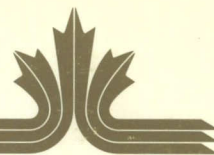


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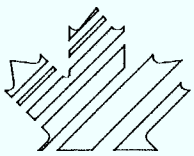
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NATIONAL FORUM ON ENTREPRENEURSHIP

The Federal Government's Response
to the Recommendations



Entrepreneurship

NATIONAL FORUM ON ENTREPRENEURSHIP

**The Federal Government's Response
to the Recommendations**

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MESSAGE FROM THE MINISTER OF STATE SMALL BUSINESSES AND TOURISM

The National Forum on Entrepreneurship held in Quebec City on June 20-21, 1989, was the first time entrepreneurs, academics and federal government officials from across the country gathered together to discuss entrepreneurship in Canada.



Its purpose was to discuss what roles the federal government, business and the educational system should play in the promotion of entrepreneurship in Canada. It was an opportunity for the federal government and for all who participated to listen to the concerns of the men and women who are creating new business opportunities across the country. And since the entrepreneurs who came are key players in local business networks, the event itself provided an excellent opportunity for the federal government and the educational system to forge new links and to strengthen established ties with entrepreneurial and small business associations throughout the country.

The National Forum provided a number of important recommendations and a host of detailed suggestions that are having a welcome impact on the formulation of the federal competitiveness agenda for the '90s. Five task forces at Industry, Science and Technology Canada (ISTC), in consultation with other departments, are examining how Canadian business can succeed in today's increasingly competitive global markets. Each task force is looking at a major aspect of the challenge: markets, financing, our science and technology base, human resources and the Canadian business culture.

The National Forum had important things to say about all these areas. Its most significant contribution lay in the deepening of our understanding of how government and the private sector can develop a more dynamic and innovative business culture in Canada. And so, for example, the task force on business culture is examining concrete ways of improving existing awareness campaigns for entrepreneurship and for science and technology.

I have had the following report prepared to provide those who participated in the forums with an update on the extent to which their recommendations are being addressed by government. The transformation of Canadian society so that it becomes truly supportive of entrepreneurs is a long-term process that will require the federal government, business and the educational system to work together in new and more effective ways. The National Forum on Entrepreneurship was a historic first step in this process. To all those who participated, thank you very much. Your contributions were important and we will be calling on you again.

Sincerely,



Tom Hockin

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INTRODUCTION

Entrepreneurs provide the creative energy of the business world. They are found in every type of business and at every level, from neighbourhood stores and home-based businesses to the boardrooms of multinationals. What they share is a drive to succeed that transforms vision into practical business applications.

The National Forum on Entrepreneurship was convened to develop a broad consensus concerning the roles of the private sector, of training institutions, and of the government in promoting entrepreneurship. Organized by the Entrepreneurship and Small Business Office (ESBO), the Regional Offices of Industry, Science and Technology Canada (ISTC), and the Atlantic Canada Opportunities Agency (ACOA) in eastern Canada, thirteen regional forums on entrepreneurship were held in March 1989. This process culminated in the National Forum on Entrepreneurship, which met June 20 and 21, 1989, in Quebec City. More than 200 participants from business, government and education from around the country gathered to exchange views about the important issues surrounding the promotion and support of entrepreneurship in Canada. From these discussions emerged a series of recommendations of what each sector of society can do to nurture Canadian entrepreneurship.

In the light of these recommendations, what is being done and what remains to be carried out? This document has been written in response to the recommendations developed by the National Forum on Entrepreneurship. It describes the federal government support for entrepreneurship in Canada. It describes what federal programs already exist, how they are being modified, and what new programs are being developed.

There is a large body of agreement concerning the kind of support entrepreneurs need from government, educational institutions and society. In fact, most of the types of federal services and programs recommended at the National Forum are now in place. The challenge that faces us is no longer simply a question of supplying a type of service or program. The challenge lies in changing institutions and society so that they truly nurture the entrepreneurial spirit. This will take time for it involves a profound transformation of our values and of the way we act.

The National Forum called for a new level of integrated response from government, business, and the educational system. For example, it called for rationalized and streamlined government services that can help entrepreneurs make sense of an increasingly complex world. If government is to help entrepreneurs, it must listen and work with them. Together, we can make it work. This report is simply one small step in this evolving process.

A word about the organization of this report. Participants in the National Forum on Entrepreneurship were grouped into eight workshops, each one dealing with an area of special significance. Often, several workshops made recommendations on the same subject or with the same objective in mind. For this reason, rather than grouping the material of this report in terms of the issues discussed in the eight workshops, this report has adopted a schema that seems more relevant to the federal agencies and programs themselves. For example, instead of eight major categories, there are five. Recommendations and comments from the National Forum on Entrepreneurship are highlighted on the side of each page beside the descriptions of the agencies or programs to which they are related.

THE FEDERAL COMMITMENT TO ENTREPRENEURSHIP

Entrepreneurs have made major contributions to the economy in terms of job creation, new enterprises established, growth of assets and profits, expanded exports, and research and development. The economic benefits they have brought to Canada have also enriched the social and cultural fabric of the country. These contributions are recognized by the federal government. The National Policy on Entrepreneurship states:

It is the policy of the Government of Canada to mobilize entrepreneurship for the economic, social and cultural development of all parts of our country, in particular with the private sector, provincial and territorial governments, and the academic community.

In order to achieve these objectives, the federal government promotes and nurtures the growth of entrepreneurship. As was recommended by the National Forum, the promotion and support of entrepreneurship are to be important aspects of all federal policies and programs.

Many of the recommendations of the National Forum on Entrepreneurship have already been implemented within existing programs and policy. The federal government has emphasized support for small business for many years. The needs of entrepreneurs, however, are somewhat different and have not always been addressed.

Besides the focal points of the Minister of State (Small Businesses and Tourism) and ESBO in ISTC, many other government offices and agencies have a special interest in small business. And beyond this special concern, much of the activity of the federal government relating to growth and development benefits small business.

Substantial activity is already happening. And the implementation of new programs in the various departments and agencies will continue to progress. Thus, action taken by the federal government in response to the National Forum on Entrepreneurship recommendations over the next several years will be concerned with making new and existing programs and policies more effective and their delivery systems more efficient, accessible and better understood.

Too many federal programs affect entrepreneurship to list them all. The purpose of this report is to describe the programs and policies that act as focal points for federal action for entrepreneurship in Canada.

The National Forum on Entrepreneurship recognized that much of the activity required is outside the jurisdiction of the federal government. For example, the number of provincial programs may far exceed those managed by the federal government. While this report will not comment on activities undertaken by provinces, educational institutions, or private enterprise, their involvement is vital, and there needs to be close coordination between their activities and those at the federal level. Thus the federal government alone can only deliver on some of the recommendations, but it invites the others involved to establish their own agendas and responses, and to join with it to create an environment in Canada that facilitates the full emergence of our entrepreneurial potential.

The National Forum recommended that the effectiveness of all government programs that serve small and medium-sized enterprises (SMEs) be assessed. It is appropriate that all departments and agencies assess their own programs to ensure a truly comprehensive view of the federal impact on small business. As we shall see, a number of departments and agencies are assessing their entrepreneurship and SME programs now.

In terms of the federal response, in most cases, agreement on appropriate action will be established through bilateral negotiations between ESBO and departments or agencies with pertinent mandates and jurisdictions. While each department or agency is responsible for how it responds to the recommendations, their policy decisions will be set within the context of the National Policy on Entrepreneurship. Organizations such as Status of Women Canada should be included in negotiations where there is a need.

The Minister, in his role as small business advocate in Cabinet, and the negotiations undertaken by ESBO will help to ensure that many levels of government will grow increasingly responsive to the needs and aspirations of entrepreneurs. The whole process will require ongoing attention over the long term to make sure that the momentum and ideas generated by the forums do not dissipate.

PROMOTING ENTREPRENEURSHIP

Promoting public awareness of entrepreneurship was the principal reason for the National Forum on Entrepreneurship, and all of its discussions touched on this topic. Entrepreneurship is widely valued in our society, but the values, attitudes, and conditions that support it are not always understood. A wider appreciation of these will make it that much easier to achieve all the other objectives of the National Forum.

While many different centres of responsibility within the federal government actively support small business, there is a need to bring to their attention the fact that entrepreneurship issues are not identical to those of small businesses.

Existing Initiatives

ESBO will continue to promote knowledge about entrepreneurship (see the report, *Small Business in Canada: Growing to Meet Tomorrow*). Activities are closely coordinated with provincial governments and academia. An important aspect of its task is to sensitize government officials to the values, problems and priorities of small business. Other federal departments and agencies such as Multiculturalism and Citizenship Canada, Indian and Northern Affairs Canada, the Youth Affairs Branch of Employment and Immigration Canada (EIC), and Status of Women Canada, are paying particular attention to small business involvement (and should rely on the materials from the awareness project described under New Initiatives in this section).

ISTC's **Canada Awards for Business Excellence** program includes a special category for entrepreneurship, and small businesses can qualify in other categories as well.

The **Canada Exports Awards** program of External Affairs and International Trade Canada (EAITC) specifically searches out small businesses for special recognition. The contributions of small businesses and entrepreneurs are recognized by provincial and municipal governments and within private sector groups as well.

ISTC's **Aboriginal Economic Programs (AEPs)** encourage Aboriginal businesses to participate in these awards. In addition, their Research and Advocacy program is working to promote a wider understanding of Aboriginal entrepreneurship in all quarters of the Canadian economy. They have also sponsored a variety of events, including economic development conferences. For more on AEP's see the description under the heading Financing Support and Assistance.

Federal government departments such as ISTC, EAITC and EIC, and International Trade Centres have officials in each region with a special interest in promoting entrepreneurship. **Federal agencies concerned with the development issues of particular regions** — such as ACOA, International Trade Centres, Western Economic Diversification Canada (WD), and FedNor — also have a special interest in entrepreneurs.

From the National Forum...

"...to increase the awareness of the population about entrepreneurship and its economic and social benefits for the country and to ensure that all Canadians are aware of the entrepreneurial career option."

"It is no longer a question of convincing the Government to do something. To stimulate an increase in the number of entrepreneurs, we will have to reinforce and modify existing institutions, rather than create new ones."

"... developing a system to recognize and reward entrepreneurial success."

There was much discussion at the Forum concerning the special needs of entrepreneurs from disadvantaged groups.

"Adapting to regional priorities should be a priority. In every case, it is advisable to start with existing institutions and to work on a local scale."

New Initiatives

"The prime objective is a change in values."

The purpose of the **National Entrepreneurship Awareness Project** is to raise public awareness of entrepreneurship, to position the federal government as an active and effective supporter of entrepreneurs, and to encourage all sectors to support and promote entrepreneurship. ESBO is responsible for the Awareness Project. A new symbol has been developed for use in promotions about entrepreneurship (much like the Participaction symbols). Media coverage will be stimulated.

An important part of the project will be to encourage corporations to support entrepreneurship. Business helping business, business supporting and participating in public and private programs, and business networking with entrepreneurs will be major promotional theme lines.

The strategy is to recruit advocates within the business community and its associations, academia, the general public and government. Materials helpful in obtaining and supporting involvement will be made available as part of an information campaign.

NEDI was announced during the conference and it sparked a great deal of interest. Participants recognized its potential and suggested that it take the lead in developing an information network on entrepreneurship and a sound knowledge base about entrepreneurial activity.

The **National Entrepreneurship Development Institute (NEDI)** has a special mandate to develop a sound information network about entrepreneurship. NEDI will develop national and regional data on issues such as entrepreneurial contributions to the economy; it will define and analyze problems entrepreneurs experience when developing businesses; it will promote special interest groups such as young entrepreneurs; and it will supply the media with leads and articles on entrepreneurs and entrepreneurial contributions to regional and national development. NEDI was established in 1989 and is becoming operational in 1990. Membership drives are commencing. Regional offices are being established in the Atlantic, Quebec, Ontario and Western Regions during 1990.

"Training the trainers should be a priority."

A vital part of NEDI's mandate is to help stimulate the educational system to develop the entrepreneurial spirit in Canadian students. NEDI will develop teacher training courses and materials for universities in consultation with provincial authorities. Such training could affect all levels of the educational system.

"A National Forum on the stimulation of entrepreneurship through education should be considered."

NEDI organized the **Conference on Entrepreneurial Education** with the support of the Council of Ministers of Education, Canada (CMEC). The conference, which took place May 31-June 2, 1990, established specific objectives and agendas that will help individual education systems and institutions to develop the entrepreneurial spirit within their programs.

"The emphasis should be on creativity and experiential learning."

The process of influencing the educational system in Canada must be an evolutionary one involving educational institutions, government ministries, teachers' groups and other interested parties. Entrepreneurs and outside organizations have a vital role to play in this process. For example, private enterprise organizations such as Chambers of Commerce, sectoral and regional associations, or Boards of Trade could arrange with local schools to involve entrepreneurs in courses or career days. Business owners can help in many ways, for example, by providing students with work experience arranged through their schools, perhaps in conjunction with courses. Existing youth training programs such as Junior Achievement can be utilized — what is needed is a new emphasis on entrepreneurship.

PROVIDING STRATEGIC INFORMATION AND SUPPORT

Entrepreneurs have a voracious appetite for information. A number of programs provide business support services for entrepreneurs at both the national and regional levels. The National Forum was concerned that entrepreneurship centres should provide information in well-defined areas that can be easily understood and applied. It was also recommended that experienced, competent counsellors be available for consultation to help create the plan of attack.

The federal government offers a number of strong programs that offer support, advice and information to entrepreneurs and small businesses. In addition, each federal economic development ministry and agency provides a flow of specialized information in areas such as the free trade agreement, labour force and skills availability, and general economic trends. ISTC has prepared many competitiveness profiles by sector (which are available on request) and interfirm comparison studies, and has a historical knowledge base.

Of course, the private sector produces a vast amount of information. Banks, accounting and consulting firms, associations ... there are many sources of information, ranging from the highly specialized to the all-encompassing. A special example is the Focus 2000 *Competitive Edge* publications of the Canadian Chamber of Commerce. Universities, colleges, and school systems offer useful courses. And the provinces provide many useful business help programs.

The National Forum was concerned that more people become aware of the range and depth of services that are available and recommended that the means of delivering advice and information be rationalized and made more effective and streamlined. The federal government has taken these recommendations to heart, and they form a central thrust of its policy for small businesses and entrepreneurs.

The National Forum also recommended that experienced business people be used as **mentors** to assist individuals who are starting a business. The federal government does not have programs specifically oriented to mentoring. The primary responsibility for this would have to rest with private enterprise. There are experienced business people who are informally involved in mentoring in various areas of the country. One program in Quebec that assists young entrepreneurs makes the participation of an experienced mentor compulsory.

"Access to quality information is a priority requirement for an entrepreneur who is starting a business. A lack of information or inappropriate advice can lead to a considerable loss of time, energy and money."

"Government agencies were asked to provide better integration."

"Even though large amounts of information are circulated, entrepreneurs complain that access to quality information is difficult... It is difficult to extract information at its source and to interpret it so as to make it usable. Counselling by experienced people is often much needed, if not indispensable."

"Mentoring provides support from experienced people."

Existing Initiatives

"Programs must become more accessible and easier to understand."

The federal government has restructured and coordinated the activities of various departments to make itself more available to small business and to simplify procedures. The regional importance of small business has been recognized in the mandate given to several new organizations focused on regional development. The most important of these are ACOA, WD, FedNor and ISTC. All provide assistance programs for small businesses.

"Develop and widely deliver programs that explain the stages of development of a business to business owners. Ongoing education programs for entrepreneurs are required."

The **Federal Business Development Bank (FBDB)** provides management counselling through its Counselling Assistance to Small Enterprises (CASE) program. Training is also provided through services such as the Community Business Initiatives, seminars and business management courses.

Skills Investment and **Skills Shortage** programs under the Canadian Jobs Strategy are designed to meet the needs of business for a skilled work force.

The **Employment Counsellor** at the local Canada Employment Centre provides labour market information, access to workers and information on programs available to entrepreneurs.

The **Patent Office** at Consumer and Corporate Affairs Canada provides information on new products and processes available to entrepreneurs.

The **National Research Council** offers assistance in increasing the calibre and scope of industrial research and development and helps SMEs to find solutions to technical problems through the use of the latest available technology.

Many toll-free information numbers currently exist in regional offices of national departments.

"Entrepreneurs would like to be consulted on the development of programs that concern them."

Many departments, including ISTC, and agencies have **consultative mechanisms**. Provinces have their committees, and municipalities have Boards of Trade, Chambers of Commerce, etc., which act at the local level.

Government paperwork presents a particularly difficult problem for small firms with limited human resources. Government surveys, regulatory filing requirements, and forms for accessing government programs can involve a surprising amount of paperwork. This is an ongoing problem, but steps are being taken to improve the situation. In 1987, after a lengthy consultative process with provinces and private enterprise, the federal government initiated the **Small Business Paperwork Reduction Action Plan**. Under the Action Plan, key federal departments and agencies have identified and eliminated a substantial number of paperwork problems for small business. Departmental initiatives are continuing to streamline the information government requires from small business.

New Initiatives

There is a **Business Service Centre** at every ISTC Regional Office and at the Head Office too. These centres will help Canadian businesses access the information they need to enhance their competitiveness. They will provide market information, strategic intelligence, technology transfer information and information about ISTC services, programs and sector expertise.

ISTC is also examining the feasibility of establishing a **national business information network**.

"Strategic information should be provided to entrepreneurs and its contents should be better adapted to the people for whom it is intended. Mechanisms should be devised to reach entrepreneurs more effectively."

Statistics Canada's Small Business Data Base, developed in partnership with ISTC and the provinces, provides publications called *Small Business Profiles*. Currently, these publications open a statistical window on how 108 kinds of businesses operate in specified provinces or territories. By June 1991, more than 600 kinds of business will have been profiled, including those with up to \$10 million in annual revenues. The data base contains indicators of small business performance suitable for use as analytical benchmarks. These include sources of funds, how funds are applied, various ratios, as well as overall profitability. They enable users to compare operating results by kind of business, scale of operations and location. Such comparisons are a key part of the preparation of well-conceived business plans for new or for growing businesses.

The **Aboriginal Capital Corporations (ACCs)** component of the Aboriginal Economic Programs at ISTC will now encourage successful ACCs to diversify their services and provide business advice and financial services to Aboriginal entrepreneurs. The ACCs' Joint Ventures program is designed to help Aboriginal businesses forge new and profitable links with other firms in the national economy, providing opportunities for the transference of management, technical and other business skills to Aboriginal peoples.

FINANCING ENTREPRENEURSHIP

Financing is often cited as one of the principal problems a small business encounters, and the discussions and subsequent recommendations of the National Forum reinforced this view. While financing services provided by the private sector address most of the needs of entrepreneurs, obstacles can be encountered in a number of areas. For example, start-ups often have a difficult time finding capital and financing the development or acquisition of new technology. This is especially true of firms with insufficient assets or whose assets are not widely understood, such as knowledge-based companies or companies in the tourism industry. However, it may be the case that an inability to obtain financing is only a symptom the real problem being inadequate planning, poor marketing, or perhaps a lack of financial management.

"Small firms have difficulty gathering the capital required to start up a business."

"Financial institutions apply rigid criteria."

In recognition of the financing difficulties sometimes encountered by small businesses, the federal government has established a number of programs and services designed to help.

"Banks do not seem sufficiently familiar with small business values and mechanisms."

FINANCING SUPPORT AND ASSISTANCE

Existing Initiatives

There is a wide variety of federal initiatives that help entrepreneurs obtain financing.

The **FBDB** provides financial planning, equity financing and term loans to SMEs and to businesses that encounter difficulties in securing financing under reasonable terms and conditions from the private sector.

The **Small Businesses Loans Act (SBLA)** program provides guarantees to authorized lenders and thereby encourages the provision of term loan financing for fixed assets to eligible small firms.

The National Forum emphasized that as much as possible, government initiatives be responsive to the needs of each region.

A number of departments and agencies offer **programs in specific regions**. Their role includes the provision of funding for market development, technological innovation, diversification, and general business development. They are responsible for coordinating federal and regional economic development approaches, they act as advocates for their regions in national economic decision-making, and they provide a full range of business-oriented services to the communities within their jurisdictions. Many of their programs and incentives are specifically tailored to assist entrepreneurs and small businesses. The key ones are listed below.

ACOA provides SMEs with direct financial assistance in the form of loan guarantees and interest buy-downs to modernize, expand or design a product, to develop a new technology, and to carry out needed feasibility and marketing studies.

WD helps Western Canadian businesses to develop new products, markets, and technology and to improve productivity. Its contributions supplement funding from other sources and are usually repayable.

FedNor is the federal economic development initiative for Northern Ontario. It provides assistance to new and existing businesses through the Rural Assistance to Small Business Program, the FedNor Loan Insurance Program, and the Core Industrial Program (which is targeted at specific business sectors).

The **Quebec Regional Office** of ISTC is responsible for the administration of special assistance programs in the resource and central regions of Quebec and in East End Montreal. The intent is to focus on long-term economic development, sustainable employment and income creation, SMEs, and the development and enhancement of entrepreneurial talent.

"Certain entrepreneurs, such as Amerindians, live in regions where the support infrastructure is almost non-existent... linguistic and cultural differences create barriers..."

ISTC's **Aboriginal Economic Programs (AEPs)** provide financial and developmental assistance to Aboriginal entrepreneurs and communities for business planning through to follow-up professional services during the first years of operation. Funding is provided for the establishment, expansion, modernization or acquisition of a business. It is also provided for business plan development, feasibility studies, marketing initiatives, pilot projects, service or production process development, and entrepreneurial training.

AEPs administer the components of the Canadian Aboriginal Economic Development (CAED) Strategy that relate to business development, joint ventures, capital corporations, and research and advocacy. AEPs are intended to foster increased economic self-reliance among the Aboriginal people of Canada by helping to establish a strong Aboriginal private sector.

"Local networks should be developed and reinforced... only local networks are in immediate contact with new entrepreneurs."

EIC offers a number of programs of particular help to entrepreneurs who are just starting a business.

The Community Futures Business Development Centres
provide entrepreneurs in selected communities with technical and financial services.

"There should be better access to all resources including capital — considering the unique characteristics of rural and isolated areas. There was strong support for the Business Development Centres of the Community Futures Program."

The Community Futures Self-Employment Incentive
provides grants to unemployed people wanting to start a business.

The Youth Employment Strategy
has pilot projects in Newfoundland and New Brunswick with an entrepreneurship component to assist youth in creating their own jobs or businesses.

The Student Business Loans Program
provides interest-free loans of up to \$3 000 to students to manage their own small businesses during the summer.

New Initiatives

The federal government is making an effort to control expenditures and reduce the deficit by taking a more businesslike approach to assistance to business. With limited exceptions, grants will be eliminated, and financial assistance will be repayable on more rigorous terms. This approach is consistent with the views of many entrepreneurs at the National Forum, who argued that subsidies make them vulnerable to political shifts and distort free competition.

"Subsidies do not seem to be unanimously popular with the private sector."

The **SBLA** program has proven to be invaluable in helping small businesses, particularly start-ups, in obtaining debt financing. In view of its success, the federal government extended the SBLA legislation for another three years to March 31, 1993. The Minister of State (Small Businesses and Tourism) will consult with the small business community to determine how the program might be improved to better meet the needs of this sector.

The **FBDB** is putting more effort into making start-up loans available while achieving the cost recovery objectives of the government.

"Facilitate access to financing for small businesses by establishing more start-up and venture capital funds."

Through the new **Labour Force Development Strategy** of EIC, conditional on passage of Bill C-21, many EIC business service programs will be expanded in 1990. For example, self-employment incentives will be expanded beyond Community Futures areas.

EIC has maintained funding for the **YMCA Youth Enterprise Centres (YECs)** under the Job Entry component of the Canadian Jobs Strategy. The YECs offer eligible clients help in literally everything they need to start and run a successful business venture — everything from advice in marketing and management to inexpensive offices, industrial work areas, receptionists, secretarial services, and the use of business equipment such as computers.

EQUITY FINANCING

Existing Initiatives

The **directory of venture capital firms** (*Venture Capital in Canada*) published by ISTC and the Association of Canadian Venture Capital Companies (ACVCC) enables entrepreneurs to target potential investors and to gain a better understanding of how the venture capital market works.

The **FBDB** has a Venture Capital Division which participates in a full spectrum of investment activity.

COIN is a computerized contact service that matches investors and entrepreneurs. Originally sponsored by the Ontario Chamber of Commerce, Price Waterhouse and prominent corporations, COIN was federally assisted to expand nationally.

Provinces are actively involved with such programs as Ontario's Small Business Development Corporation, Alberta's Vencap Equities, and British Columbia's Discovery Enterprises.

ACCESS TO FINANCING

"Allow the entrepreneur and close family members to invest up to 50% of their RRSP [in their business]."

The National Forum recommended that entrepreneurs should have better access to a number of financial vehicles such as RRSPs and business investment funds and that they should be able to invest personal pension funds in their personally-owned businesses. The National Forum also recommended that improvements be made to employee share ownership plans. These plans, which many firms have, fall primarily under the jurisdiction of the provinces.

Currently, anyone can invest up to 50% of their RRSP in a small business in an arm's length transaction. Retirement bonuses are treated the same as RRSPs.

"Public pension funds could also be used. The Government could encourage investment by adopting tax measures that would be advantageous to investors so as to counterbalance the high risks involved with small business."

In 1986, regulations for registered pension plans, registered retirement income funds and deferred profit sharing plans were changed to encourage pension funds to flow into small business investments. Tax-exempt pooling arrangements, such as Small Business Investment Corporations, are to act as conduits for small business investment, while pension funds were permitted to make a \$3 additional investment in foreign property for every \$1 invested in qualifying small businesses.

Existing Initiatives

The **Canadian Federation of Labour's Working Ventures Fund** is one such vehicle for which tax credits and contributions are RRSP eligible.

Labour-sponsored pension funds used for small business investment are eligible for a 20% federal tax credit.

LEGISLATION

"It was noted that Canadian anti-trust legislation was not, or rarely, applied. Large corporations seem to be protected from all lawsuits."

The Forum recommended that corporate laws be applied without discrimination. Corporate law rests in both provincial and federal jurisdictions. At the federal level, agencies such as the **Bureau of Competition Policy** or those agencies imposing regulations or standards go to considerable lengths to ensure that big business does not have a competitive advantage due solely to size considerations. However, much of corporate law has not been specifically assessed in terms of impact upon size of business.

"Corporate legislation should be reconsidered so as to offer better protection to the entrepreneur against bankruptcy."

Bankruptcy legislation is in the process of amendment. Consumer and Corporate Affairs Canada has received briefs on bankruptcy amendments. Proposed amendments would give more time for a business venture to reorganize, work its way out of difficulty and provide protection for unpaid suppliers and wage earners.

TAXATION

The federal government has introduced corporate and personal tax reform. In general terms, there has been a move away from tax incentives and towards lower rates. This process has resulted in such things as lower tax rates and a restructuring of incentives. The small business tax rate of 12.8% is considerably lower than the rate applicable to large corporations, and it is one of the lowest levels in all OECD countries. In broadening the tax base, effective tax rates for small business have remained relatively unchanged while the effective tax rate for large corporations has been increased.

"Reduce taxes that put a strain on the budgets of small businesses."

The National Forum recommended that subsidized programs should be replaced by tax credits.

The primary incentive for small business is the introduction of the Capital Gains Exemption of \$500 000 for dispositions of small business corporation shares, which rewards success and private entrepreneurship and encourages more Canadians to invest in small business.

The **35% tax credit for current research and development expenditures** is now 100% refundable for small Canadian-controlled private corporations.

"Income tax returns should be simplified."

Electronic tax returns are being tested by Revenue Canada in an attempt to simplify taxation procedures.

Tax forms are assessed annually. A formal consultative process on new measures of compliance is to be established by Revenue Canada. There is also to be an assessment of how incentives complicate tax returns.

"Reduce the complexity of investment tax credits for small business."

The **Special Investment Tax Credit** is structured to give a one-time tax credit of 30% for assets acquired after 1988 by businesses situated in prescribed designated regions (in disadvantaged regions of the country).

"Use a portion of local business taxes to fund local business initiatives."

Regional tax incentives will be part of the review noted above.

The National Forum recommended that local taxes should support entrepreneurial activity. Local taxes vary greatly from province to province and region to region, as does the level of infrastructure development and the ability to attract business. Both depend in part on provincial grants and contributions.

Training costs for middle managers can currently be written off as an operational expense. The National Forum recommended that tax credits be supplied for the training costs of middle managers, whom small businesses find so hard to hire and to keep. The case would have to be made that training middle managers should be rewarded with tax benefits as well as anticipated productivity improvements.

"It takes time to find the right person and the time required to train the new manager is difficult to find while the firm is growing."

ENHANCING TECHNOLOGICAL CAPABILITIES

Technological development and dissemination have become concerns for most government departments and agencies. Most programs and policies at least acknowledge that technology enhancement is vital. Technology was one of the central concerns expressed in many issues raised at the National Forum.

The National Forum was concerned that a communications strategy be developed to inform entrepreneurs of technological developments in terms of opportunities and threats of competition. Each program and department listed below has its own communications plan for its programs and funding mechanisms. The information to improve international competitiveness is also widely available, and at the international level, there are several programs that help business people to locate technology, expertise or investment for technology. Provinces and private enterprise associations are actively involved.

Existing Initiatives

ISTC's **Business Service Centres** and EAITC's **International Trade Centres** have technology transfer as a major focus of their effort, and they provide centralized points of contact for entrepreneurs and business people looking for assistance.

The **Technology Outreach Program** offered by ISTC accelerates the acquisition, diffusion, and development of technology and skills.

The **Industrial Research Assistance Program (IRAP)**, administered by the National Research Council (NRC), provides direct help to firms to upgrade R&D and technology.

The **Technology Liaison Directorate** of ISTC identifies business opportunities involving new products.

The **Technology Inflow Program** (ISTC/EAITC/NRC) provides help in the acquisition of foreign technology.

ISTC's **Advanced Manufacturing Technology Application** program provides financial assistance to assess technological capability.

The **Strategic Technologies Program**, also delivered by ISTC, provides financial assistance in support of research and development and technology application alliances in information technology, biotechnology and advanced industrial materials. These industry-led alliances can also involve foreign firms, universities or research institutes that wish to pool resources on pre-competitive research and development and on pre-commercial technology application projects.

The **Patent Information Exploitation Program**, administered by Consumer and Corporate Affairs Canada provides technological information from the patent system for exploitation.

Funded research Institutes related to various industry sectors, provinces, universities, technical institutes, and large corporations are other sources of information.

New Initiatives

The **Networks of Centres of Excellence** program is an important part of the national science and technology strategy. Each of these networks involves from five to twenty institutions and companies. They provide the coordination and critical mass funding for top Canadian researchers in the natural, medical and engineering sciences to work together on projects that enhance Canada's long-term industrial competitiveness. The networks are administered by the Granting Councils on behalf of the Minister for Science.

Support for technology transfer will be strengthened throughout ISTC and EAITC.

"Technology plays a major role in growing businesses but Canadians have been slow in adopting new technology. This attitude impedes business growth."

"Keep business owners informed about new technological developments and how they can benefit from them. Business owners are frequently not even aware of new developments that could improve their company's performance."

"Support the applications of research in the field of small business."

"Promote R&D in the private sector."

"The commercialization of technology developed at universities and scientific research centres should be encouraged."

DEVELOPING MARKETS

The identification of market opportunities or niches is one of the major challenges when establishing or expanding a business. And with increasing competition, knowing how to gather and act on strategic information is becoming more and more important. Businesses can draw on a constant flow of information from local networks, other businesses, trade publications, data bases and associations. Many business associations operate information services which identify suppliers and opportunities for their members, and many have special events to bring buyers and suppliers together. Most strategic market information resides with private sector or provincial government sources, but the federal government also plays an important role — both as a source of market information, analysis and advice and as a major buyer of products and services.

As the National Forum pointed out, it is one thing to have access to information, it is another to know what information is available and how to analyze it properly — especially given the enormous volume of data that is now available. But the information age has only just begun; no government or business has yet mastered the special challenges that mass communication and computerization pose. Nevertheless, there are government departments and agencies that can help business to identify domestic and international market opportunities and to position themselves to profit from them.

DOMESTIC MARKETS

ISTC branches responsible for particular industry sectors and the department's **Business Service Centres** provide general information on trends and opportunities by sector and region respectively. However, it remains the responsibility of each business to fully explore business opportunities. The **Business Opportunities Sourcing System (BOSS)** is a computerized data bank operated by ISTC that provides information on Canadian suppliers of goods and services as well as market intelligence.

"Strategic information should be provided to entrepreneurs and adapted for them."

ISTC also provides detailed market information on a product-specific basis. It focuses on imports, but includes information on domestic markets, technology transfer, and new manufacturing investment opportunities.

The National Forum recommended that **relationships between small and large firms** be encouraged by the government. Such relationships — be they supply linkages or more complex strategic alliances — can be very advantageous for everyone involved. Large firms benefit from the greater flexibility, responsiveness and innovation of small firms, while small firms stand to gain access to capital, new and larger markets, and instant credibility.

"To encourage opportunities for meetings between existing businesses and new entrepreneurs to help create relationships based on mutual interest."

ISTC sponsored a conference in April 1990 on strategic alliances. Its purpose was to help both large and small businesses learn how they can increase their competitiveness and enter larger areas of activity through strategic alliances.

Companies searching for new linkages or partners can make use of information, resources and networks provided by both federal and provincial governments. The focus of such activity at the federal level would be through ISTC Regional Offices and Business Service Centres, and the offices of organizations such as ACOA, WD and FedNor. EAITC also has trade, investment and technology counsellors abroad that can be of assistance (see the section on export markets).

New Initiatives

Interprovincial barriers fragment domestic markets and undermine the global competitiveness of Canadian firms. As a result of a decision by First Ministers in 1987, discussions are under way to reduce and remove barriers to interprovincial trade.

GOVERNMENT PROCUREMENT

"Make policies for awarding government contracts more flexible, thus favouring small business."

The National Forum recommended that opportunities for small business to sell goods and services to the government be enhanced. Supply and Services Canada (SSC) is the main purchaser of goods and some services for the federal government, but all departments and agencies can purchase some services.

SSC established a **Small Business Action Plan** in 1986 which improved access for small business through simplified registration and contracts.

Under the **Area Buy Policy**, SCC regional offices solicit bids regionally and thus improve access across the country. Recently, local offices of all government departments and agencies have been allowed increased expenditures without going through a centralized process, which further helps local businesses. In addition, SSC has undertaken small business access enhancement initiatives aimed at increasing the fairness, openness and accessibility of the procurement system for small business. SSC and other federal departments are continuing to search out competitive local and small business suppliers.

SSC has initiated an **Open Bidding Project** which nationally advertises, via an electronic bulletin board, opportunities for goods contracts and selected science and professional services contracts greater than \$25 000. Suppliers equipped with a personal computer and modem can access the system and request the bid solicitation document. Opportunities previously known only to suppliers on the SSC qualified source lists are now available for all Canadian firms to submit bids.

ISTC requires that all industrial and regional benefits packages of major Crown projects valued over \$100 million include small business plans for supplier development and project-related sub-contracting.

EXPORT MARKETS

"More and more, the vitality of Canadian small businesses is linked to their dynamism and their ability to reach foreign markets."

The National Forum recognized that there is substantial support already available to develop export markets. The concern was that such support be made more effective and more focused on the needs of entrepreneurs and small businesses.

Existing Initiatives

The **Industrial Cooperation Program** of the Canadian International Development Agency (CIDA) offers financial incentives to Canadian firms seeking opportunities for investment, joint ventures and transfers of proven technology in less developed countries. Assistance is provided to develop long-term arrangements for business cooperation and to carry out project definition studies. At least 50% of CIDA's bilateral aid is tied to the procurement of competitively priced goods and services from Canada, many of them provided by small firms.

"There is a need to monitor the role of foreign governments which may be inhibiting our ability to sell internationally through non-tariff barriers."

EAITC is initiating a "Going Global" strategy which will focus on the U.S., European and Pacific markets. The free trade agreement is designed to resolve problems Canadian companies have had exporting to the U.S. The current GATT negotiations are working towards trade liberalization around the world.

EAITC has many programs designed to help with exports. The fundamental help offered is through the regional **International Trade Centres**, the national body of **Trade Commissioners** in Ottawa, and the **Trade Commissioner Service** in foreign postings. All of these will help in facilitating the development of an export market. The International Trade Centres will extend that help to the development of market plans.

"... to facilitate expansion on world markets by providing strategic, privileged information."

EAITC provides a broad range of services. It provides information and advice to firms that have never exported before as well as to firms seeking to expand their overseas activities. It publishes several periodicals with useful information for and about Canadian exporters. It organizes a variety of trade fairs and missions both at home and abroad. Its Program for Export Market Development (PEMD) seeks to increase export sales by sharing costs of industry-initiated activities aimed at developing export markets. Its InfoExport toll-free number provides information on EAITC services and publications.

The **Export Development Corporation** provides a full range of financing, insurance and guarantees services.

The FBDB's **Export Receivables Financing Program** provides SMEs with financing for foreign-based receivables.

"Not all Canadian small businesses are ready to compete in open markets. Free trade and foreign trade will help to increase their awareness of the importance of quality and improve their ability to play by international rules."

The **Canadian Commercial Corporation (CCC)** acts as the prime contractor when foreign governments and international agencies wish to purchase goods and services from Canadian businesses on a government-to-government basis. The Canadian firm sells directly to the CCC, which pays in Canadian dollars on delivery of the goods. This system removes risks associated with payment terms and credit worthiness of clients.

New Initiatives

EAITC conducted a review of its **Marketplace-90** program at the conclusion of the 1989 program. The new format for 1990 emphasizes export counselling in specified industrial sectors. This counselling will be provided through a series of on-site visits by Trade Commissioners to companies in over 60 communities.

"In order to encourage and support the export activities of growing smaller companies, government should... improve export financing programs for small businesses."

PEMD is being restructured so that associations and organizations can facilitate exports. This will help owners or managers of SMEs who are members.

The **International Trade Centres** are extending the consultative process to have regular contacts with local industries and particularly potential new exporters. There is to be an added emphasis on including SMEs in all fairs and missions.

CONCLUSION

The National Forum on Entrepreneurship was convened to develop a broad consensus concerning the roles of the private sector, of training institutions, and of the government in promoting entrepreneurship. As a result, there is now a large body of agreement concerning the kind of support entrepreneurs need from the government, from educational institutions and from society. Yet, this does not mean that the time for consultations is over. Effective action demands on-going communication.

The challenge is no longer a matter of the government supplying a type of service or program. But this does not mean just more of the same. What it does mean is that all of us — the various levels of government, the private sector and educational institutions — must develop more coherent and interactive ways of working together. Canadians face complex challenges that demand integrated, targeted forms of cooperation at many different levels.

Canadians must work together to evolve our institutions and society so that they truly nurture the entrepreneurial spirit. And action is already taking place. Whether in high-profile settings such as the National Forum on Entrepreneurship or in less public but just as important professional or private situations, business people, academics and bureaucrats have begun the task. A profound transformation of values and of the way we act is underway, affecting aspects of our lives extending from personal creativity to how agencies and small businesses collect and analyze vast amounts of data. Government services are learning to help entrepreneurs make better sense of an increasingly complex world. Entrepreneurs are developing ways — such as strategic alliances — to position themselves more competitively. And academics and business people are working together to nurture the spirit of practical innovation in young Canadians.

By assisting the entrepreneurial process, we assist people who are already creating and applying tomorrow's solutions. If government, business and the educational system work together, we can transform Canadian society so that it becomes truly supportive of entrepreneurs. The National Forum on Entrepreneurship was a historic first step in this process.

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