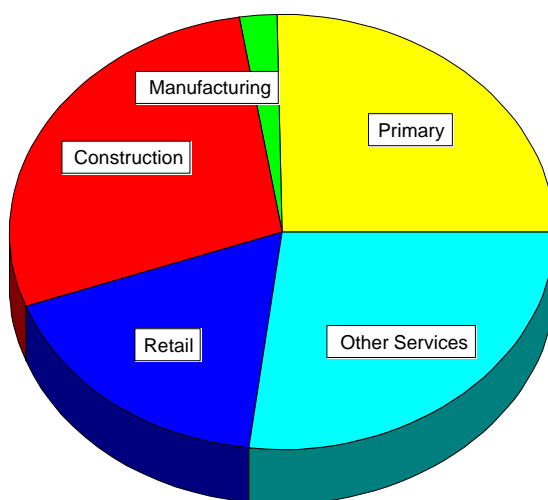
In line with the demographics of the Aboriginal population, the ABS showed that the great majority (72%) of private Aboriginal businesses were owned by North American Indians, with Métis and Inuit accounting for much smaller proportions. Sole owners predominated and most owners limited themselves to owning one business. Owners/operators were more than twice as likely to be male as female.

Aboriginal businesses<sup>1</sup> are quite small as a rule, with the majority (74%) being home-based. Some 70% of the businesses in the survey were full-time operations, while the rest were seasonal. Businesses located on reserve are more numerous (accounting for 57% of the total) than those off reserve (43%). Incorporation is limited to less than a third of all businesses.

Aboriginal businesses exist across the economic spectrum but are overrepresented in the primary, construction and retail sectors. Moreover, Aboriginal businesses tend to be located in traditional, low-knowledge areas of the economy, such as fishing and trapping, transportation, agriculture and contracting trades (e.g., excavation, plumbing).<sup>2</sup>

A more detailed discussion of the nature of the Aboriginal business sector is provided in Appendix 2.

Figure 1  
Aboriginal Businesses by Industrial Sector





### **3. GOALS AND STRATEGIES**

Aboriginal business owners/operators are more likely to pursue the objectives of stability, profitability and employment, rather than growth of the firm. These objectives were attractive to about three quarters of Aboriginal businesses responding to the survey, while slightly over half stated that growth was a goal.

Aboriginal businesses focus on improving the basics. Most firms follow strategies with multiple thrusts. The three most popular avenues for increasing Aboriginal business income<sup>3</sup> were improving the quality of the product or service offered, better marketing, and improved financial management. More heavily innovative activities such as using more or better technologies and adding new products or services were fourth and sixth on the list, respectively. Increasing employees' skill levels was the least popular of the specific choices offered in the survey. Only 5% of respondents saw "standing pat" as leading to higher business income.

The majority of Aboriginal businesses (73%) did not have a formal business plan. Of the 27% of businesses that had plans, 58% were self-prepared, while 42% utilized the services of others, most often a professional business consultant or accountant. On-reserve businesses were more likely to have a business plan but less likely to have a plan prepared personally by the business owner/operator. The composition of business plans differed. A financial plan was the most common feature (cited by 82%), followed by a marketing plan (72%), a human resources plan (52%), a product development plan (51%) and a technology plan (32%).

A majority of Aboriginal businesses expect income growth. Almost 60% of the businesses surveyed expect income to grow in the next two years, while 40% foresee no growth (36% achieved an increase in sales in 1995–96). Of the businesses that expect income growth, a majority (63%) expect the growth to come from an increase in the number of clients in their current market. Of the remaining reasons given for income growth (selected from those listed in the questionnaire), the second most commonly cited was expansion of the firm's markets to other areas within Canada (38%), followed by expansion to foreign markets (15%) and buying out another business (14%). Thirty-eight per cent had other, unspecified avenues for growth.

There are a number of growth hurdles facing Aboriginal firms. Among the difficulties mentioned by companies expecting growth (including currently unprofitable businesses) were inadequate financing (cited by 36%), market competition (29%) and lack of information on opportunities (28%). Less



frequently cited were the dollar exchange rate (20%) and border restrictions on trade (18%).

In the case of businesses not expecting to grow, the most frequently cited reason was the prospect of competition in neighbouring markets (mentioned by 27%), followed by lack of interest in expanding (25%). Inadequate financing was seen as a problem by 22% of respondents, while 13% faced a lack of information on opportunities.

#### **4. GROWTH FACTORS FOR ABORIGINAL BUSINESSES**

This section reviews survey results relating to skills, information technologies, markets, financing and government support.

##### **Skills**

Most owners/operators have not taken advanced business training. Only 24% of owners/operators had taken business training courses at the college or university level. Of those who had taken advanced training courses, the most popular courses included management practices and accounting. Courses on starting a business represented the third most likely option to be chosen, followed by courses on marketing and developing a business plan.

Only 14% of businesses provided formal training to their workers. The proportion offering formal training to their employees was almost twice as high for urban businesses (22%) as for rural businesses (12%).

##### **Information Technologies**

A majority of Aboriginal businesses were interested in using computers. One third of businesses surveyed already had a computer. The proportion of urban businesses using a computer (47%) was significantly higher than that of rural businesses (32%).

Computers were frequently used for accounting (cited by 79%), word processing (68%) and inventory control (40%). Less common uses included data base management (34%), desktop publishing (26%) and computer-aided design (22%). Computers were used much less frequently for access to the government Open Bidding System (9%) or for factory floor operation (7%). Businesses located on a reserve were less likely to have a computer.

Of the businesses currently without a computer, 42% were planning to purchase one. If these plans are carried out, 63% of Aboriginal businesses will be making use of a computer in the future.

One half of businesses without a computer did not intend to acquire one. Reasons cited included lack of financial resources (37%), lack of relevance to the business (28%), lack of skilled employees (25%) and lack of information on what is available (19%).<sup>4</sup> In the case of businesses undecided about the purchase of a computer (only 7% of those without a computer at present), lack of financial resources was the most important factor by far.

Other information technologies were also used by computer-owning Aboriginal businesses. Among businesses that already have a computer, the most popular technology is voice mail (cited by 79%), followed by CD-ROMs (43%), modems (40%) and Internet access (22%). Scanners (16%), communications networks such as LANs (16%), and automated production equipment (9%) were used by fewer businesses.

Most computer-owning businesses would like to purchase new information technology in the next two years. New software purchases were of interest to 70% of businesses already having computers. Other choices included new computers (58%), modems (45%) and Internet access (45%). Other communications equipment (voice mail, fax machines) was of interest to 41% of businesses, while CD-ROMs and scanners interested 39% and 37% of businesses, respectively. Only 17% of businesses would like to purchase automated production equipment.

Of the businesses with a computer, 59% indicated that there was an impediment to buying the technologies of interest. Of the respondents perceiving a barrier, 93% indicated lack of financial resources as the problem. Lack of information on what is available was the next most important barrier (cited by 25%), followed by lack of skilled employees or technical support (22%), and resistance to change on the part of employees (7%).

## **Markets**

Local markets are the focus of attention.<sup>5</sup> The local community is the main market for 74% of Aboriginal businesses. Another 18% sell a majority of their products/services to other areas within their province or territory. Only 6% of businesses reported exports as their main market focus.

Eighty-eight per cent of Aboriginal businesses had at least some of their sales in the local market, compared to 62% with some sales to other areas within the province/territory, 26% with some sales in other provinces/territories, and 19% with some export sales.

Most Aboriginal businesses depend on sales to Aboriginal clients. One quarter of Aboriginal businesses had exclusively Aboriginal clients. Another 26% of businesses reported that one half or more of their clients were Aboriginal. Nineteen per cent of businesses had some (but less than half) Aboriginal clients, while only 18% had no Aboriginal clients. On-reserve

businesses were more reliant on local community markets and much more likely to have exclusively Aboriginal clients. Similarly, rural businesses were more likely to have a high proportion of Aboriginal clients.

Sixty per cent of Aboriginal firms wish to expand their client base. Of those that do, the target markets are local Aboriginal people (cited by 84%), local non-Aboriginal people (73%), other Aboriginal people within the province/territory (57%), other non-Aboriginal people within the province/territory (53%), other provinces/territories (41%), and outside Canada (32%).

Forty-eight per cent of those wishing to expand identified inhibiting business factors. The cost of doing business was cited most frequently (by 47%), followed by government rules and regulations, location, lack of business information or business mentoring networks, and lack of available skilled labour.

## **Financing**

Financing to operate and/or expand a business can come from internal or external sources.

### ***Internally Generated Funds***

A majority of Aboriginal businesses were profitable. In 1995, sixty-one per cent of Aboriginal businesses made a profit; of these businesses, one half achieved the financial results that they expected. Forty per cent of profitable businesses earned a net profit before taxes of less than \$10 000; another 30% earned profits of more than \$10 000 but less than \$30 000; and 15% earned profits between \$30 000 and \$50 000. Fifteen per cent of businesses earned profits greater than \$50 000, while 8% earned profits of \$90 000 or more.<sup>6</sup>

Of unprofitable businesses, 72% lost less than \$10 000, and an additional 22% lost between \$10 000 and \$30 000. Only 6% of businesses lost more than \$30 000.

When considering financial performance, it is worthwhile to remember that, for Aboriginal firms, stability and employment are similar in importance to profitability (see section on “Goals and Strategies”).

### ***Start-up Financing***

Aboriginal businesses relied more heavily on equity than debt to start up or purchase their business. Sixty-one per cent of Aboriginal businesses used more equity than debt to start or acquire their business; fully 45% of businesses had no debt. The rest of the businesses were created with high debt-to-equity ratios. Indeed, 17% of all businesses surveyed started entirely with borrowed capital.

Sixty-three per cent of Aboriginal businesses used a moderate amount of start-up capital (less than \$25 000), with about half of these needing less than \$5 000. At the other end of the scale, 35% of businesses needed more than \$25 000, and 12% established or acquired their business using more than \$100 000 of capital.

Banks and trust companies were a source of capital for many Aboriginal businesses that needed to borrow their start-up capital. Forty-seven per cent of businesses borrowed from banks; 24% borrowed from an Aboriginal development corporation. Other sources of borrowed capital were the federal government (11%), family and friends (10%), and provincial/territorial governments (7%).

### ***Financial Structure***

Forty-three per cent of Aboriginal firms have debt in their current capital structure. The most commonly used source of debt financing in the development of the business was personal loans from family and friends, cited by 48% of all firms; other often-used sources were supplier credit (cited by 30%), loans from Aboriginal lending institutions (22%) and non-guaranteed commercial bank loans (20%). Government-guaranteed bank loans were cited by 15%, and conditional sales agreements by 11%.

With respect to sources of equity, 88% of owners/operators had personal investments in the firm, while 31% cited retained earnings. Family and friends were cited by 21%; community investment funds were cited by 7%, and venture capital by 5%.

### ***Financing Barriers***

Forty-four per cent of the businesses had inadequate access to debt financing. Reasons cited included lack of collateral (cited by 40%), Section 89 of the Indian Act (30%),<sup>7</sup> and not having financial institutions in the local community (27%). Twenty-two per cent attributed their lack of access to financing to the fact that the firm was not profitable.

Forty-five per cent of firms thought they had inadequate access to equity capital. The most frequently cited reason was lack of personal resources (mentioned by 58%). Other problems included unavailability of venture capital (cited by 36%), inadequate retained earnings (32%), lack of community investment funds (31%), and inability or unwillingness of family/friends to invest (16%).

Overall, 56% of firms thought that they had inadequate access to debt and/or equity capital.

### **Government Support**

Seventy-five per cent of Aboriginal businesses said that they would be willing to seek help from governments in the future. Of the businesses willing to seek government help, 76% were most interested in business development funding. Nevertheless, a significant proportion (55%) were interested in information on business opportunities and help in establishing business contacts (53%).

Based on past experience, respondents amenable to dealing with governments would look for future help from provincial governments (cited by 53%), Industry Canada (52%), Indian and Northern Affairs Canada (45%), the Regional Development Agencies (44%) and Human Resources Development Canada (38%).

Most Aboriginal businesses were not accessing the federal government market. Seventy-seven per cent were not aware of the federal government's Aboriginal procurement program. However, a majority of businesses (83%) were interested in obtaining more information. Only 10% of businesses were registered with the government's Open Bidding System. On-reserve businesses were more aware of federal procurement programs than were off-reserve businesses.



## **5. ABORIGINAL BUSINESSES FROM A BROADER PERSPECTIVE**

This section presents comparisons between Aboriginal businesses and other Canadian businesses, with the aim of documenting the extent to which Aboriginal businesses are unique in their activities/behaviour. Although in most instances exact comparisons cannot be made, results of interest are reported from a number of sources.

### **Business Formation**

Aboriginal peoples are less likely than other Canadians to own a business. The 1991 Aboriginal Peoples Survey, conducted by Statistics Canada, found that 4.8% of adult (aged 15 and older) Aboriginal people owned or operated a business.<sup>8</sup> By way of comparison, in the total Canadian adult population, the incidence of business ownership in 1991 was considerably higher at 6.6%.<sup>9</sup>

The proportion of Aboriginal businesses that are incorporated appears to be lower than in the general business population. In 1996, according to the Aboriginal Business Survey, 27% of Aboriginal businesses were incorporated, while in 1991, according to the census, 34% of the self-employed in the general business population had incorporated businesses.

### **Goals and Strategies**

More Aboriginal businesses pursue the goals of profitability, stability and personal/ family employment than the goal of growth. Slightly over half of Aboriginal business owners saw growth as an important objective, while three quarters of firms were strongly attracted to each of the other goals mentioned.

Having objectives other than growth may not be unique to Aboriginal business owners. In an article focussing on the small manufacturing firm, O'Farrell and Hitchens (1988) report, "A high proportion of small firms are more interested in maintaining their current level of profit than in expansion" (p. 1375). They explain, "One reason for firms wishing to stay small is that the ownership and the management reside in the same person, or persons; so future company goals are determined not only by commercial considerations but by personal life-styles and family factors."

They note that disincentives for small firms to adopt a growth strategy may include the following:

- "dilution of ownership through external equity investment";



- “the extent to which the owner feels personally competent to deal with the organization and supervision of labour”; and
- reluctance “to exchange ... personal relationships with old customers for more anonymous interactions with companies and institutions.”

They also suggest, “The formulation and implementation of a growth strategy requires a strategic planning capability which lies beyond the range of expertise of many small-firm entrepreneurs.”

Aboriginal businesses that do wish to grow tend to place their hopes for success on their existing markets and clients. They try to improve their position by emphasizing quality of product/service and marketing.

This approach is similar to the general behaviour of growing small businesses in Canada. The majority of Canadian firms that are still growing as they enter their second decade focus on ways of increasing sales of current products/services in existing markets through improving quality and responsiveness to customer needs (Johnson and Baldwin 1997).

## **Skills**

Aboriginal businesses provide less formal training to employees than do Canadian businesses generally.

Excluding agriculture, 21% of Aboriginal firms with more than one employee<sup>10</sup> offered formal training, compared to 42% (Betcherman et al. 1996) of all Canadian establishments with more than one employee. In the case of firms with 2 to 19 employees, 23% of Aboriginal businesses provided formal training, versus 38% of establishments in the general business population.<sup>11</sup> Another point of comparison is provided by the 31% of growing small and medium-sized enterprises (GSMEs) with 1 to 49 employees (Baldwin et al. 1994) that offer formal training.

Most training offered by small businesses is informal. Canadian firms with fewer than 20 employees classify nearly three quarters of their training effort as informal and only one quarter as formal. Since informal training was not investigated in the ABS, the degree to which Aboriginal businesses upgrade employee skills on an informal basis is unknown.

Causes of a lower incidence of formal training among smaller firms include a higher per-employee cost (lack of scale economies) and lack of

information on training opportunities (Betcherman et al. 1996). Betcherman et al. suggest that a possible way of alleviating the problem of high cost would be for groups of smaller firms to pool training activities.

## **Computer Use**

Incidence of computer use among Aboriginal businesses appears to be lower than in Canadian small businesses generally.

Thirty-three per cent of all Aboriginal businesses use a computer. This proportion is lower than the 84% of Canadian Federation of Independent Business (CFIB) members that use computers,<sup>12</sup> and the 68% of businesses in Canada's service sector that have a computer.<sup>13</sup> Some of the differential in computer use between Aboriginal businesses and others is related to size of operation. In the case of businesses with 5 to 19 employees, 63% of Aboriginal businesses use a computer; this figure is closer to, but still far below, the more than 80% of CFIB members, in the same size class, that use computers. However, the 63% figure is identical to the proportion of firms in the Canadian service sector, in the same size class, that use computers. In the case of businesses with more than 20 employees, seven out of eight Aboriginal firms use a computer, a similar proportion to usage reported in the CFIB study.

There is a possibility that Aboriginal businesses will narrow the computer use gap in the future. If we add the 27% of Aboriginal businesses that plan to buy a computer to the 33% currently having a computer, it appears that up to 60% of Aboriginal businesses may have a computer in the future. Even if these plans are carried out, however, computer use among Aboriginal businesses would remain relatively low.

## **Markets**

The tendency of Aboriginal businesses to concentrate on local markets may be stronger than the average behaviour of small and medium-sized enterprises (SMEs). Ninety-two per cent of all Aboriginal firms rely primarily on their provincial/territorial market.

Although a direct comparison cannot be made to Aboriginal businesses, it may be useful to note that slightly over 50% of shipments of Canadian GSMEs engaged in manufacturing are destined for the local region. Reliance on the local market (at 71% of manufacturing shipments) among these firms is

much stronger in the Atlantic<sup>14</sup> region than in other areas of the country (Baldwin et al. 1994).

A fairly high proportion (6%) of Aboriginal firms make export markets the focus of their business activity. In comparison, only 4% of all Canadian businesses were engaged in exporting activity in 1994.<sup>15</sup>

## **Financing**

Aboriginal businesses appear almost as likely to be profitable as other businesses. In 1996, 62% of Aboriginal businesses were profitable; this figure compares reasonably well with the 67% of Canadian businesses with gross revenues between \$25 000 and \$5 million that were profitable in 1991 (the latest year for which data are available). It should be kept in mind that this comparison is less than exact since the years involved are at different stages of the business cycle and the comparison involves different sizes of businesses.

Forty-eight per cent of Aboriginal businesses have used personal debt in the initial development of their businesses. Although the comparison is not exact, 28% of small and medium-sized businesses currently (in 1996) use personal loans as a source of capital.<sup>16</sup> Forty-eight per cent of Aboriginal businesses used bank loans to start their business; this figure can be compared (at least roughly) with the 51% of other small and medium-sized businesses having bank loans as part of their current capital structure.

The tendency of Aboriginal businesses to rely on equity for starting their businesses may not be unique. Forty-five per cent of Aboriginal businesses started with no debt and 61% had more equity than debt. Although a direct comparison is not possible, according to Caldwell et al. 1995, the existing (as opposed to start-up) capital structure of small Canadian firms (with revenues of less than \$5 million) contained a high proportion of equity (47.7% retained earnings, share capital and contributed surplus). Loans and accounts with affiliates constituted the second-highest proportion, while bank loans represented only 8.5% of small business capital.

Most firms did not access government grants and contributions (G&Cs). Only 15% of firms obtained government grants and contributions over the past five years; however, a majority (over 75%) of those who did so thought that the G&C had played a significant role in the development of the firm. Of those that

had received G&Cs in the past five years, about 43% thought that they did not have adequate access to this form of financing.



## 6. ABORIGINAL BUSINESSES BY KNOWLEDGE CATEGORY

Differing knowledge requirements in business sectors are likely to influence the extent to which a business or group of businesses are involved in knowledge-based activities such as training. This section explores this issue by focussing on differences in behaviour between Aboriginal businesses in different knowledge categories. Business characteristics (e.g., demographics, governance) by knowledge category are reported in Appendix 2.

Lee and Has (1997) have developed a categorization of industrial sectors according to knowledge content, as shown in Table 1.

**Table 1**  
**Industrial Sectors and Knowledge Content**

High-Knowledge	Medium-Knowledge	Low-Knowledge
Scientific & professional equipment Communications & other electronics Aircraft & parts Computer & related services Business machines Engineering & scientific services Pharmaceuticals & medicine Electrical power Other chemical products Machinery Refined petroleum & coal products Management consulting services Educational services Health & social services Pipeline transportation Other business services	Other transportation equipment Other electrical & electronics Primary metals (non-ferrous) Textiles Communications Paper & allied products Mining Rubber Plastics Primary metals (ferrous) Non-metallic mineral products Wholesale trade Crude petroleum & natural gas Fabricated metal products Motor vehicles & parts Food Beverages Tobacco Finance, insurance & real estate Other utilities Services incidental to mining Other services Printing & publishing Construction Amusement & recreational services	Fishing & trapping Other manufacturing products Wood Furniture & fixtures Logging & forestry Transportation Storage & warehousing Agriculture Retail trade Personal services Quarry, sand pits & mining services Accommodation, food & beverage services Clothing Leather

Aboriginal businesses are distributed across knowledge categories as follows: 63.5% fall into the low-knowledge category, 30.6% into the medium-knowledge category and 5.9% into the high-knowledge category. As the number of Aboriginal businesses in the high-knowledge category was not large enough for statistically valid results to be reported,<sup>17</sup> the discussion is limited to differences between low- and medium- knowledge categories.

### **Objectives and Strategies**

Medium-knowledge firms emphasize profitability more, and growth less, than low-knowledge firms. Eighty-one per cent of medium-knowledge firms viewed profitability as an important goal of the firm,<sup>18</sup> compared with only 66% of low-knowledge firms. Conversely, 48% of medium-knowledge firms rated growth as an important goal, while 54% of low-knowledge firms concurred. The two groups rated other goals of the firm more uniformly.

Low-knowledge firms were more likely to rate marketing and production as important to the firm's success than were medium-knowledge firms. Sixty-four per cent of low-knowledge firms emphasized marketing, compared with only 47% of medium-knowledge firms. The corresponding figures for production were 79% and 69% respectively. The proportion of businesses having a formal business plan did not differ across knowledge categories.

### **Skills**

Medium-knowledge Aboriginal businesses provide more training than low-knowledge businesses. In the low-knowledge category, only 11% of businesses provided training, as compared with 19% in the medium-knowledge category; in aggregate, 14% of Aboriginal businesses provided training to their employees.<sup>19</sup>

The fact that Aboriginal businesses are concentrated in medium- and low-knowledge business sectors would appear to be an important reason for the low training effort displayed by Aboriginal businesses in comparison to the general business population (reported in the section on "Aboriginal Businesses from a Broader Perspective").

### **Computers**

Medium-knowledge businesses are more interested in computer use than their low-knowledge counterparts. Forty per cent of medium-knowledge businesses

had a computer, compared to 30% of low-knowledge businesses. In addition, 53% of businesses in the medium-knowledge sector that did not have a computer planned to buy one; the figure was only 37% in the low-knowledge sector. The functions for which computers were used did not differ significantly between the two knowledge groups.

As is the case with training, the concentration of Aboriginal businesses in less knowledge-intensive sectors would appear to be a factor contributing to the lower incidence of computer use for Aboriginal businesses than in the general business population.

## **Markets**

Medium-knowledge Aboriginal businesses are less likely to rely exclusively on Aboriginal clients than are low-knowledge businesses. Only 18% of the medium-knowledge group have exclusively Aboriginal clients, while the corresponding figure for the low-knowledge group is 27%. Twenty-two per cent of the medium-knowledge group reported no Aboriginal clients, as compared with 17% of the low-knowledge group.

A higher proportion of medium-knowledge firms (67%), than low-knowledge firms (57%) wished to expand their client base. This finding tends to contradict the relative importance that the two groups placed on marketing and growth as an objective, noted earlier.

Reliance on different geographic markets does not vary significantly between knowledge groups, nor does the wish to expand to markets beyond those already in play.

## **Financing**

Answers to financing questions in the survey did not differ across knowledge groups. An exception was that government grants and contributions have benefited a higher proportion of low-knowledge firms (19%) than medium-knowledge firms (11%).





## **7. ABORIGINAL BUSINESSES BY DEGREE OF SUCCESS**

This section examines the differences between firms that have achieved varying levels of success in terms of profitability and growth in business income. The aim is to provide insight into actions that less successful Aboriginal firms might take to improve their financial performance. Wherever possible, the results for Aboriginal businesses are placed in the context of similar research on the general business population.

Following Michael Porter (1991), success is defined in this report as “attaining a competitive position or series of competitive positions that lead to superior and sustainable financial performance.”

In line with this definition, the data set was divided into the following three categories, based on the financial performance information available in the ABS questionnaire:

- Group A contains businesses that were profitable in 1995, increased sales from 1995 to 1996, and were expecting increased business income over the next two years.
- Group B has one or two of the profit and growth characteristics of the Group A firms, but not all three.
- Group C has none of the profit and growth characteristics of Group A firms.

Twenty-four per cent of the Aboriginal firms surveyed were in Group A, 61% were in Group B and only 15% were in Group C.<sup>20</sup>

### **The Firm's Objectives**

Among the various goals of firms listed in the survey, stability, profitability and personal/family employment were the three most frequently cited as important by all three groups. Groups A and B had similar rankings, placing stability first, profitability second and personal/family employment third in importance. In contrast, Group C firms chose personal/family employment as an important goal most frequently, followed by stability and profitability. Community service and community employment attracted less attention as important goals of firms in all three groups.

The least attractive goal among those offered in the survey was growth. This was rated as an important objective by 57% of firms in Group A, 50% of firms in Group B and 45% of firms in Group C.

**Table 2**  
**Objectives**  
(Percentage\*)

	Group A	Group B	Group C
Stability	83	75	66
Profitability	83	66	64
Personal/family employment	70	65	72

\* Percentage selecting 4 or 5 on a scale of 1 to 5.

## **External Business Environment**

Successful firms had a slightly greater tendency to rate their environment as highly competitive. Forty-seven per cent of Group A firms saw their environment as competitive, versus 41% of Group B firms and 32% of Group C firms. About the same proportion (between 27% and 29%) of firms in all three groups saw their business environment as moderately competitive.

Most firms believe their local community is a positive influence on their business. About three quarters of Group A and Group C firms, and 55% of Group B firms, think that support of the local community is a relevant consideration in the performance of their business. Further, of those that think such support matters, 91% of Group A firms, 73% of Group B firms and 69% of Group C firms believe that the local community encourages their efforts.

Transportation costs and infrastructure are important to less than half of the firms surveyed. In Group A, slightly more than half the firms (52%) named transportation costs as having an impact on the performance of their business, while 49% cited infrastructure (e.g., telecommunications links, serviced commercial land). The importance given the two factors varied even more in Groups B and C: 59% named transportation costs and 34% named infrastructure in Group B, while 36% named transportation costs and 19% named infrastructure in Group C).

## **Management**

Management is the most important factor in achieving the objectives of the firm. All success groups rated management as a key to achieving the firms' aims. Group A firms rated management (89% giving a score of 4 or 5) and production (88%) as almost equally important, followed by innovation (76%), financing and competitive strategy (74% each), human resources and marketing (67% each), and technology and research and development (57%). The other groups provided rankings almost identical to those of Group A for the internal competencies considered. The exception was human resources, which came somewhat higher in the rankings of firms in Group B (one place higher) and Group C (two places higher) than in those of Group A firms.

It is interesting that, despite the similarity of relative ranking, a higher proportion of Group A firms assigned extreme scores in their ratings across the board than did firms in the other two groups. This finding suggests that more Group A firms than other firms view the competencies investigated as being both relevant and important to the achievement of their goals.

As shown in Figure 2, Group A firms are more likely to have a business plan; they are also more likely to have an owner that has taken advanced business training courses. Both of these attributes may be associated with good management.

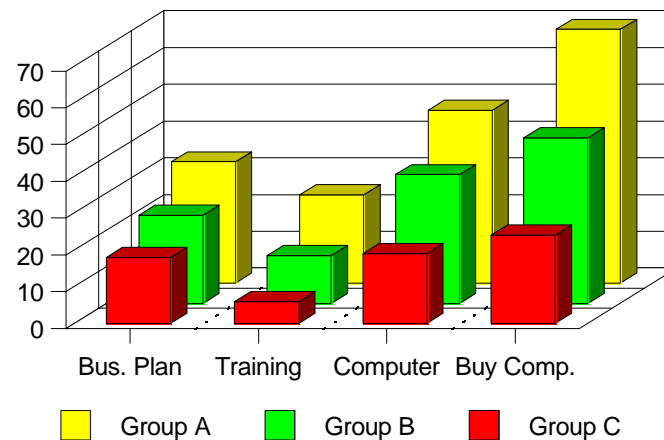
## **Innovation**

Porter has said, "Firms create and sustain competitive advantage because of the capacity to continuously improve, innovate, and upgrade their competitive advantages over time." This statement accords well with ABS results. Fifty per cent of Group A firms reported that they had introduced new products in the last three years, compared to 31% of Group B firms and only 16% of Group C firms. Similarly, 44% of Group A firms had introduced entirely new processes in the last three years, in contrast to 30% of Group B firms and 19% of Group C firms.

In applied research on the general business population, Baldwin et al. (1994) found, in a comparison of more successful (measured by market share gains and profitability) firms to less successful but still growing firms, that the former place more emphasis on innovative behaviour, including pursuing a research and development agenda, introducing new products and adopting new technologies.<sup>21</sup>

## **Skills**

Figure 2  
Success Characteristics



As shown in Figure 2, Group A firms are more likely to offer formal training to employees than are firms in Groups B and C.

This result is in general agreement with other research on the general business population. Betcherman et al. (1996) found that establishments in “high-training” clusters were significantly more likely to report improved revenues and productivity over the preceding two years.<sup>22</sup> Johnson (1997) found that faster-growing entrants (firms entering their second decade of operations) were almost twice as likely to innovate as slower-growing firms, and placed greater emphasis on human resource development (hiring skilled employees, motivation and training). Black and Lynch (1996) also found links between training and productivity: “For manufacturing, the greater the proportion of time spent in formal off-the-job training, the higher the productivity” (p. 265); “for non-manufacturing ... computer skills development has a significant and positive impact on establishment productivity, even controlling for industry” (p. 266).

### Computers

Figure 2 shows that Group A firms are more likely to use a computer (47%) and more likely to be planning to buy a computer (69%) than are firms in Groups B and C.

This finding accords with the view of Oliner and Sichel (1994) that, for the general business population, “Much academic and popular opinion has moved toward the position that, at long last, businesses have learned how to

use their computer equipment effectively” (p. 273). For example, Brynjolfsson and Hitt (1994) studied 367 large firms and found, “Dollar for dollar, spending on computer capital created more value than spending on other types of capital” (p. 1). Similar results for computer use were found by Lichtenberg (referred to in Bakos 1996), using firm-level data from other sources. An earlier study by Brynjolfsson found, “Smaller firms may benefit disproportionately from investments in information technology” (p. 21). Oliner and Sichel (1994) also note that, to fully appreciate the impact of information technologies, the net must be cast wider: “Our estimates suggest that adding in software and computer-services labour approximately doubles the contribution of hardware” (p. 314).

## Markets

### *Geographical Distribution of Sales*

Aboriginal businesses concentrate on selling to Aboriginal clients in local markets, where those firms are strongly based. Most of the sales of just over half the respondents in each of the three groups are to the local market (see Table 3). Over 80% of firms have at least some sales in the local community market.

Successful firms are more likely to be active in the wider Canadian market. A higher proportion of firms in Group A had sales outside the local community than firms in Groups B and C. This is also true when considering the geographic distribution of the majority of sales. For example, 25% of Group A firms had most of their sales outside the local community but within the rest of the province or territory, compared to only 12% of Group B firms and 19% of Group C firms.

Successful firms, however, are less likely to export. Only 12% of Group A firms export, compared to 23% of Group B firms and 15% of Group C firms.

**Table 3**  
**Geographic Distribution of Sales**

Market destination	Some sales*			Most sales **		
	Group A	Group B	Group C	Group A	Group B	Group C
Local community	91	89	79	51	57	52
Rest of prov./terr.	69	59	46	25	12	19

Other prov./terr.	26	28	17	5	1	0
Outside Canada	12	23	15	1	5	4

\* Percentage of respondents in group selling to the designated market.

\*\* Percentage of respondents in group with half or more of their sales to the designated market.

The phenomenon of successful firms active in wider markets accords well with research on the general business population by Baldwin et al. (1994), who found this pattern in the more successful firms they examined. In that research, however, successful firms were particularly likely to be active in export markets; this finding is at variance with the ABS results.

### ***Proportion Selling to Aboriginal Clients***

The ABS data show that most businesses rely on Aboriginal clients in the local market. Over 85% of businesses sell to Aboriginal clients in the local market. For slightly over half the firms in Groups A and B, Aboriginal people are the major clients (accounting for over 50% of sales), while the proportion rises to 67% for Group C firms.

The reliance on Aboriginal clients tends to decline in markets that are further afield. For example, 86% of firms in Group A have some sales to Aboriginal clients in the local community; the proportion falls to 80% for sales to Aboriginal clients in the rest of the province/territory, and drops further to 53% for sales in other provinces/territories. Group C also shows a clear pattern of progressive decline in reliance on Aboriginal clients in more distant markets. Group B is less reliant on Aboriginal clients outside the local community, but there is little difference for Group B firms on this score between the home province and other parts of Canada.

The degree of reliance on Aboriginal clients is not a factor distinguishing between success groups in the local community market or in other provinces/territories. It does, however, seem to be important in the home province/territory outside the local community market.

**Table 4**  
**Proportion Selling to Aboriginal Clients**

Market	Some sales*			Most sales**		
	Group A	Group B	Group C	Group A	Group B	Group C
Local community	86	88	87	54	51	67

Rest of prov./terr.	80	71	64	36	22	25
Other prov./terr.	53	76	56	11	24	11

\* Percentage of group selling to Aboriginal clients in the specified market.

\*\* Percentage of group with half or more of their sales to Aboriginal clients in the specified market.

### ***Target Markets for Expansion***

Successful firms are more likely to wish to expand their client base. Sixty-seven per cent of firms in Group A wish to expand their client base, as compared with 62% in Group B and 42% in Group C. These percentages are within range of the proportion of firms in the various groups that chose growth as an important goal.

Markets further afield are less likely to be targets for expansion. For firms that wish to increase their client base, the local market is the most popular target. Firms in Group A are as likely to focus on Aboriginal people as non-Aboriginal people in seeking new clients, whereas firms in Groups B and C are more interested in expanding their base of Aboriginal clients than in attracting non-Aboriginal clients.

A fairly high proportion of firms have an interest in increasing sales through exports. Of those interested in increasing their client base, just over 20% of firms in Groups A and C, and 38% of firms in Group B, look to exports.

Successful firms are more likely to identify factors inhibiting their expansion. Fifty-six per cent of Group A firms felt that there were factors that inhibited their expansion, compared to 47% of Group B firms and 39% of Group C firms.

The cost of doing business (e.g., land cost, taxes, labour costs) was the factor most often identified as an impediment to expansion. After this factor, impediments identified by firms included (in order of importance) government rules/regulations, location, lack of business information or business mentoring network, and lack of available labour.

Successful firms are more likely to engage in marketing to expand sales. The most popular method of contacting clients is direct marketing. Other methods, in order of choice, are print, radio/television, trade fairs, the Internet, trade missions and word of mouth while the popularity of the different methods does not differ greatly across success groups.



A higher proportion of firms in Group A used the top four marketing methods than did firms in Groups B and C. Almost 20% of firms in Group C did no marketing, as compared with 10% in Group A and 6% in Group B.

A low proportion of Aboriginal firms make sales to governments. Ten per cent of firms in Group A sell to government, compared to 12% of firms in

**Table 5**  
**Target Markets for Expansion\***

	Group A	Group B	Group C
Local community: Aboriginal	71	87	93
Local comm.: non-Aboriginal	72	73	74
Rest of prov./terr.: Aboriginal	53	60	52
Rest of prov./terr.: non-Aboriginal	51	56	44
Other prov./terr.	31	46	33
Outside Canada	23	38	22

\* Percentage of respondents in group interested in expanding by target market. Respondents could specify more than one target market.

Group B and 13% of firms in Group C. For firms that do sell to government, various mechanisms are used including open competitive tendering, standing offers, etc.

## **Financing**

There is a higher likelihood that more successful firms will be partly financed by debt. At the time of the survey, 50% of Group A firms were partly financed by debt, compared to 43% of Group B firms and 34% of Group C firms. In the historical development of the businesses in all three success groups, the form of debt most often used was personal loans.

Less successful firms are more likely to experience problems with access to financing. Forty-nine per cent of firms in Group C thought that their access to financing was inadequate, compared to 44% of Group B firms and 40% of Group A firms. This result is not surprising given the lack of profitability and business income growth used to define Group C; these characteristics are likely to dissuade potential lenders. The most frequently identified barriers to

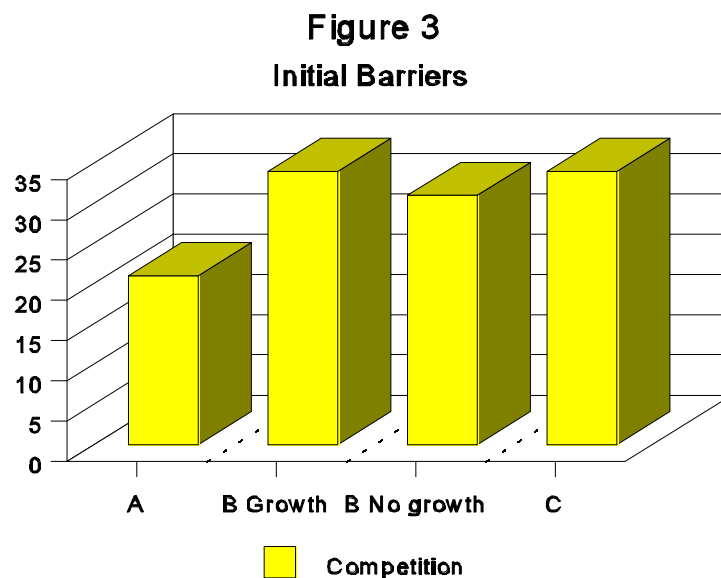
obtaining debt capital were Section 89 of the Indian Act<sup>23</sup> (followed closely by lack of collateral) for Group A firms, lack of collateral for Group B firms, and the fact that financial institutions were not located in the community for Group C firms.

Personal equity is the most common form of investment in Aboriginal firms. About 88% of owners/operators had personal equity in the business, across all three groups. Investments by friends/family and retained earnings were the next most important sources of equity capital.

Around 44% of firms thought that they had inadequate access to equity capital. The proportion of firms citing access to equity as a problem was somewhat higher in Groups B and C than in Group A. The biggest barrier to obtaining needed equity was lack of personal resources for all groups. Some firms also identified as problems the lack of availability of venture capital, community investment funds and retained earnings.

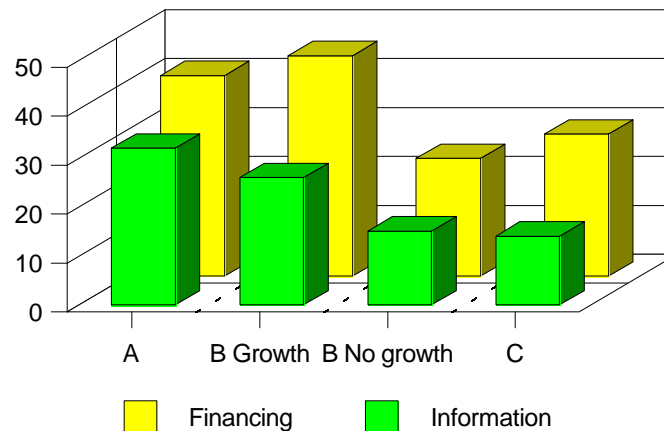
### Barriers to Growth

Increasing market penetration is a step in achieving growth with profitability.



Firms in Groups C and B (both growth and no-growth)<sup>24</sup> were significantly more

Figure 4  
Second-Stage Barriers



likely to report difficulties in meeting competition in neighbouring or export markets than were firms in Group A.

Financing hurdles intensify as firms begin to grow. Forty-one per cent of Group A firms and 45% of growing Group B firms assess financing as a difficulty in achieving growth. Firms in Groups B and C that are not growing are significantly less likely to see financing as a barrier.

The importance of information barriers also increases as firms grow. Only 14% to 15% of firms that were not growing saw information on market opportunities as a barrier to growth. Significantly more growing firms encountered this difficulty (32% of Group A firms and 26% of growing Group B firms).

Other barriers investigated in the survey, including border restrictions and the exchange rate, were not seen as important by many firms.

### Success by Knowledge Group

Successful firms are as likely to occur in low-knowledge industries as in medium- or high-knowledge industries.<sup>25</sup> This finding suggests that the success factors are equally relevant across all knowledge categories.

Table 6

### Degree of Success and Knowledge Context

	Low-Knowledge	Medium-Knowledge	High-Knowledge
Group A (most successful)	21.7%	27.8%	22.6%
Group B (intermediate)	62.5%	57.4%	67.7%
Group C (least successful)	15.8%	14.8%	9.7%
Total	100.0%	100.0%	100.0%

### Other Factors

Other statistically significant differences in the ABS were that Group A firms were more likely than others to:

- have a sole owner;
- be home-based;
- be a full-time operation;
- see competition in neighbouring markets and the exchange rate as problems;
- have made more profit than they expected; and
- be relatively large (i.e., have more permanent full-time, part-time and temporary workers).

Factors that are not significantly different between successful and less successful Aboriginal businesses include gender of owner, whether the business has Aboriginal partners, location on- or off-reserve, degree of reliance on the local community market, and awareness of the government market (e.g., procurement program).



## **8. CONCLUSION**

The findings of this report suggest the tentative conclusion that private Aboriginal businesses have many similarities to other small Canadian businesses. Aboriginal businesses' characteristics and practices associated with successful financial performance are largely the same as for the general small business population. At the same time, there is evidence that private Aboriginal businesses are behind on the development curve. A lower proportion of Aboriginal people engage in entrepreneurial behaviour, and forward-looking business practices (e.g., training, computer use) are less prevalent. These conclusions must be tempered by recognition that the on-reserve segment of the private Aboriginal business population differs significantly in a number of ways from the off-reserve segment. These differences may well require further study.



## NOTES

- 1 All references in this report to Aboriginal businesses should be construed to mean privately owned Aboriginal businesses.
- 2 Research at Trent University, funded by Aboriginal Business Canada, has established that currently there are at least 140 Aboriginal high-knowledge business service firms in the Canadian economy.
- 3 After it was determined that survey respondents expected their business income to grow, they were asked about planned changes in the operations of their firms.
- 4 These figures represent the percentage of businesses that did not intend to buy a computer and that ranked the factor 4 or 5 on a scale of 1 ('not at all' relevant) to 5 ("a great deal" relevant).
- 5 While the term "local market" was not explicitly defined in the questionnaire, it was understood by respondents to mean a market of more limited geographic scope than the home province or territory.
- 6 It is not possible to report on rates of return on equity or capital employed because of the way in which the survey questions were constructed.
- 7 Section 89 of the *Indian Act* prevents on-reserve assets from being used as collateral. The provision thus limits access to debt capital.
- 8 In 1991, nine per cent of Aboriginal peoples were considering going into business over the next two years, and 8% had owned or operated a business in the past. According to the APS, the proportion of the Aboriginal population owning or operating a business in 1991 was highest in the Yukon (7%) and British Columbia (7%), and lowest in Quebec (4%). Ontario was close to the national average at 5%.
- 9 The incidence of business ownership in the general population is calculated as the number of self-employed (both incorporated and unincorporated) as a percentage of the total population aged 15 and older, as reported in the 1991 Canadian census.
- 10 Full-time employees are counted with a weight of 1.0, and part-time and casual employees with a weight of 0.5.



- 11 Any firm may have more than one establishment. Part of the differential noted might be due to the fact that larger firms with uniform training policies are counted more than once (because they have more than one establishment) in the Betcherman research; for this reason, the comparison was limited to firms with 2 to 19 employees to exclude multi-establishment firms as far as possible.
- 12 Survey of Technologies in Small and Medium Sized Firms, 1996. Canadian Federation of Independent Business.
- 13 Survey of Technology Diffusion in Service Industries, 1996. This survey was carried out by Statistics Canada for Industry Canada. A probability design was used to survey the entire population of firms in Canada's service sectors (construction, transportation, communications, wholesale, retail, business services, health and social services, and accommodation / food and beverages).
- 14 The regions are the Atlantic Provinces, Quebec, Ontario, the Prairies and British Columbia.
- 15 The estimate of the proportion of firms in the total economy engaged in exporting is based on data in *SME Exports and Trends and Statistics*, prepared by the Entrepreneurship and Small Business Office, Industry Canada.
- 16 Thompson Lightstone and Co., *Small and Medium Sized Businesses in Canada: Their Perspective of Financial Institutions and Access to Financing*, 1996, as cited in *Trends and Statistics*, Entrepreneurship and Small Business Office, Industry Canada.
- 17 The survey frame was not stratified according to knowledge category. As the survey frame was based on existing firms in 1991, it is quite possible that the number of high-knowledge Aboriginal businesses has grown since then.
- 18 Rating of 4 or 5 on a scale of 1 to 5.
- 19 The statistical significance of differences reported is 90% or higher.
- 20 Twenty-one per cent of the firms in Group B are there solely on their own expectation that they will grow business income in the next two

years (i.e., they were not profitable in 1995 and did not increase sales from 1995 to 1996). It could be argued that such firms rightfully belong in Group C if their expectations prove to be incorrect. In practice, it cannot be determined a priori what proportion of firms will be thwarted in their plans and therefore such a transfer cannot take place (it would clearly not be appropriate to transfer firms that succeeded in growing). It should be noted, however, that firms do seem to be capable of forecasting financial results with reasonable accuracy. As noted in earlier comments on financing in the section on "Growth Factors for Aboriginal Businesses," one half of businesses that made a profit in 1995 achieved the financial results that they expected.

- 21 Other innovative behaviours cited by firms in the Baldwin et al. (1994) study included accessing new markets (especially export markets) and using government programs (particularly those providing R&D or export assistance).
- 22 Betcherman et al. note that it is unclear from their analysis "whether training leads to improved performance or whether high-performing firms are more likely to train." Essentially, the direction of causality is not clear.
- 23 Section 89 of the *Indian Act* restricts Aboriginal people living on reserves from pledging real and personal property as security for commercial loans.
- 24 As the focus in this section is on growth, it was necessary to further divide Group B into growth and no-growth components. All Group A firms expect to grow; all Group C firms do not expect to grow.
- 25 No statistically significant difference was found in success rates across knowledge categories. Lee and Has found that, for the general business population, the medium- to longer-term real growth rates of industries in the high-knowledge group exceed those of the medium-knowledge group, which in turn exceed those of the low-knowledge group.



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## **APPENDIX 1: ABOUT THE SURVEY**

The two-phase survey was carried out by Statistics Canada. The first phase (Tier One) was funded by Aboriginal Business Canada and Industry Canada; the survey instrument was designed by ABC, Statistics Canada, and the Native Investment and Trade Association. The second phase of the survey (Tier Two) was also funded by ABC; the survey instrument was designed by ABC, Indian and Northern Affairs Canada, the Management Consulting Centre of Industry Canada, and Statistics Canada.

### **Tier One**

The survey frame for Phase One was drawn from the 1991 Aboriginal Peoples Survey (APS). According to the APS, there were 18 625 Aboriginal-owned businesses in 1991 and 34 105 individuals who said that they were going to start a new business in the next two years. Potential respondents to the Aboriginal Business Survey (ABS) were selected from these two streams.

A third stream of potential business owners, those who were not considering starting a business at the time of the 1991 APS, was not surveyed. Based on business demographic studies and some preliminary analysis, Statistics Canada determined that the business start-up rate in this stream is very low; consequently, the return from surveying this stream was deemed not to be worth the expense.

The ABS Tier One sample size was 2 511; of these respondents, about 75% had said that they were in business in 1991, while 25% had said that they were going to start a business. In practice this meant that the ABS contacted all of the respondents in the sample used by the Aboriginal Peoples Survey in the first stream, and 624 of the APS respondents in the second stream.

Among the 2 511 businesses, the survey found 723 businesses that were operating in 1996. This represents about 31% of the sample after factoring out duplicate records (52), refusals (91) and those unavailable in the time frame of the survey (14). Another 366 Aboriginal owners, or 16%, had closed their businesses. For most of the rest of the sample, Statistics Canada was unable to locate or reach the potential respondent.

**Table 7**  
**1996 Status of Businesses in Sample from 1991 APS**

Continuing businesses		Apparent exits		Unallocated	
Respondents	723	Closed/sold, etc.	366	Not in target pop.	340
Not available	14	Unable to locate	576	Duplicate	52
Refused	91			Miscellaneous*	349
Total	828	Total	942	Total	741

\* Unreachable, deceased, language barrier, etc.

## Tier Two

During analysis of the first phase of the survey, three success groups were defined based on financial performance indicators (see section on “Aboriginal Businesses by Degree of Success”). Tier Two was undertaken to further investigate differences in the behaviours and attitudes of these groups. All the respondents from Tier One falling into Groups A and C were contacted in the second-phase survey, while Group B was sampled.

## Limitations of the Survey

The aim of the survey was to investigate characteristics, attitudes and behaviours. Almost all the questions were asked to assess what proportions of the population had specific attributes. This approach is in direct contrast with that of surveys having as their objective the estimation of aggregate quantities.

The survey had the following limitations:

- As noted earlier, the portion of the population covered in the 1991 APS that did not own a business and did not expect to start a business was excluded from the ABS. Although business start-up rates for this portion of the population were assessed to be very low, the decision to exclude it may have led to underrepresentation of younger businesses in the survey results. To the extent that younger businesses behave differently from older businesses, this could bias the survey results. The issue is explored further below.

- Entrepreneurs under the age of 23 tend to be excluded from the survey. The population that the survey sample was drawn from consisted of “adults” (aged 15 years and up) in 1991, the year of the APS. If it is assumed that business owners/proprietors were usually 18 years of age or older in 1991, then by the time the ABS was conducted in 1996, these individuals would have been at least 23 years of age. If younger business owners behave differently from older business owners, the results of the survey could be biased.
- Some reserves are not included in the population from which the survey sample was drawn: at the time of the 1991 APS, some reserves (e.g., Mohawks in Ontario) chose not to participate. As the survey was not designed to gauge the size of the Aboriginal business economy in terms of employment, gross domestic product or other similar measures, the non-participation of some segments of the Aboriginal business community is not considered to be a crucial limiting factor.
- Six community-owned businesses were captured in the survey. Although the survey was primarily expected to capture privately owned businesses, the inclusion of the six community-owned businesses is not expected to have a noticeable effect on the results.

### The Impact of Younger Businesses

As shown in Table 8, businesses aged 0 to 5 years make up 51% of the total business population in Canada. Since the proportion of such businesses in the ABS was only 30%, an argument could be made that younger businesses are underrepresented due to some of the factors discussed immediately above.

**Table 8**  
**Distribution of Businesses by Age**

Age	ABS	Business population
0 to 5	30%	51%
6 to 9	18%	15%
10+	51%	33%

Source: Statistics Canada



**Table 9**  
**ABS Results Reweighted for Younger Businesses**

	Age > five years	Base case (30% 5 yrs. and up)	Reweighted (50% 5 yrs. and up)
<b>Q5: Did you take any business training courses at the college level or university level?</b>			
Yes	22.5%	24.1%	26.4%
No	77.5%	75.9%	73.6%
<b>Q11: Does this business have a written business plan?</b>			
Yes	24.4%	26.8%	30.2%
No	75.6%	73.2%	69.8%
<b>Q15a: How many of these (full-time) employees have Aboriginal origins?</b>			
0	18.3%	16.3%	13.7%
1	29.8%	31.8%	34.6%
5	4.8%	4.2%	3.0%
10	0.5%	0.4%	0.2%
<b>Q15b: How many of these (full-time) Aboriginal employees are under the age of 30?</b>			
0	38.9%	37.3%	35.2%
1	27.6%	29.2%	30.4%
5	2.2%	2.1%	1.7%
10	0%	0.4%	0.7%
<b>Q20: Have your sales increased from 1995 to 1996?</b>			
Yes	34.8%	36.2%	37.1%
No	65.2%	63.8%	62.9%
<b>Q23a: Does your business plan to get a computer?</b>			
Yes	39.1%	42.3%	45.7%
No	53.9%	50.3%	46.5%
Undecided	7.0%	7.4%	7.8%
<b>Q35: Was this net profit ...</b>			

more than expected?	10.7%	13.5%	15.3%
as expected?	59.2%	58.5%	57.9%
less than expected?	30.1%	28.0%	26.8%

There is not sufficient information available on the demographics of Aboriginal businesses to contemplate formally reweighting the ABS results in order to increase the influence of younger businesses. Nevertheless, Table 9 explores the possible impact of this issue by reweighting the ABS results (“base case”) to the general business population (“reweighted”). The results of the ABS for businesses that were over five years old are also presented for purposes of comparison.

Results are reported only where a statistically significant difference between the ABS and the reweighted results was found. Interestingly, this exercise suggests that younger businesses have more characteristics associated with success than have older businesses.



## **APPENDIX 2: A DETAILED PROFILE OF ABORIGINAL BUSINESSES**

### **Demographics**

With respect to demographics, the 1996 ABS found the following:

- Most businesses were owned by North American Indians. Seventy-two per cent of businesses were owned by registered North American Indians, 22% by Métis and 4% by Inuit. Rural businesses were more likely to be owned by registered Indians than were urban businesses.
- Males were more likely to own businesses than females. Seventy-one per cent of the businesses were owned by males and 29% by females. Males owned 81% of the businesses in the medium-knowledge sector and 68% of the businesses in the low-knowledge sector.
- Most businesses in the survey sample were owned by mature individuals. Fifty per cent of owners were in the 45–64 age group, 40% were in the 31–44 age group, 7% were over the age of 65, and only 3% were in the youth (30 years and under) category. A tendency to select businesses with mature owners was a feature of the survey design (see Appendix 1).

### **Nature of Businesses**

The ABS found that basic characteristics of the businesses included the following:

- More businesses were located on reserve. Fifty-seven per cent were located on reserve and 43% off reserve. On-reserve businesses were more likely to be rural than urban. Sixty-one per cent of businesses on reserve were in the low-knowledge sector, while 52% were in the medium-knowledge sector.
- Most businesses were home-based. Seventy-four per cent were home-based businesses; of the 26% that were located outside the home, about two thirds began as home-based businesses. Home-based businesses were more likely to be located on reserve than off reserve.

- Most businesses were full-time operations. Seventy per cent operated year-round, while 30% were seasonal. Seasonal or part-time businesses were more likely to be located on than off reserve. Seventy-six per cent of medium-knowledge businesses were full-time operations, versus only 65% of businesses in the low-knowledge sector.
- Aboriginal businesses cover the entire economic spectrum. As shown in Table 10, the primary, construction and retail sectors are overrepresented, while manufacturing, wholesale, finance, real estate and business services, public administration services and hotel, restaurant and other services are underrepresented.
- Aboriginal businesses tend to be concentrated in “traditional” niches that are labour-intensive and less knowledge-intensive. As shown in Table 11, the industrial codes accounting for the highest share of Aboriginal businesses were transportation services, fishing and trapping, agriculture and trade contracting (e.g., excavation, plumbing, electrical).
- Most businesses were small. Seventy-six per cent of Aboriginal businesses had a sole proprietor or a proprietor and one full-time employee (see Table 12). Sixteen per cent of firms had 2 to 4 full-time employees, 7% had 5 to 9 full-time employees, 1% had 10 to 19 full-time employees, and another 1% had 20 or more full-time employees.

**Table 10**  
**Industrial Distribution of Aboriginal Businesses and All Businesses**

	<b>Aboriginal businesses</b>	<b>All businesses*</b>
Primary	25.3%	8.2%
Manufacturing	2.4%	5.9%
Construction	27.9%	15.8%
Retail	17.6%	6.1%
Wholesale	1.9%	15.3%
Finance, real estate & business services	5.7%	16.3%
Public admin.–related services (educ., health, etc.)	1.2%	8.1%
Hotel, restaurant	6.8%	7.1%
Other	11.2%	17.2%

\* *Reference Handbook on Small Business Statistics*, Industry Canada.

**Table 11**  
**Industrial Distribution of Private Aboriginal Businesses**

SIC	Industry	Percentage of businesses
1	Agriculture	7.8%
3	Fishing and trapping	11.6%
4	Logging	3.7%
40	Building and development	5.4%
42	Trade contracting	7.8%
45	Transportation	13.7%
60	Food & beverage retail	5.2%
63	Vehicle sales and service	4.1%
65	Books, hardware, sporting goods, etc. retail	6.3%
77	Business services	4.6%
91	Accommodation services	3.7%
92	Food & beverage services	3.1%
96	Amusement & recreation services	4.3%
97	Personal & household services	1.9%
99	Renting, leasing, repairs, etc.	5.0%
Various	Other industries	11.8%

## Corporate Governance

The ABS showed the following:

- Sole owners predominate. Seventy-five per cent of respondents were the sole owners of their business. Of the residual, 61% had exclusively Aboriginal partners, 31% had no Aboriginal partners, and only 8% had both Aboriginal and non-Aboriginal partners. Only six businesses surveyed were owned by the band or the community. Businesses owned by one person were more likely to be located on than off reserve, and on-reserve businesses were much more likely to have all Aboriginal partners (if not sole ownership). Similarly, rural businesses were far more likely than urban businesses to have all Aboriginal partners.

- Most owners limit themselves to one business. Eighty-three per cent of respondents owned only one business, 13% owned two businesses, and the rest owned between three and seven businesses.
- Business incorporation is limited. Seventy-three per cent of the businesses were not incorporated, while 27% were incorporated. On-reserve businesses were much less likely to be incorporated (under current legislation, incorporation would cause on-reserve businesses to lose their tax-free status).

## **Employment**

Full-time employment is spread out across different firm size categories.

- Each of the size categories (except for that of businesses with 10 to 19 full-time employees) accounted for between 17% and 23% of full-time employment. For example, although only 1% of firms were in the 20+ full-time employee size category, they accounted for about 17% of full-time jobs in the businesses surveyed.
- Approximately 69% of the full-time employees (excluding owners themselves) had Aboriginal origins. Of these full-time Aboriginal employees, 50% were under the age of 30. Firms with Aboriginal employees were more likely to be located on reserve. About 90% of firms in the low-knowledge sector had full-time Aboriginal employees, compared to 72% of firms in the medium-knowledge sector.
- Ongoing part-time work is an important source of employment. In the sample, 900 ongoing part-time employees were identified. Some of the surveyed firms employing part-time workers were quite large. Four of the largest firms had ongoing part-time employees numbering from 23 to 45.
- About 77% of ongoing part-time employees were of Aboriginal origin, and 58.5% of these employees were under the age of 30.
- Employment of casual/temporary workers adds to the economic spin-offs from Aboriginal businesses. In the sample, 853 such employees

were found, of which approximately 78% had Aboriginal origins. Of the Aboriginal employees, 60% were under the age of 30.

**Table 12**  
**Size of Business and Full-time (FT) Employment in the Businesses Surveyed**

Size of business	No. of surveyed businesses		Total FT employment	
Sole prop. (no FT employees)	376	(54%)	376	(21%)
1 FT employee*	152	(22%)	304	(17%)
2–4 FT employees*	111	(16%)	415	(23%)
5–9 FT employees*	47	(7%)	343	(19%)
10–19 FT employees*	5	(1%)	57	(3%)
20+ FT employees*	8	(1%)	308	(17%)
Total	699		1 803	

\* In addition to the proprietor.

Note: Percentages may not add to 100% due to rounding.

## Success Characteristics

Data on success characteristics reported in the body of the paper are as follows:

**Table 13**  
**Success Characteristics — Activities**

Activities	Successful businesses	Other businesses
Business training course*	31%	24%
Employee training**	24%	11%
Business plan*	33%	18%
Use of computer**	47%	32%
Plan to buy a computer**	73%	32%

\* Difference significant at the 90% level of confidence.

\*\* Difference significant at the 95% level of confidence.



**Table 14**  
**Success Characteristics — Nature**

<b>Nature</b>	<b>Successful businesses</b>	<b>Other businesses</b>
Sole owner*	68%	77%
Year-round operation**	80%	69%
Home-based**	64%	77%
Competition in neighbouring markets*	21%	34%
Dollar exchange rate*	16%	23%
Profit more than expected*	20%	10%

\* Difference significant at the 90% level of confidence.

\*\* Difference significant at the 95% level of confidence.

### **Aboriginal Businesses by Size Category**

This section explores how the characteristics and performance of Aboriginal businesses vary across size groupings. Note that the design of the ABS did not include stratification according to size groupings. As a result, out of some 723 respondents, only 52 fell into the category of firms with between 5 and 19 full-time employees, and only 8 fell into the category of firms with 20 or more full-time employees. For this reason, the statistical results reported in this section of the paper lack precision. While the ABS was not specifically designed to explore issues connected with size of business, it is useful to note that a number of the behaviours associated with success (reported in the section on “Aboriginal Businesses by Degree of Success”) are also associated with size. This is not surprising as financial success allows firms to increase their size.

The survey data indicate that increased size increases the likelihood that a firm will:

- have a formal business plan;
- provide formal training;
- use computer equipment;
- use the Internet;
- have clients in markets beyond the local community; and

- have positive financial results (profitable, expect income to grow).

### **APPENDIX 3: ABORIGINAL BUSINESS EXITS**

The attrition rate of Aboriginal businesses is approximately the same as for all Canadian businesses. After excluding potential respondents that could not be classified, the survey found that about 47% (or 828) of the Aboriginal businesses surveyed continued to operate in 1996, and 53% (or 942) were apparent exits (see Appendix 1). This exit rate is somewhat higher than the attrition rate of 49% reported for all businesses in *Employment Dynamics*, Statistics Canada.

Most Aboriginal businesses that exited were closed. Fifty per cent of exiting businesses were closed, 17% were sold and 33% ceased to exist for other reasons. The reasons for selling were largely other than the choices offered (e.g., retired, offered a good selling price, etc.) in the questionnaire. Of businesses that closed, only 10% declared bankruptcy.

Market conditions and financing difficulties were among the most important reasons for business failure. Among market conditions given extreme scores (ratings of 4 or 5 on a scale of 1 to 5) were economic downturn (30%), changes in market conditions (29%), competition (22%) and insufficient market (22%). Financing difficulties were cited by 28% of respondents. Less frequently cited reasons for closure were new technology in the industry (13%), lack of qualified personnel (12%) and overexpansion (7%).

The first year of operation is a major hurdle to Aboriginal businesses. Twenty-seven per cent of Aboriginal businesses that ceased operations did so in their first year. The failure rate declined to the 18% to 20% range for businesses between 1 and 10 years old, and declined again to the 8% to 9% range for businesses more than 10 years old.

#### **Demographics**

Exiting business owners/operators identify with North American Indians less strongly than their counterparts in continuing businesses. Among the group of businesses that exited, only 61% of owners/operators identified with being a North American Indian. Nevertheless, the proportion that were registered as Indian under the *Indian Act* of Canada was 75%, about the same as for all continuing businesses.

Exiting businesses were more likely to be owned/operated by a female. Thirty-eight per cent of exiting businesses were owned or operated by a female, while among continuing businesses the proportion was 29%.

Owners/operators of exiting businesses had a younger age profile than their counterparts in continuing businesses. Forty-nine per cent of owners/operators of exiting businesses were in the 31–44 age category (versus 40% for owners/operators of continuing businesses), and 42% were in the 45–64 age category (versus 50%). Representation in other age categories was about the same for exiting and continuing businesses.

**Table 15**  
**Owner/Operator Identification**

	Identify with ...				
	N.A. Indian	Inuit	Métis	Other Aboriginal	Total
Exits	61%	5%	19%	16%	100%
All continuing	72%	4%	22%	2%	100%

## **Governance**

Exiting Aboriginal businesses had governance structures that were similar to continuing businesses. Seventy-five per cent of businesses that ceased to operate had sole owners. Of the remainder, 89% had partners and 61% of such businesses had exclusively Aboriginal partners. Only two businesses were owned by the band or the community.

However, exiting businesses are less likely to be incorporated. Only 18% of businesses that ceased operation were incorporated, in contrast to 27% for continuing businesses.

## **Nature of Business**

Aboriginal businesses that cease operations are similar in nature to continuing businesses. Fifty-seven per cent of businesses that ceased operations were located on reserve (versus 56% for continuing businesses), 70% operated year-round (versus 72%), and 73% were home-based (versus 71%).

However, fewer exiting businesses began as home-based operations. Thirty-five per cent of continuing businesses started as home-based operations, while only 28% of exiting businesses started in the same manner.

## **Business Plan**

Exiting Aboriginal businesses were as likely to have had a business plan as continuing businesses (31% versus 27%). The business plan was just as likely to have been self-prepared (60% versus 58%); for those that sought assistance, a professional was used significantly less often (49% versus 58%).

## **Training**

The training of owners/operators of exiting Aboriginal businesses was more focussed on accounting, marketing and developing business plans than was the training of their counterparts in continuing Aboriginal businesses. Owners/operators of exiting businesses were just as likely as their counterparts in continuing businesses to have taken training courses (25% versus 24%), and they were more likely to have studied accounting, marketing and developing a business plan. The two groups were equally likely to have taken courses on starting a business and on management practices.

## **Technology**

Computers were much less likely to have been in use in exiting businesses than in continuing businesses. Only 12% of businesses that ceased operations used computers, compared to 35% of continuing businesses. Nevertheless, in the view of respondents, only 18% of the business closures could have been prevented by the use of technology. The most important reason for not implementing new technologies was lack of financial resources.

## **APPENDIX 4: ABORIGINAL BUSINESS SURVEYS**

### **I. ABORIGINAL BUSINESS OWNERS (EXISTING BUSINESSES)**

ID# \_ \_ \_ \_

INTERVIEWER: READ: I would like to begin by asking a few questions about your background.

1. With which Aboriginal group do you identify?

INTERVIEWER: Read list. Mark all that apply

- 1 \_\_\_ North American Indian --- GO TO 2
- 2 \_\_\_ Inuit --- GO TO 2
- 3 \_\_\_ Métis --- GO TO 2
- 4 \_\_\_ Another Aboriginal group -- Specify \_\_\_\_\_  
GO TO 2
- 5 \_\_\_ Don't identify with an Aboriginal group --- GO TO 1a

1a. Are you a registered Indian, as defined by the Indian Act of Canada?

- 6 \_\_\_ Yes ----- GO TO 3
- 7 \_\_\_ No --- INTERVIEWER: READ -.This is a survey on Aboriginal business owners. Since you do not identify with an Aboriginal group, this survey does not apply to you. Thank you for your time.

#### END OF INTERVIEW

2. Are you a registered Indian, as defined by the Indian Act of Canada?

- 1 \_\_\_ Yes
- 2 \_\_\_ No

3. What is your gender?

- 1 \_\_\_ Male
- 2 \_\_\_ Female

4. What is your date of birth?

- 1 \_\_\_\_\_  
(Month/day/year)

5. Did you take any business-training courses at the college-level or university-level?  
Include courses taken by correspondence or through government-sponsored programs.

1\_\_\_ Yes, I took training courses --- GO TO 5a

2\_\_\_ No, I haven't taken any training courses --- GO TO 6

5a. Which of the following types of courses did you take?

INTERVIEWER: Read list. Mark all that apply.

3\_\_\_ Accounting

4\_\_\_ Marketing

5\_\_\_ Starting a business

6\_\_\_ Developing a business plan

7\_\_\_ Management practices

8\_\_\_ Other, specify \_\_\_\_\_

## **BUSINESS OWNERSHIP INFORMATION**

INTERVIEWER: READ - I now would like to ask a few questions about the characteristics of the business you own or operate.

6. How many businesses do you own or operate?

1\_\_\_ Number of businesses

INTERVIEWER: If respondent owns or operates more than one business, READ - Answer the following questions about the business with the greatest income.

7. What is the name and address of the business that you own or operate?

1 \_\_\_\_\_

Name of business

2 \_\_\_\_\_

Street

3 \_\_\_\_\_

Community/city

4 \_\_\_\_\_

Province/territory

5 \_\_\_\_\_

Postal code

8. What kind of business is this?

1 \_\_\_\_\_

Kind of business

9. On what date did you begin owning or operating this business?

1 \_\_\_\_\_

(Month/year)

10. Are you the sole owner of this business?

01\_\_\_ Yes --- GO TO 10e

02\_\_\_ No --- GO TO 10a

10a. Do you own this business with other business partners?

03\_\_\_ Yes --- GO TO 10b

04\_\_\_ No --- GO TO 10c

10b. Do these partners have Aboriginal origins?

05\_\_\_ All partners have Aboriginal origins

06\_\_\_ Most of the partners have Aboriginal origins

07\_\_\_ Half of the partners have Aboriginal origins

08\_\_\_ Under half of the partners have Aboriginal origins

09\_\_\_ None of the partners have Aboriginal origins

GO TO 10e

10c. Is this business owned by the band or the community?

08\_\_\_ Yes --- GO TO 10e

09\_\_\_ No --- GO TO 10d

10d. Who owns this business?

10 \_\_\_\_\_

10e. Is this business incorporated?

12\_\_\_ Yes

13\_\_\_ No

11. Does this business have a written business plan?

01\_\_\_ Yes --- GO TO 11a

02\_\_\_ No --- GO TO 12

11a. Did you prepare this business plan yourself?

03\_\_\_ Yes -- GOTO 11c

04\_\_\_ No -- GOTO 11b



11b. Who assisted you in preparing this business plan?

INTERVIEWER: Read list. Mark all that apply.

05\_\_\_ A paid professional, such as a business consultant or an accountant

06\_\_\_ A friend or relative

07\_\_\_ Other employees in the firm

08\_\_\_ No one

09\_\_\_ Other, specify \_\_\_\_\_

11c. Does this business plan include a:

INTERVIEWER: Read list. Mark all that apply.

10\_\_\_ Financial plan

11\_\_\_ Human resources plan

12\_\_\_ Marketing plan

13\_\_\_ Product development plan

14\_\_\_ Technology plan

15\_\_\_ Other, specify \_\_\_\_\_

12. Is this business located...

1\_\_\_ On-reserve?

2\_\_\_ Off-reserve?

13. Does this business operate year-round?

1\_\_\_ Yes --- GO TO 14

2\_\_\_ No --- GO TO 13a

13a. Which months of the year did you operate in 1996?

From \_\_\_\_\_ to \_\_\_\_\_

3

4

14. Does this business operate from your home?

1\_\_\_ Yes -- GO TO 15

2\_\_\_ No --- GO TO 14a

14a. Did this business begin as a home-based business?

3\_\_\_ Yes

4\_\_\_ No

**EMPLOYEE INFORMATION**

INTERVIEWER: READ - The next few questions are about the characteristics of your employees.

15. Excluding yourself, how many permanent full-time employees does this business have year-round?

1\_\_\_\_ --- IF NONE GO TO 16

15a. How many of these employees have Aboriginal origins?

2\_\_\_\_

15b. How many of these Aboriginal employees are under the age of 30?

3\_\_\_\_

16. Excluding yourself, how many permanent part-time employees, does this business have year-round?

1\_\_\_\_ --- IF NONE GO TO 17

16a. How many of these employees have Aboriginal origins?

2\_\_\_\_

16b. How many of these Aboriginal employees are under the age of 30?

3\_\_\_\_

17. Excluding yourself, how many casual or temporary employees does this business have?

1\_\_\_\_ --- IF NONE GO TO 18

17a. How many of these employees have Aboriginal origins?

2\_\_\_\_

17b. How many of these Aboriginal employees are under the age of 30?

3\_\_\_\_

18. Did your firm offer any formal training to its workers in 1996?

1\_\_\_\_ Yes --- GO TO 18a

2\_\_\_\_ No --- GO TO 19

18a. What type of training did your firm offer?

INTERVIEWER: Read list. Mark all that apply.

3\_\_\_ Reading and writing skills

4\_\_\_ Basic arithmetic skills

5\_\_\_ Computer skills

6\_\_\_ Marketing/sales

7\_\_\_ Accounting/financial

8\_\_\_ Other, specify \_\_\_\_\_

## MARKETS

INTERVIEWER: READ - I would now like to know about the characteristics of your markets.

19. Where are the majority of your clients located? Is it in...

INTERVIEWER: Read list. Mark only one.

01\_\_\_ The local community?

02\_\_\_ Other areas within this province or territory?

03\_\_\_ Another province or territory?

04\_\_\_ Outside Canada? Specify the country in which the majority of your clients were located:

05\_\_\_\_\_

19a. What percentage of your clients are Aboriginal peoples?

06\_\_\_ None

07\_\_\_ Under half

08\_\_\_ About half

09\_\_\_ Over half

10\_\_\_ All clients

11\_\_\_ Don't know/not sure

20. Have your sales increased from 1995 to 1996?

01\_\_\_ Yes

02\_\_\_ No

20a. Do you expect your business income to grow within the next two years?

03\_\_\_ Yes --- GO TO 21

04\_\_\_ No

20b. Why don't you expect your business income to grow?

INTERVIEWER: Read list. Mark all that apply

- 05\_\_\_ Not interested in expanding
- 06\_\_\_ Inadequate financing
- 07\_\_\_ Lack of information on opportunities
- 08\_\_\_ Border restrictions on trade
- 09\_\_\_ Competition in neighboring or foreign markets
- 10\_\_\_ Dollar exchange rates
- 11\_\_\_ Other, specify \_\_\_\_\_

GO TO 23

21. How do you expect to achieve this growth in income?

INTERVIEWER: Read list. Mark all that apply.

- 01\_\_\_ By increasing the number of clients within your current market
- 02\_\_\_ By expanding your market into other communities or other areas of areas of Canada
- 03\_\_\_ By expanding into foreign markets
- 06\_\_\_ By buying out another business
- 07\_\_\_ Other, specify \_\_\_\_\_

21b. Do you expect to make any of the following changes within your business?

INTERVIEWER: Read list. Mark all that apply.

- 08\_\_\_ Adding new products or services to your business
- 09\_\_\_ Improving the quality of your product or service
- 10\_\_\_ Better marketing
- 11\_\_\_ Increasing employee skills
- 12\_\_\_ Using more or better technology
- 13\_\_\_ Reducing production costs
- 14\_\_\_ Improving dealings with existing, or getting better suppliers
- 15\_\_\_ Improving general management
- 16\_\_\_ Improving financial management
- 17\_\_\_ Other, specify \_\_\_\_\_
- 18\_\_\_ No changes expected

22. To what extent do any of the following reasons present difficulties in expanding your business? For each of the following indicate the degree to which it affects the expanding of the business - 1 being 'not at all' and 5 being 'a great deal.'

## 22a. Inadequate financing

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 01 02 03 04 05

## 22b. Lack of information on opportunities

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 07 08 09 10 11

## 22c. Border restrictions on trade

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 12 13 14 15 16

## 22d. Competition in neighboring or foreign markets

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 17 18 19 20 21

## 22e. Dollar exchange rate

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 22 23 24 25 26

## 22f. Other

27\_\_\_\_ specify \_\_\_\_\_

## 22g.

28\_\_\_\_ No expected difficulties in expanding

**TECHNOLOGY USE**

INTERVIEWER: Read - The next few questions are about the technology which you are using in this business.

## 23. Does your business use a personal computer?

01\_\_\_\_ Yes -- GO TO 24  
 02\_\_\_\_ No --- GO TO 23a

## 23a. Does your business plan to get a computer?

03\_\_\_\_ Yes --- GO TO 34  
 04\_\_\_\_ No --- GO TO 23b  
 05\_\_\_\_ Undecided --- GO TO 28

23b. To what extent are the following factors reasons for not getting a computer? For each of the following indicate the degree to which it affects not getting a computer - 1 being 'not at all' and 5 being 'a great deal.'

23c. Computers are not useful for the type of business

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
06 07 08 09 10

23d. Lack of financial resources

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
11 12 13 14 15

23e. Lack of skilled employees/ technical support

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
16 17 18 19 20

23f. Lack of information on what is available

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
21 22 23 24 25

23g. Other

26\_\_\_\_ specify \_\_\_\_\_

GO TO 29

24. What does your business presently use a computer for?

INTERVIEWER: Read list. Check all that apply

- 01\_\_\_\_ Word processing
- 02\_\_\_\_ Access to the Open Bidding System (OBS)
- 03\_\_\_\_ Accounting
- 04\_\_\_\_ Computer-aided design
- 05\_\_\_\_ Database management
- 06\_\_\_\_ Desktop publishing
- 07\_\_\_\_ Factory floor operation
- 08\_\_\_\_ Inventory control
- 09\_\_\_\_ Other, specif \_\_\_\_\_

24a. Does your business have its own Worldwide Web Internet site?

- 10\_\_\_\_ Yes
- 11\_\_\_\_ No

25. Which of the following equipment or services do you currently use?

INTERVIEWER: Read list. Check all that apply.

- 1\_\_\_ Voice mail or fax machine
- 2\_\_\_ Modem
- 3\_\_\_ CD-Rom
- 4\_\_\_ Scanner
- 5\_\_\_ Internet
- 6\_\_\_ Automated production equipment
- 7\_\_\_ Communications technology (eg. local area networks (LANS), wide area networks (WANS))
- 8\_\_\_ Other, specify \_\_\_\_\_

26. Which of the following equipment or services would you like to purchase within the next two years?

INTERVIEWER: Read list. Check all that apply.

- 1\_\_\_ New computers
- 2\_\_\_ New software applications
- 3\_\_\_ Modem
- 4\_\_\_ CD-Rom
- 5\_\_\_ Scanner
- 6\_\_\_ Internet access
- 7\_\_\_ Automated production equipment
- 8\_\_\_ Communications equipment (eg. voice mail, fax machine)
- 9\_\_\_ Other, specify \_\_\_\_\_

27. Is there anything stopping you from buying new equipment or services?

- 1\_\_\_ Yes --- GO TO 27a
- 2\_\_\_ No ---- GO TO 29

27a. Which of the following reasons are stopping you from buying new equipment or services?

INTERVIEWER: Read list. Mark all that apply.

- 3\_\_\_ Lack of financial resources
  - 4\_\_\_ Lack of skilled employees/ technical support
  - 5\_\_\_ Lack of information on what is available
  - 6\_\_\_ Employees do not want to change how things are done
  - 7\_\_\_ Other, specify \_\_\_\_\_
- GO TO 29

28. Is there anything stopping you from buying a computer?

01\_\_\_ Yes --- GO TO 28a

02\_\_\_ No --- GO TO 29

28a. To what extent are the following factors reasons for not getting a computer? For each of the following indicate the degree to which it affected not getting a computer - 1 being 'not at all' and 5 being 'a great deal.'

28c. Computers are not useful for the type of business

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_  
03 04 05 06 07

28d. Lack of financial resources

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_  
08 09 10 11 12

28e. Lack of skilled employees/ technical support

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_  
13 14 15 16 17

28f. Lack of information on what is available

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_  
18 19 20 21 22

28g. Other

23\_\_\_ specify \_\_\_\_\_

## GOVERNMENT SUPPORT

INTERVIEWER: Read - These next questions are designed to collect information on the role of governments and business associations in assisting Aboriginal businesses.

29. Based on your past experience, which government departments or agencies would you look for help in the future?

INTERVIEWER: Read list. Check all that apply.

1\_\_\_ Department of Indian Affairs (DIAND)

2\_\_\_ Industry Canada (Aboriginal Business Canada - ABC)

3\_\_\_ Human Resources Development Canada (HRDC)

4\_\_\_ Regional Development Programs (Western Diversification, ACOA, FedNor, etc.)

5\_\_\_ Provincial departments and agencies in charge of Aboriginal businesses

6\_\_\_ Others, specify \_\_\_\_\_

7\_\_\_ Would not seek government support



30. What type of help would you most likely be looking for?

INTERVIEWER: Read list. Check all that apply (only one?)

- 1\_\_\_ Business development funding
- 2\_\_\_ Information on business opportunities
- 3\_\_\_ Establishing business contacts
- 4\_\_\_ Others, specify \_\_\_\_\_

31 Are you aware there exists a federal procurement program that assists eligible Aboriginal businesses in the purchasing of goods and services?

- 1\_\_\_ Yes
- 2\_\_\_ No

31a. Are you interested in more information about this program?

- 3\_\_\_ Yes
- 4\_\_\_ No

31b. Is your business registered with the Open Bidding System (OBS) of Public Works?

INTERVIEWER: The OBS advertises federal contracts over an electronic bulletin board. Businesses can submit bids on these contracts.

- 5\_\_\_ Yes
- 6\_\_\_ No

32. What is your business relationship with Native Investment and Trade Association (NITA)?

INTERVIEWER: NITA is dedicated to the economic integration of Aboriginal communities into the Canadian and International business communities. Check all that apply.

- 1\_\_\_ Never heard of them
- 2\_\_\_ Have attended NITA conferences
- 3\_\_\_ Received information on NITA conferences by fax or mail
- 4\_\_\_ Browsed NITA's Internet web pages
- 5\_\_\_ Other, specify \_\_\_\_\_

## FINANCIAL

INTERVIEWER: Read - I would like to end by asking for some financial information about your business.

33. What was this business's total income for the calendar year ending December 31st, 1995?

INTERVIEWER: Total income refers to earnings before expenses or taxes.

- 1 \$ \_\_\_\_\_

34. For the calendar year ending December 31st, 1995, did your business experience a net profit or a net loss?

INTERVIEWER: Net profit or loss is defined as total sales or gross receipts minus total expenses.

1\_\_\_ Net profit --- GO TO 35

2\_\_\_ Net loss --- GO TO 35b

35. Was this net profit...

01\_\_\_ More than what was expected

02\_\_\_ About what was expected

03\_\_\_ Less than what was expected

35a. What was this business's net profit before taxes for the calendar year beginning January 1st, 1995?

04\_\_\_ Less than \$10,000

05\_\_\_ \$10,000 to \$29,999

06\_\_\_ \$30,000 to \$49,999

07\_\_\_ \$50,000 to \$69,999

08\_\_\_ \$70,000 to \$89,999

09\_\_\_ \$90,000 or more

GO TO 36

35b. What was this business's net loss before taxes for the calendar year beginning January 1st, 1995?

10\_\_\_ Less than \$10,000

11\_\_\_ \$10,000 to \$29,999

12\_\_\_ \$30,000 to \$49,999

13\_\_\_ \$50,000 to \$69,999

14\_\_\_ \$70,000 to \$89,999

15\_\_\_ \$90,000 or more

36. How much money was needed to start or acquire this business?

INTERVIEWER: This includes money that the owner(s) invested in the business, that was given to the owner(s), or that the owner(s) borrowed.

1\_\_\_ Less than \$5,000

2\_\_\_ \$5,000 to \$9,999

3\_\_\_ \$10,000 to \$24,999

4\_\_\_ \$25,000 to \$49,999

5\_\_\_ \$50,000 to 99,999

6\_\_\_ \$100,000 or more

37. How much of this money was borrowed?

INTERVIEWER: Read categories.

- 1\_\_\_ None --- THANK RESPONDENT - END OF INTERVIEW
- 2\_\_\_ Less than 10%
- 3\_\_\_ 10% - 24%
- 4\_\_\_ 25% - 49%
- 5\_\_\_ 50% - 74%
- 6\_\_\_ 75% - 99%
- 7\_\_\_ 100%

38. Was this money borrowed from -

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Bank or trust company
- 2\_\_\_ Aboriginal development corporation
- 3\_\_\_ Federal government
- 4\_\_\_ Provincial or territorial government
- 5\_\_\_ Family or friends
- 6\_\_\_ Other, specify \_\_\_\_\_

THANK RESPONDENT - END OF INTERVIEW

## II. ABORIGINAL BUSINESS OWNERS (FORMER BUSINESSES)

ID# \_ \_ \_ \_

INTERVIEWER: READ: I would like to begin by asking a few questions about your background.

1. With which Aboriginal group do you identify?

INTERVIEWER: Read list. Mark all that apply.

1 \_\_\_ North American Indian --- GO TO 2

2 \_\_\_ Inuit --- GO TO 2

3 \_\_\_ Métis --- GO TO 2

4 \_\_\_ Another Aboriginal group --

Specify \_\_\_\_\_ --- GO TO 2

5 \_\_\_ Don't identify with an Aboriginal group --- GO TO 1a

1a. Are you a registered Indian, as defined by the Indian Act of Canada?

6 \_\_\_ Yes ----- GO TO 3

7 \_\_\_ No --- INTERVIEWER: READ -.This is a survey on Aboriginal business owners. Since you do not identify with an Aboriginal group, this survey does not apply to you. Thank you for your time.

### END OF INTERVIEW

2. Are you a registered Indian, as defined by the Indian Act of Canada?

1 \_\_\_ Yes

2 \_\_\_ No

3. What is your gender?

1 \_\_\_ Male

2 \_\_\_ Female

4. What is your date of birth?

1 \_\_\_\_\_  
(Month/day/year)

5. Did you take any business-training courses at the college-level or university-level?

Include courses taken by correspondence or through government-sponsored programs.

1 \_\_\_ Yes, I took training courses --- GO TO 5a

2 \_\_\_ No, I haven't taken any training courses --- GO TO 6

5a. Which of the following types of courses did you take?

INTERVIEWER: Read list. Mark all that apply.

3\_\_\_ Accounting

4\_\_\_ Marketing

5\_\_\_ Starting a business

6\_\_\_ Developing a business plan

7\_\_\_ Management practices

8\_\_\_ Other, specify \_\_\_\_\_

### **BUSINESS OWNERSHIP INFORMATION**

INTERVIEWER: READ - I now would like to ask a few questions about the characteristics of the business you owned or operated.

6. What was the name and address of the business that you owned or operated?

1 \_\_\_\_\_  
Name of business

2 \_\_\_\_\_ 3 \_\_\_\_\_  
Street Community/city

4 \_\_\_\_\_ 5 \_\_\_\_\_  
Province/territory Postal code

7. What kind of business did you own or operate?

1 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Kind of business

8. On what date did you begin owning or operating this business?

1 \_\_\_\_\_  
Month/year

9. On what date did you stop owning or operating this business?

1\_\_\_\_\_   
Month/year

INTERVIEWER: Read - The next set of questions are about the business at the time you stopped owning or operating it.

10. When you were in business, were you the sole owner?

01\_\_\_ Yes --- GO TO 10e

02\_\_\_ No --- GO TO 10a

10a. (When you were in business) Did you own this business with other business partners?

03\_\_\_ Yes --- GO TO 10b

04\_\_\_ No --- GO TO 10c

10b. (When you were in business) Did these partners have Aboriginal origins?

05\_\_\_ All partners had Aboriginal origins

06\_\_\_ Half or over half of the partners have Aboriginal origins

07\_\_\_ Under half of the partners have Aboriginal origins

08\_\_\_ None of the partners have Aboriginal origins

GO TO 10e

10c. (When you were in business) Was this business owned by the band or the community?

08\_\_\_ Yes --- GO TO 10e

09\_\_\_ No --- GO TO 10d

10d. Who owned this business?

10\_\_\_\_\_

10e. Was this business incorporated?

11\_\_\_ Yes

12\_\_\_ No

11. Was this business located...

1\_\_ On-reserve?

2\_\_ Off-reserve?



**CLOSURE OF BUSINESS**

INTERVIEWER: Read - These next questions ask for more detail on what happened to this business.

17. Did this business declare bankruptcy?

1\_\_\_\_ Yes

2\_\_\_\_ No

18. To what extent did the following factors contribute to this business's closure? For each of the following indicate the degree to which it affected the closing of the business - 1 being 'not at all' and 5 being 'a great deal.'

18a. Economic downturn

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
01 02 03 04 05

18b. Competition

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
07 08 09 10 11

18c. Changes in market conditions

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
12 13 14 15 16

18d. Insufficient market

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
17 18 19 20 21

18e. Lack of qualified personnel

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
22 23 24 25 26

18f. Financing difficulties

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
27 28 29 30 31

18g. New technology in the industry

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
32 33 34 35 36



18h. Over-expansion or rapid growth

1\_\_\_\_ 2\_\_\_\_ 3\_\_\_\_ 4\_\_\_\_ 5\_\_\_\_  
 37 38 39 40 41

18i. Other

42\_\_\_\_ specify

---

19. Did this business have a written business plan?

1\_\_\_\_ Yes---GO TO 19a

2\_\_\_\_ No --- GO TO 21

19a. Did you prepare this business plan yourself?

1\_\_\_\_ Yes -- GO TO 19

2\_\_\_\_ No -- GO TO 19b

19b. Who assisted you in preparing this business plan?

INTERVIEWER: Read list. Mark only one.

1\_\_\_\_ A paid professional, such as a business consultant or an accountant

2\_\_\_\_ A friend or relative

3\_\_\_\_ Other employees in the firm

4\_\_\_\_ No one

5\_\_\_\_ Other, specify \_\_\_\_\_

20. Did this business plan include a:

INTERVIEWER: Read list. Mark all that apply.

1\_\_\_\_ Financial plan

2\_\_\_\_ Human resources plan

3\_\_\_\_ Marketing plan

4\_\_\_\_ Product development plan

5\_\_\_\_ Technology plan

6\_\_\_\_ Other, specify \_\_\_\_\_

## TECHNOLOGY

INTERVIEWER: Read - These last few questions are about the technology which you were using in this business.

21. Did your business use a personal computer?

1\_\_\_\_ Yes

2\_\_\_\_ No

22. Do you feel that the implementation of new technology could have prevented the closure of this business?

1\_\_\_ Yes

2\_\_\_ No --- THANK THE RESPONDENT - END OF INTERVIEW

23. Which of the following reasons stopped you from implementing new technology?

INTERVIEWER: Read list.

1\_\_\_ Lack of financial resources

2\_\_\_ Lack of skilled employees/ technical support

3\_\_\_ Lack of information on what is available

4\_\_\_ Employees do not want to change how things are done

5\_\_\_ Other, specify \_\_\_\_\_

THANK THE RESPONDENT - END OF INTERVIEW



### III. ABORIGINAL BUSINESS SURVEY TIER 2

ID# \_ \_ \_ \_

GROUP# \_\_\_\_\_

STATUS REPORT:

\_\_\_\_\_ completed      \_\_\_\_\_ refusal      \_\_\_\_\_ will try again

INTERVIEWER: Hello, my name is \_\_\_\_\_ from Statistics Canada. Thank you for participating in the ABORIGINAL BUSINESS SURVEY a few months ago. We are conducting a follow-up survey examining a few key issues in closer detail. Your responses to this voluntary survey will be kept confidential under the Statistics Act.

#### COMPETITIVE STRATEGY

INTERVIEWER: I would like to begin by asking about the overall objectives and priorities of your firm.

Q1: On a scale of 1 to 5, rate the importance of each of the following objectives for your firm - 1 being 'not important at all' and 5 being 'very important' or 6 being 'not applicable'.

	<u>Not important</u>	<u>Very important</u>
<u>N.A.</u>		
Q1a. Profitability	1____ 2____ 3____ 4____ 5____	6____
Q1b. Growth	1____ 2____ 3____ 4____ 5____	6____
Q1c. Stability	1____ 2____ 3____ 4____ 5____	6____
Q1d. Personal and/or family employment	1____ 2____ 3____ 4____ 5____	6____
Q1e. Community employment	1____ 2____ 3____ 4____ 5____	6____
Q1f. Community service	1____ 2____ 3____ 4____ 5____	6____
Q1g. Other, _____		

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_ 6\_\_\_

Q2: Rate the importance of each of the following factors to meeting the objectives of the firm - 1 being 'not important at all' and 5 being 'very important' or 6 being 'not applicable'.

<u>N.A.</u>	<u>Not important</u>	<u>Very important</u>
Q2a. Management	1___ 2___ 3___ 4___ 5___	6___
Q2b. Innovation	1___ 2___ 3___ 4___ 5___	6___
Q2c. Technology and research and development	1___ 2___ 3___ 4___ 5___	6___
Q2d. Human resources	1___ 2___ 3___ 4___ 5___	6___
Q2f. Financing	1___ 2___ 3___ 4___ 5___	6___
Q2g. Marketing	1___ 2___ 3___ 4___ 5___	6___
Q2h. Production	1___ 2___ 3___ 4___ 5___	6___
Q2i. Competitive strategy	1___ 2___ 3___ 4___ 5___	6___

## INNOVATION

INTERVIEWER: I would now like to ask about innovation within your firm.

Q3: Over the last three years, did your firm introduce any new products?

1\_\_\_ Yes

2\_\_\_ No

Q4: Over the last three years, did you introduce any entirely new processes to your firm?

- 1\_\_\_ Yes  
2\_\_\_ No

**MARKETS**

INTERVIEWER: This next question is about your marketing strategies.

Q5. Which of the following methods is used to market your products or services?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Print (newspaper, directories etc.)  
2\_\_\_ Advertising on the radio or television  
3\_\_\_ Advertising on the Internet  
4\_\_\_ Direct marketing  
5\_\_\_ Participating in trade fairs  
6\_\_\_ Participating in trade missions  
7\_\_\_ Other (specify) \_\_\_\_\_  
\_\_\_\_\_

INTERVIEWER: I would like to know how much business you do with the government.

Q6: In the past three years, did supplying goods or services to governments and government agencies represent more than half your business?

INTERVIEWER: Read list. Mark only one.

- 1\_\_\_ Yes -- GO TO Q7  
2\_\_\_ No -- GO TO Q11

Q7: In the past three years, have you supplied goods or services to bands or tribal councils?

- 1\_\_\_ Yes -- GO TO Q7a  
2\_\_\_ No -- GO TO Q8

Q7a: Under which contracting arrangements are/were you supplying these goods or services?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Open competitive tendering  
2\_\_\_ Standing offers  
3\_\_\_ Set-asides or contracting preferences  
4\_\_\_ Sole-sourced negotiated contracts  
5\_\_\_ Other, specify \_\_\_\_\_

Q8: In the past three years have you supplied goods or services to municipalities?

1\_\_\_ Yes -- GO TO Q8a

2\_\_\_ No -- GO TO Q9

Q8a: Under which contracting arrangements are/were you supplying these goods or services?

INTERVIEWER: Read list. Mark all that apply.

1\_\_\_ Open competitive tendering

2\_\_\_ Standing offers

3\_\_\_ Set-asides or contracting preferences

4\_\_\_ Sole-sourced negotiated contracts

5\_\_\_ Other, specify \_\_\_\_\_

Q9: In the past three years have you supplied goods or services to provincial departments, agencies or Crown corporations?

1\_\_\_ Yes -- GO TO Q9a

2\_\_\_ No -- GO TO Q10

Q9a: Under which contracting arrangements are/were you supplying these goods or services?

INTERVIEWER: Read list. Mark all that apply.

1\_\_\_ Open competitive tendering

2\_\_\_ Standing offers

3\_\_\_ Set-asides or contracting preferences

4\_\_\_ Sole-sourced negotiated contracts

5\_\_\_ Other, specify \_\_\_\_\_

Q10: In the past three years have you supplied goods to federal departments, agencies or Crown corporations?

1\_\_\_ Yes -- GO TO Q10a

2\_\_\_ No -- GO TO Q11

Q10a: Under which contracting arrangements are/were you supplying these goods or services?

INTERVIEWER: Read list. Mark all that apply.

1\_\_\_ Open competitive tendering

2\_\_\_ Standing offers

3\_\_\_ Set-asides or contracting preferences

4\_\_\_ Sole-sourced negotiated contracts

5\_\_\_ Other, specify \_\_\_\_\_

INTERVIEWER: These next questions are about your clients.

Q11: In 1996, what percentage of your total sales were made to clients in your local community?

1\_\_\_\_\_ % -- IF 0% GO TO 12

Q11a: What proportion of your local clients are Aboriginal?

1\_\_\_ None

2\_\_\_ Less than half

3\_\_\_ Half

4\_\_\_ More than half

5\_\_\_ All

Q12: In 1996, what percentage of your total sales were made to clients in other areas within your province/territory?

1\_\_\_\_\_ % -- IF 0% GO TO 13

Q12a: What proportion of these clients are Aboriginal?

1\_\_\_ None

2\_\_\_ Less than half

3\_\_\_ Half

4\_\_\_ More than half

5\_\_\_ All

Q13: In 1996, what percentage of your total sales were made to clients in other provinces/territories?

1\_\_\_\_\_ % -- IF 0% GO TO 14

Q13a: What proportion of these clients are Aboriginal?

1\_\_\_ None

2\_\_\_ Less than half

3\_\_\_ Half

4\_\_\_ More than half

5\_\_\_ All

Q14: In 1996, what percentage of your total sales were made to clients outside of Canada?

1\_\_\_\_\_ %



INTERVIEWER: I would like to now ask about any plans to expand your business.

Q15: Does your firm wish to expand its client base?

- 1\_\_\_ Yes -- GO TO Q15a
- 2\_\_\_ No -- GO TO Q16

Q15a: Into which markets does your firm intend to expand its client base over the next two years?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Local Aboriginal community
- 2\_\_\_ Local non-Aboriginal community
- 3\_\_\_ Other Aboriginal communities within the province or territory
- 4\_\_\_ Other non-Aboriginal communities within the province or territory
- 5\_\_\_ Other provinces/territories
- 6\_\_\_ Outside Canada

Q16: Are there any business factors that inhibit your firm's ability to expand its client base?

- 1\_\_\_ Yes -- GO TO Q16a
- 2\_\_\_ No -- GO TO Q17

Q16a: Which business factors inhibit your firm's ability to expand its client base?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Location
- 2\_\_\_ Availability of skilled, experienced labour
- 3\_\_\_ Government rules and regulations
- 4\_\_\_ Cost of doing business (land cost, taxes, labour costs, etc.)
- 5\_\_\_ Lack of business information/business mentoring network
- 6\_\_\_ Other, specify\_\_\_\_\_

## **FINANCING**

INTERVIEWER: This next section is about financing.

Q17: At the present time, is your business partially financed by debt?

- 1\_\_\_ Yes
- 2\_\_\_ No

Q17a: Which of the following methods of financing have you used in the development of your business?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Personal loans (friends, family)
- 2\_\_\_ Loans from Aboriginal business lending institutions
- 3\_\_\_ Government guaranteed bank loan
- 4\_\_\_ Non guaranteed commercial bank loan
- 5\_\_\_ Conditional sales agreement
- 6\_\_\_ Supplier credit
- 7\_\_\_ Other, specify\_\_\_\_\_
- 8\_\_\_ None

Q17b: Does your firm have adequate access to financing as a source of capital?

- 1\_\_\_ Yes -- GO TO 18
- 2\_\_\_ No -- GO TO 17c

Q17c: What barriers restrict your access to financing capital?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Financial institutions not located within the community
- 2\_\_\_ Firm is not profitable
- 3\_\_\_ Lack of collateral
- 4\_\_\_ Unable to use assets as collateral because of section 89 of the *Indian Act*
- 5\_\_\_ Do not know/uncertain
- 6\_\_\_ Other, specify\_\_\_\_\_

Q18: What types of equity have been invested into your business?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Personal investment
- 2\_\_\_ Investment by friends/family
- 3\_\_\_ Community investment funds
- 4\_\_\_ Venture capital
- 5\_\_\_ Retained earnings
- 6\_\_\_ Other, specify\_\_\_\_\_

Q18a: Does your firm have adequate access to equity as a source of capital?

- 1\_\_\_ Yes -- GO TO 19
- 2\_\_\_ No -- GO TO 18b

Q18b: What barriers restrict your access to equity capital?

INTERVIEWER: Read list. Mark all that apply.

- 1\_\_\_ Lack of personal resources
- 2\_\_\_ Inability/unwillingness of friends/family to invest
- 3\_\_\_ Lack of available community investment funds
- 4\_\_\_ Lack of available venture capital
- 5\_\_\_ Inadequate retained earnings
- 6\_\_\_ Don't know/uncertain
- 7\_\_\_ Other, specify \_\_\_\_\_

Q19: In the past five years, has your firm received any grants or contributions?

- 1\_\_\_ Yes -- GO TO 19a
- 2\_\_\_ No -- GO TO 20

Q19a: Have grants and contributions played a significant role in the development of your business?

- 1\_\_\_ Yes
- 2\_\_\_ No

Q19b: Does your firm have adequate access to grants and contributions as a source of capital?

- 1\_\_\_ Yes
- 2\_\_\_ No

## ENVIRONMENT

INTERVIEWER: These last few questions are to identify further factors affecting the performance of your business.

Q20: How competitive is the business environment in which your firm competes?

INTERVIEWER: Read list. Mark only one.

- 1\_\_\_ Highly competitive
- 2\_\_\_ Moderately competitive
- 3\_\_\_ Slightly competitive
- 4\_\_\_ Not competitive

Q21: On a scale of 1 to 5, rate the effect of transportation costs on the performance of your business - 1 being 'not significant' and 5 being "very significant", or 6 being 'not applicable'.

- 1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_ 6\_\_\_

Q22: On a scale of 1 to 5, rate the effect of the local business infrastructure (telecommunications links, serviced commercial land) on the performance of your business - 1 being 'not significant' and 5 being 'very significant' or 6 being 'not applicable'

1\_\_\_ 2\_\_\_ 3\_\_\_ 4\_\_\_ 5\_\_\_ 6\_\_\_

Q23: Many business people feel that a supportive local community, starting with political and business leaders, encourages small business to start and grow in the community. In your case, which of the following effects do you feel the local community has on your business?

INTERVIEWER: Read list. Mark only one.

- 1\_\_\_ Local community encourages the performance of your business
- 2\_\_\_ Local community is not relevant to the performance of your business
- 3\_\_\_ Local community impedes the performance of your business

END OF INTERVIEW      -      THANK RESPONDENT



## INDUSTRY CANADA RESEARCH PUBLICATIONS

### *INDUSTRY CANADA WORKING PAPER SERIES*

- No. 1    **Economic Integration in North America: Trends in Foreign Direct Investment and the Top 1,000 Firms**, Industry Canada, Micro-Economic Policy Analysis Staff including John Knubley, Marc Legault and P. Someshwar Rao, 1994.
- No. 2    **Canadian-Based Multinationals: An Analysis of Activities and Performance**, Industry Canada, Micro-Economic Policy Analysis Staff including P. Someshwar Rao, Marc Legault and Ashfaq Ahmad, 1994.
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