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# Technological Innovation Studies Program

## Research Report

A STUDY OF  
SUCCESSFUL TECHNICAL ENTREPRENEURS  
IN CANADA

BY

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September, 1972

## Rapport de recherche

## Programme des études sur les innovations techniques



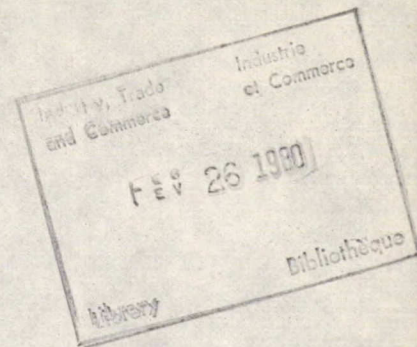
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The views and opinions expressed in this report are those of the authors and are not necessarily endorsed by the Department of Industry, Trade and Commerce.

EXECUTIVE SUMMARY

This study is similar in structure to the previous working paper "Canadian Entrepreneurship - A Study of Small Newly Established Firms".

The authors collected empirical data on the characteristics of 39 successful 'prairie' technical entrepreneurs involved in the establishment of one or more technologically-based enterprises in the secondary manufacturing sector. Data was also collected on particulars of the firms. Special emphasis was given to comparing Canadian born with non-Canadian born entrepreneurs.

A primary objective in the third part of their survey was to gain insight into the entrepreneurs' perception of the problems affecting their activities, as well as to elicit their views on the type of policies that should be introduced to promote a healthy entrepreneurial climate.

Recommendations and Conclusions:

The entrepreneurs believed that the 'cards' were stacked against them in terms of:

- limited access to capital and markets
- government policies favouring the large well established firms.

ACKNOWLEDGEMENTS

A special debt of gratitude must be extended to the many entrepreneurs who willingly responded to our detailed questionnaire. The positive response of these entrepreneurs is indicative of the concern which they feel about promoting the environment for entrepreneurship in Canada.

The material in this study could not have been assembled so readily without the help of our research assistants, Rodney Sim and Joan Hamilton, to whom we are deeply indebted. None of these persons is, of course, responsible for any part of the study.

The authors gratefully acknowledge the financial assistance given and the interest shown by the Office of Science and Technology, Department of Industry, Trade and Commerce to undertake research on the topic of Canadian entrepreneurship. In particular, we would like to thank Dr. Alan Vanterpool for his continuing interest in our research.



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PART I

Introduction



SCOPE AND OBJECTIVES

The scope of this study is to provide empirical data about the characteristics of successful Canadian technical entrepreneurs, about the characteristics of their firms, and about their perception of the environment for entrepreneurship in Canada, with a view to determining the form that Canadian government assistance might take.

The population examined in this study consists of 39 entrepreneurs involved in the establishment of one or more technologically-based enterprises in the secondary manufacturing sector. Most of these enterprises are small, with a present annual sales volume of less than \$1 million. Over 75% of the entrepreneurs considered their first venture to be successful. Thus, our observations with respect to innovation and entrepreneurship in Canada relate mainly to this grouping of firms. Special emphasis is given to comparing Canadian born with non-Canadian born entrepreneurs.

"A technologically-based firm is defined as a company which emphasizes research and development or which places major emphasis on exploiting new technical knowledge. It is often founded by scientists or engineers and usually includes a substantial percentage of professional, technically-trained personnel."<sup>1</sup>

The term "successful" in the context of this study is seen as the survival of the entrepreneurial operation during the initial years of its operation. Professor E.B. Roberts notes that "the first several years are the tough ones

and that those surviving the first five years are likely to survive thereafter".<sup>1</sup> Approximately 90% of the respondents in our sample satisfied this criteria. Professor Roberts also notes that,

"Survival is not the same as success, of course, although for many entrepreneurs survival may in fact be sufficient success. We typically define enterprise success in such businessmen's terms as growth, sales, profitability, and the like. But entrepreneurs do not necessarily have those objectives in going into new enterprises; for some, simply producing an organization that has survivability is a sufficient reward - even if it yields no greater income to the entrepreneur than he made in his previous employment."<sup>2</sup>

The remainder of the study can be read as follows. Part II contains a summary of the findings. The detailed findings, in tabular form, are contained in Part IV, following Part III which outlines the sources of information and data collection methods. Additional material is contained in appendices.



FOOTNOTES - Part I

- 1-1:1 A.C. Cooper, "Incubator Organizations, Spin-offs, and Technical Entrepreneurship", Proceedings of the Indiana Academy of the Social Sciences, 1969, 3rd Series, Vol. 4, April 1970, p.33.
- 1-2:1 E.B. Roberts, "How to Succeed in a New Technology Enterprise", Technology Review, December, 1970, p.22.
- 1-2:2 Ibid., p.22.

PART II

Summary of Findings



In Part II we will present a summary of the findings from the three parts of the questionnaire.

### Section 1 - Entrepreneur's Background

The questions raised in the first part of the questionnaire were designed to obtain some insights into the characteristics of technical entrepreneurs. In short, the focus is on the entrepreneur. In 1971, at the time the questionnaire was completed, the average age of our respondent was 47. However, the pertinent point to note is that the majority of these entrepreneurs formed their first company in the age range of 35-40. This finding is comparable to the finding of similar studies conducted in the U.S. which note that U.S. technological entrepreneurs tend to be in their middle thirties when they establish their first business venture.<sup>1</sup> This age characteristic applies equally to our Canadian and non-Canadian born entrepreneurs. The latter group accounted for 38% of the sample.

The respondents came from families which moved infrequently, with the majority of them having spent their first 18 years in one place. Thus, the formative years of their development was rarely interrupted by geographical dislocation. This was true for Canadian and non-Canadian born entrepreneurs. All of the non-Canadian born entrepreneurs had

originally immigrated either from Europe or the United States.

This stability of family residency was matched by the admission of a religious affiliation on the part of the entrepreneur. Thirty-seven of the 39 entrepreneurs identified themselves as members of a religious group. This finding coincides with the U.S. observation that the entrepreneur's religious background appears to have an influence on his goal orientation; namely, whether or not to become an entrepreneur. Further, our breakdown of the respondents' religious faith also matches the U.S. statistic. For example, 59% of our respondents identified themselves as Protestants, while the comparable figure in the U.S. was 57%. The Catholics in the Canadian sample accounted for 21% as opposed to 19% in the U.S. The breakdown for the Jewish segment was 10% in Canada and 13% in the U.S. None of the members of the Jewish faith was born in Canada. Correspondingly, the two entrepreneurs who chose to identify themselves as not being members of any religious denomination were Canadian born.

An important characteristic of the technological entrepreneur is that he is well educated. Approximately 59% of the respondents held university degrees, and all of them were in the fields of engineering and science. The non-Canadian born entrepreneurs were slightly better educated than the Canadian born group. The median level of university

education was that of a bachelors degree. It appears that the respondents' formal training had a major impact on the direction of his future entrepreneurial activity.

Thirty-nine per cent of the respondents' fathers were self-employed. The fathers of Canadian born entrepreneurs were more frequently self-employed (48%) than their foreign-born counterparts (27%). The statistic for the Canadian born group is comparable to the U.S. data (50%). The lower percentage for the non-Canadian born group is not surprising, inasmuch as most immigrants, particularly from Europe, come from a lower socio-economic strata of society. Thus, their reasons for coming to Canada are often based on their desire to improve their economic well-being, and to provide their children with superior opportunities.

It has been suggested that entrepreneurial fathers are more likely to produce entrepreneurial sons because of the demonstration effect. For example, family conversations about business may spark interest on the part of children to consider the merits of being self-employed. This condition was obviously less critical in the case of non-Canadian born entrepreneurs, where there were proportionately fewer self-employed fathers, and proportionately fewer fathers who held high status positions, i.e. professional and managerial. In this instance, the motivation for becoming self-employed may have come from the financial and social constraints which these entrepreneurs experienced as children of parents of a

lower socio-economic strata.

However, regardless of the respondents family background, upon completing their formal education, they joined the labour force. Thirty per cent of the respondents secured, as their first job, a professional or managerial position. It should be noted that most of the non-Canadian born contingent obtained their first job in their native land, where they also received their formal academic training.

Job stability was more evident with Canadian born entrepreneurs than with non-Canadian born entrepreneurs. Sixty-two per cent of the Canadian born entrepreneurs were employed for a period of five years or more at their first job, whereas eighty per cent of non-Canadian born entrepreneurs held onto their first job for a period not exceeding five years. Among the reasons mentioned for resignation from their first job, the entrepreneurs frequently replied that a new position was open, that there was no future in the present company and that there was a desire to start one's own business. Foreign born entrepreneurs stated that economic conditions in their native lands precipitated their resignation, and probably their emigration to Canada.

The term of employment decreased for our respondents as the frequency of jobs and age of entrepreneur increased. Sixty per cent of Canadian born entrepreneurs were employed for a period less than five years at their last job prior to

establishing their first company. Sixty per cent of non-Canadian born entrepreneurs revealed a similar propensity. The entrepreneur's reason for resigning from his last job was the desire to start a new business. Less frequently cited reasons included 'no future' and 'management disagreement'.

Non-Canadian born entrepreneurs held an average of about three full-time jobs prior to establishing their first company, while Canadian born entrepreneurs held slightly more than two full-time jobs. It should be noted again that although the entrepreneur becomes unsettled and a job transient in later years, the formation of a first venture was done at a relatively early age.

Fifty-two per cent of the entrepreneurs had previous work experience outside of Canada for an average period of four years. Their positions were frequently general manager. Others cited army and course training as positions held outside Canada. Almost fifty per cent of these respondents (work experience outside Canada) were domiciled in the United States. Others typically worked in their country of origin. Over fifty per cent of the respondents had worked with a U.S. company or subsidiary. It has generally been accepted that the level of managerial competence is higher in the United States, and this may explain the success in Canada of some of our respondents.



Most of the respondents held professional and managerial positions prior to establishing their first company. Although the managerial function should not be confused with the technical function, it was probably true that such managerial positions tended to be concentrated in the technical areas. The technological entrepreneur rarely combines both technical and general managerial expertise. In a similar study, the authors found that,

"only a few of the technical entrepreneurs possessed general management expertise comparable to their technical skills. This fact may be attributed to the following reasons: lack of a formal business education coupled with work experience which tended to be in the technical area."<sup>1</sup>

Prior to establishing their first venture, seventy-seven per cent of the entrepreneurs worked in Canada. The entrepreneurs were also inclined to establish their first company in the area in which they had received their education and job experience. For most of the Canadian born entrepreneurs, this literally meant the region in which they were raised. Since the non-Canadian born entrepreneurs on arrival in Canada settled in Quebec and Ontario, it is interesting to note that every one of their first ventures was established in these two provinces.

It appears that technological entrepreneurs establish their first company in the area in which they have lived and worked. This permits them to exploit those resources with which they are most familiar, and which are critical when

forming a company. These resources include banks and other financial institutions, lawyers, accountants, prospective customers and suppliers. Moreover, much of the early spadework in forming the new company is often handled by the prospective entrepreneur while he is still working on his last job.

All respondents presently hold important management positions, principally those of President, Vice-President and General Manager. Although there was a diverse number of industries represented by the sample of first companies, first ventures tended to be concentrated in three industries: chemicals-plastics, electronics, and mechanical-transport. Non-Canadian born entrepreneurs tended to specialize in the chemicals-plastics field, whereas Canadian born entrepreneurs favoured the mechanical-transport field.

An interesting observation was drawn from the answers to one of the questions which raised the issue of forming additional companies. It appears that entrepreneurs are seldom satisfied with limiting their business horizons to the establishment of a single firm. Regardless of the degree of their success, two-thirds of the entrepreneurs expressed a willingness to form another company in the future. This point is all the more noteworthy since the great majority of the entrepreneurs had already established more than one company, at the time the questionnaire was completed.

Although there is no directly comparable Canadian

study with which to compare our findings, Professor J. Porter's study of the economic elite in Canada - 760 persons holding directorships in major corporations and banks - provides some interesting parallel observations:<sup>1</sup>

- (a) 30% of the engineers and scientists in the economic elite group were not born in Canada. Almost all came from the U.S. and Europe.<sup>2</sup>
- (b) Protestants were over-represented and Roman Catholic under-represented in the group. The French-Canadian segment of the population was poorly represented.<sup>3</sup>
- (c) McGill and the University of Toronto were prominent in producing graduate engineers and scientists who entered the economic elite.<sup>4</sup>

## Section 2 - Establishing the First Company

The second part of the questionnaire dealt with the events leading up to the establishment of the entrepreneur's first company. It has often been argued that profit maximization underlies the private enterprise system. However, the entrepreneur is motivated by other factors as well. For example, Professor McClelland<sup>1</sup> has found that the typical entrepreneur is motivated by the need for achievement rather than by the need for power. In order of importance, our study found the following principal features most attractive with having one's own enterprise: (a) the challenges; (b) the freedom to explore new ideas; and (c) being one's own boss. Being one's own boss does not necessarily involve the quest for power but rather the freedom to direct oneself as opposed to being directed within the confines of an existing firm. No significant differences were revealed by the two groups of entrepreneurs.

In their first ventures, the entrepreneurs were able to draw on skills previously acquired. Managerial expertise, technical competence and financial ability were the most frequently cited skills. Canadian born entrepreneurs prided themselves more on managerial expertise and technical competence, while non-Canadian born entrepreneurs indicated managerial expertise, particularly with regard to personnel management, as their major strength brought to the new enterprise.

Sixty-four per cent of the respondents established their first company for the sole purpose of exploiting a specific idea or product. Non-Canadian respondents were much more inclined to resign in order to exploit specific ideas or products (73%), whereas Canadian born entrepreneurs were more disposed towards the establishment of a new company per se. The respondents tended to establish their first ventures in the industries in which they had previously worked. Moreover, the entrepreneur tends to be a self-directed individual, committed to the eventual success of his product or idea, even to the point of ignoring its failure.

Eighty-three per cent of the respondents indicated that their former companies would not have allowed them to develop their product idea. All of the non-Canadians were convinced that their former employers would not have permitted them to develop their projects. The over-riding reason for rejecting the entrepreneurs' ideas was that they did not fit the objectives of their former employers.

Our study confirms findings for the U.S. which show that most entrepreneurs form their first company after they have acquired some operating experience in industry. In addition, there appears to be a considerable amount of technology transfer from their former employer's organization. In other words, the fledgling entrepreneur usually tries to exploit that which "he knows best".



There were many specific events precipitating the entrepreneur to leave his former company. These typically included: learned of a market for his new ideas; learned of possible financial backing; a new breakthrough or new idea; and, acquisition of partners to join a venture. It is interesting to note that only six per cent of the Canadian born respondents cited personal conflict as a reason for leaving, compared to nineteen per cent of the non-Canadian born entrepreneurs.

On establishing their first venture, twenty per cent of the respondents recruited personnel from their former company. Although one might suspect that the typical entrepreneur is a loner and a hoarder of his own new ideas, it was noted that the majority of companies were established by more than one individual. This finding is consistent with earlier studies.<sup>1</sup>

As in the U.S. case, the typical first company is financed largely through personal savings and equity positions taken by small investors. Family and friends and the banks were used to a lesser extent. Start-up capital was usually minimal, and venture capital sources were seldom successfully tapped in the initial stages of company development. Non-Canadian born entrepreneurs made greater use of institutional sources of capital than did their Canadian born counterparts. In the course of managing their first venture, financial and selling problems were the most significant and frequently encountered problems.

Over seventy-five per cent of all first ventures were deemed successful by the respondents. Non-Canadian born entrepreneurs were generally more successful than Canadian born entrepreneurs. This group of respondents reported an  $8\frac{1}{2}\%$  casualty rate, while the failure rate for Canadian born entrepreneurs was twenty-four per cent. The success rate achieved by non-Canadian born entrepreneurs could be attributed to one or all of the following: their relationship with institutional sources of capital; nature of their products; and, their initial commitment to a specific idea or product.

The sample was inherently "successful". As a result, it is not surprising to find that the group of entrepreneurs participated in a number of new company formations. Although many Canadian born entrepreneurs located in the Western Provinces of Canada, non-Canadian born entrepreneurs continued to exhibit a reluctance to move from Central Canada.

Non-Canadian born entrepreneurs maintained their favour for chemical products in subsequent ventures, while Canadian born entrepreneurs scaled down their participation in manufacturing-oriented ventures to sales/service companies. Non-Canadian born entrepreneurs were extremely successful in promoting and developing large-size Canadian operations compared to their Canadian counterparts. Ten out of 23 ventures achieved annual sales over \$1.0 M, compared to 3 of 27 for Canadian born entrepreneurs.

Success rates are further confirmed by the failure rates of other companies which these entrepreneurs helped to form. Non-Canadian born respondents indicated only one failure out of thirty-seven ventures, while Canadian born entrepreneurs had nine failures in forty-seven attempts. These failures do not imply that the remaining companies were successful, but only in existence.

### Section 3 - The Environment for Entrepreneurship

The primary objective of the third part of our survey was to gain an appreciation of the entrepreneurs' perception of the problems affecting their activities, as well as to elicit their views on the type of policies that should be introduced to promote a healthy entrepreneurial climate. Five general, open-ended questions were listed to allow the respondent to tackle each question in an unstructured fashion. The areas included venture capital, government policies designed to stimulate the formation of new enterprises, the marketing of new products, government assistance in the area of research and development, and measures aimed at promoting Canadian entrepreneurship. Our interpretation of these comments recognizes that they reflect the abilities and characteristics of the entrepreneurs, as well as the environment in which the entrepreneurs operate.

A major observation noted in the replies to the questions is that the respondents share a condensed image of the problems which afflict the fledgling entrepreneur in Canada. In brief, they believe that the cards are stacked against them in terms of limited access to capital and markets, coupled with government policies which blatantly favour the large well-established firm. For example, on the question of the availability of venture capital, the majority of the respondents felt that such capital was hard to come by.

They viewed this lack of venture capital as being responsible for limiting their business opportunities, and for having prevented the commercialization of potentially profitable projects in Canada.

This perception of the venture capital problem is in contrast with that of the venture capital firms which maintain that capital is available, but that proposals put forward by many Canadian entrepreneurs are so poorly researched, documented and presented that, even if the project idea is a viable one, it is seldom communicated adequately, and for this reason is turned down. Moreover, it is found that many of the prospective entrepreneurs, who are themselves deficient in management skills, seldom employ the kind of supporting staff necessary to instill confidence on the part of the venture capital firm.<sup>1</sup> This point may help to explain why Canadian venture capital firms are investing heavily in entrepreneurial undertakings based in the United States. In some instances, more than fifty per cent of their capital is invested in U.S. projects. It is the contention of these Canadian venture capital firms that the management sophistication of U.S. entrepreneurs is markedly superior to their Canadian counterparts, and that this determines their investment pattern.<sup>2</sup>

Some of the respondents complained that the venture capital firms insist on too great an equity position. In part this is a defensive measure by the venture capital firm, because the equity position allows it to influence the



management direction, and thus increase the probability of bringing the project to commercial fruition.

Another major complaint voiced by the respondents is that Canadian banks are too conservative in their approach to assessing entrepreneurial projects, and that along with other financial institutions they lack confidence in Canadian entrepreneurs. There is little doubt that this lack of confidence and conservatism is partly due to the management weaknesses exhibited by Canadian entrepreneurs. However, the nature of the Canadian banking system also militates against the promotion of Canadian entrepreneurship.

Unlike the U.S. unit banking system, the Canadian branch banking system tends to depersonalize the working relationship between the entrepreneur and the bank manager. This is particularly so in smaller urban centres away from Toronto and Montreal, because loans above a certain size have to be approved by head office. The geographical and decision-making distance between the bank manager and his head office does not lend itself to the kind of symbiosis that one detects in the relationships of many U.S. banks and entrepreneurs. In the U.S., the bank official and entrepreneur usually reside in the same community, and their economic objectives are much more interdependent through closer social and working relationships, and with the banker having greater lending authority.

Taxes are too high for new ventures, the government is too conservative in its support of Canadian entrepreneurs, and ends up in supporting firms which do not require assistance. These were the three major criticisms directed by the respondents against the government for its failure to promote the formation of more new firms in Canada. Complaints against high taxes is an accepted fact of life, and is particularly evident on the part of owner-managers of small and medium-sized firms. Nonetheless, this is not a sufficient reason for dismissing this complaint.

The critical feature of the tax complaint is that there is little tax incentive for the prospective inventor/entrepreneur to invest his time and capital in the pursuit of a product concept or market opportunity. This is particularly so for those who are employees of other firms. Most of these respondents also maintain that there should be a lower corporate tax assessment made on new firms for an extended period, and, thus encourage more Canadians to establish ventures of their own. It is the contention of these respondents that the foregoing measure would increase the number of prospective Canadian inventors and entrepreneurs, as well as to make more risk capital available to the entrepreneur through his own business efforts, as opposed to "standing in line for government hand-outs" (grants).

The point about the Canadian government being too

conservative raises the question of what role the government should play in promoting entrepreneurship. While this question was not tackled per se, a number of respondents maintained that the government should invest in worthwhile projects. What is worthwhile was not defined, but the point to note is that many of the respondents had difficulty in attracting funds from venture capital firms for reasons already discussed. This leaves one with the question of how a civil servant can justify "gambling" public funds on projects deemed too risky, in many instances, for venture capital firms. In other words, should the government act as a venture capital firm of last resort?

An examination of government grants to business shows that the larger, more established firm is often in the major recipient category. This has not gone unnoticed by the respondents who equate this phenomenon with the argument that "the rich get richer and the poor get poorer". Although the government could conceivably justify all their grants by some set of criteria, the fact that they have not explains this attitude of smaller firms. This may be attributed to the poor communication linkages which exist between government and entrepreneurs, inasmuch as this group of businessmen is least knowledgeable about the availability of government programmes designed to encourage technological advancement and industrial activity.

Distortion of facts, lack of information, often communicated through rumours of grants and their recipients in corridor gossip among entrepreneurs, has generated a sense of hostility towards the government, and a lack of confidence in its ability to assist the entrepreneur in his commercial efforts.

Most of the respondents argued that the Canadian market is too small and that Canadian customers - consumers and industrial users - are unwilling to purchase goods which have not received the prior seal of approval through customer acceptance in the U.S. The foregoing criticism was viewed as the major marketing obstacle to the introduction of new products by entrepreneurs in Canada. While this observation may be valid, it also signals a major shortcoming on the part of Canadian entrepreneurs. Few of them conduct any marketing research before making the decision to commercialize their product idea. Market assessment in terms of size and customer acceptance is virtually absent in their "technical" feasibility studies. This is one of the chief reasons underlying the fact that sales performance of their 'new' products seldom achieve their initial sales projections.

In addition, it is well known that heavy promotional outlay at the time of product introduction is a prerequisite to achieving desired market penetration, especially in the consumer field. Many of the entrepreneurs lacked the funds to engage in such activity and, thus, were disadvantaged

vis à vis the market, and their competitors. Some of the respondents stated that they found themselves in a subordinate bargaining position with their distributors, because of their total dependence on middlemen. In short, they lacked the power to influence the marketing direction of their product. It should also be noted that promotion was viewed as an expenditure rather than as an investment in ensuring the successful commercialization of their product idea.

One way of obviating the limited market size constraint is to export. The entrepreneurs were cognizant of this fact and many of them included potential export sales in their market calculations. Regrettably, the marketing shortcomings exhibited by small and medium-sized firms often become accentuated when they engage in export business. This fact may help to explain why a number of the respondents recommended that incentives, in the form of subsidies, be introduced to promote export sales.

It was noted earlier that most of the respondents were largely critical of government policies. Not enough, too late and for the wrong people was an oft quoted statement in the survey. However, on the question of specific government support for research and development through such programmes as PAIT, the consensus was extremely favourable. The fact that most of the respondents were recipients of such grants may help to account for their praise. Nonetheless,

it is probably true that the receipt of government grants by business is not necessarily a pre-condition for eliciting business support for government programmes in general.

In the light of their experiences, the respondents were asked to comment on the measures which should be taken to promote the environment for entrepreneurship. It was noted earlier that the respondents regarded lack of venture capital and high taxes as the two major obstacles to the formation of new enterprises. It is therefore not surprising that most of the respondents centered their recommendations on increasing the supply of venture capital, and on the need for lowering the tax base for new ventures. Two other key recommendations were included, albeit a distant third and fourth, namely improving the screening procedure for government assistance, and the use of procurement policies, as well as the provision of greater incentives for investing in Canadian-owned firms. In short, the recommendations focussed on things external to the entrepreneur, and little mention was made of self-improvement as a means of affecting change.

The foregoing analysis has not distinguished between the views of Canadian born and non-Canadian born entrepreneurs. Canadian born entrepreneurs were generally more critical of the opportunities for entrepreneurship in Canada. They viewed banks and other financial institutions as being overly-

conservative and lacking confidence in the abilities of Canadian entrepreneurs. The major difference in perception between the two types of entrepreneurs is that Canadian born entrepreneurs emphasised the smallness of the Canadian market, and the conservative nature of Canadian customers with respect to purchasing new products which have not received acceptance in the U.S. In addition Canadian born entrepreneurs were more critical of policies with respect to taxation and the promotion of new businesses. While non-Canadian born entrepreneurs perceived these problems to a much lesser degree, they were notable for their recommendation of increasing the availability of venture capital in Canada.

THE COMPLETE REPLIES TO THIS SECTION OF THE QUESTIONNAIRE  
CAN BE FOUND IN APPENDIX B.



FOOTNOTES - Part II

- 2-1:1 The comparison of our findings with those in the U.S. are based on material contained in the following articles. Needless to say, the samples compared are approximate and not identical.
- (a) A.C. Cooper, "The Palo Alto Experience", Industrial Research, May 1970, pp. 58-60.
  - (b) A.C. Cooper, "Entrepreneurial Environment", Industrial Research, September 1970, pp. 74-76.
  - (c) E.B. Roberts, "A Basic Study of Innovators; "How to Keep and Capitalize on their Talents", Research Management, Vol. XI, Number 4, (July 1968), pp. 249-265.
  - (d) E.B. Roberts, "How to Succeed in a New Technology Enterprise", Technology Review, December 1970, pp. 22-27.
  - (e) E. Roberts and H.A. Wainer, Some Characteristics of Technical Entrepreneurs, Research Program on the Management of Science and Technology, M.I.T. (Cambridge, Mass.), May 1966.
  - (f) H.A. Wainer and I.M. Rubin, "Motivation of R & D Entrepreneurs: Determinants of Company Success", Research Paper, M.I.T., 1967.
- 2-6:1 I.A. Litvak and C.J. Maule, "Managing the Entrepreneurial Enterprise", Business Quarterly, Vol. 37, No. 2, Summer 1972, p.43.
- 2-8:1 J. Porter, Vertical Mosaic, (Toronto, University of Toronto Press, 1965), Ch. IX.
- 2-8:2 Ibid., p.277.
- 2-8:3 Ibid., pp. 286-9.
- 2-8:4 Ibid., p. 277.
- 2-9:1 D. McClelland, The Achieving Society, (Princeton, Van Nostrand, 1961).
- 2-11:1 See I.A. Litvak & C.J. Maule, "Managing the Entrepreneurial Enterprise", op.cit., p.42; and A.C. Cooper, "The Palo Alto Experience", op.cit., pp. 58-60.

2-15:1 See I.H. McLeod, "Can Canadians be Successful Entrepreneurs", and A. Grieve, "Venture Capital Sources and the Canadian Entrepreneur", both in Business Quarterly, Vol. 37, No. 1 (Spring 1972), pp. 28-36 and pp. 54-59 respectively.

2-15:2 Based on interviews with Canadian Venture Capital Firms.

PART III

Sources of Information

and

Data Collection Methods

The study involved an examination of thirty-nine technical entrepreneurs and the firms with which they were involved. All these firms were in the secondary manufacturing sector. The selection of these entrepreneurs was based largely on information obtained by the authors in an earlier study.<sup>1</sup> Most of the firms were small with a present sales volume of less than \$1 million. Over 75% of the entrepreneurs considered their first venture to be successful. An attempt was made to obtain regional representation for the study. However, it should be noted that none of the entrepreneurs studied is located in the Atlantic provinces.

Information on these entrepreneurs and their firms was obtained through a 10 page mail questionnaire - see Appendix A.

A total of 76 questionnaires was mailed to selected entrepreneurs throughout Canada during 1971/72. Seven recipients disqualified themselves as entrepreneurs. The regional distribution of the remaining 69 was as follows: Ontario - 28; British Columbia - 12; Quebec - 11; Alberta - 7; Manitoba - 7; Nova Scotia - 2; New Brunswick - 1; and Saskatchewan - 1. Thirty-nine of the sixty-nine recipients responded to the questionnaire - a response rate of 56%. This high response rate was due partly to a follow-up letter which included a preliminary statement of our findings.

The information obtained from the completed question-

naires was coded and cross-classified according to pre-established criteria. The major classification was country of birth, with the entire sample divided into Canadian and non-Canadian born entrepreneurs. Where feasible, an attempt was made to compare the findings of this study with comparable studies conducted in the United States. However, the authors were mindful of the following warning given to Canada in a recent OECD study:

"...it should be noted that a very high proportion of all information and analysis of technological innovation has been undertaken in the USA. Since the U.S. system is so well documented, and since information about it is so readily available, there is a danger...of slipping into an almost exclusive discussion of the U.S. system...without sufficient consideration of the different levels of resources, environmental conditions and policy objectives of the other Member countries." <sub>1</sub>

FOOTNOTES - Part III

- 3-1:1 I.A. Litvak and C.J. Maule, "Managing the Entrepreneurial Enterprise", Business Quarterly, Vol. 37, No. 2 (Summer 1972), pp. 42-50.
- 3-2:1 "The Conditions for Success in Technological Innovation", OECD, Paris, 1971, p. 23.

PART IV

Detailed Findings\*

\*Where question totals do not add up to 39, the question was not answered. In other instances, where totals exceed 39, respondents gave more than one answer to a question.



A. THE ENTREPRENEUR1 - 1 Age of Respondent.

<u>Years</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
26-30	1	3	1	4	0	0
31-35	3	8	2	8	1	7
36-40	3	8	1	4	2	13
41-45	9	23	4	17	5	33
46-50	11	28	8	33	3	20
51-55	6	15	4	17	2	13
56-60	4	10	4	17	0	0
61-65	1	3	0	0	1	7
66-70	<u>1</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>7</u>
	<u>39</u>	<u>101*</u>	<u>24</u>	<u>100</u>	<u>15</u>	<u>100</u>
Median Age	48		48		43	
Mean Age	47		47		47	
Modal Age	48		48		43	

There does not appear to be a significant difference in age between Canadian and non-Canadian-born entrepreneurs. At the time of the questionnaire, their average age was 47. However, the more significant point to note is that a majority of these entrepreneurs established their first company seven to ten years earlier at the age of 35 to 40.

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\*error due to rounding

1 - 2	<u>Place of Birth.</u>	
	Canada	24
	U.S.	4
	Czechoslovakia	1
	Holland	1
	England	3
	Hungary	2
	Germany	1
	Russia	1
	Sweden	1
	Rumania	<u>1</u>
		39
		<u><u>    </u></u>

62% of the respondents were Canadian-born and  
38% non-Canadian-born.

1 - 3      Residency during first eighteen years.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Canada:			
British Columbia	2	2	0
Prairies	10	10	0
Ontario	10	10	0
Quebec	2	1	1
Atlantic	<u>1</u>	<u>1</u>	<u>0</u>
	25	24	1
Czechoslovakia	1	0	1
United States	4	0	4
Holland	1	0	1
U.K.	3	0	3
Hungary	2	0	2
Germany	1	0	1
Russia	1	0	1
Sweden	<u>1</u>	<u>0</u>	<u>1</u>
	<u>39</u>	<u>24</u>	<u>15</u>

Entrepreneurs were from families which tended to move infrequently. All non-Canadian-born entrepreneurs were from Europe and the United States, while most of the Canadian-born entrepreneurs were from Ontario and the Prairies. Most of the non-Canadian-born entrepreneurs established their first ventures in the Provinces of Ontario and Quebec.

1 - 4 Religion.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Protestant	23	59	16	67	7	46
Jewish	4	10	0	0	4	27
Catholic	8	21	4	17	4	27
Other	2	5	2	8	0	0
None	<u>2</u>	<u>5</u>	<u>2</u>	<u>8</u>	<u>0</u>	<u>0</u>
	<u>39</u>	<u>100</u>	<u>24</u>	<u>100</u>	<u>15</u>	<u>100</u>

Relative to religious distribution of the Canadian population, the Protestants are slightly overrepresented in our sample (60% vs. 46%); the Catholics are underrepresented (20% vs. 46%); and the Jewish group is well overrepresented (10% vs. 1.4%).

1 - 5      Education.Total

	<u>Primary</u>	<u>Secondary</u>	<u>University</u>
Started	39	36	28
Completed	38	33	23

Canadian

Started	24	22	17
Completed	23	20	13

Non-Canadian

Started	15	14	11
Completed	15	13	10

Approximately fifty-nine per cent of all entrepreneurs held University degrees: eighty-five per cent attended and successfully completed secondary school education. 54% of Canadian-born respondents held a University degree, and 83% of all Canadian respondents achieved secondary school education. 67% of non-Canadian-born respondents held a University degree, and 87% of non-Canadian-born respondents achieved secondary school education.

1 - 5 Highest Level of University Education Achieved.

<u>Degree</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
B.A.	0	0	0	0	0	0
B.Sc.	7	30	5	38	2	20
MA/M.Sc.	3	13	0	0	3	30
Ph.D.	4	17	2	15	2	20
B.Ap.Sc.	8	35	6	46	2	20
M.D.	1	4	0	0	1	10
Diploma	0	0	0	0	0	0
	<u>23</u>	<u>99*</u>	<u>13</u>	<u>99*</u>	<u>10</u>	<u>100</u>

Science-oriented degrees accounted for all of the University degrees obtained by the respondents. The median level of education at the University level was that of a bachelors degree in Science or Engineering. Thus the entrepreneur's formal training would seem to influence the direction of his future "entrepreneurial activity" as well as providing some necessary technical skills.

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\*error due to rounding

1 - 5 University Attended.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Canada:			
U. of Alberta	2	2	0
U.B.C.	2	2	0
Queens	1	1	0
McMaster	1	0	1
U. of Toronto	6	5	1
McGill/MacDonald	4	4	0
M.I.T.	2	1	1
Cornell	1	1	0
Pratt Institute	1	0	1
Chrysler Institute	1	0	1
Illinois Tech.	1	0	1
Michigan State	1	0	1
Vienna Austria	1	0	1
Milan	1	0	1
Budapest	1	0	1
U.K. - London	<u>2</u>	<u>1</u>	<u>1</u>
	<u>28</u>	<u>17</u>	<u>11</u>

The most frequently attended educational institutions were University of Toronto and McGill University (35%). It is noted that non-Canadian-born respondents attended University institutions in their former native-lands (82%), rather than attending foreign institutions. A similar proportion of Canadian-born respondents (82%) opted for "home" Universities.



1 - 6 Other Professional Qualifications.

Thirty-three per cent of the respondents possessed other qualifications including professional designations, memberships in professional institutes and partial university course credits.

1 - 7 Father's Occupation.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1. Professional and Managerial	8	22	6	26	2	14
2. Clerical and Sales	10	27	7	30	3	22
3. Skilled Labour	12	32	5	22	7	50
4. Unskilled Labour	4	11	2	9	2	14
5. Farmer	<u>3</u>	<u>8</u>	<u>3</u>	<u>13</u>	<u>0</u>	<u>0</u>
	<u>37</u>	<u>100</u>	<u>23</u>	<u>100</u>	<u>14</u>	<u>100</u>

22% of the respondents had fathers who held high-status professions such as accountant/broker or president of a company. A further 27% of the respondents had fathers who held "white-collar" positions. There was a difference between Canadian-born and non-Canadian-born entrepreneurs inasmuch as the fathers of Canadian-born entrepreneurs held a larger proportion of high-status positions.

1 - 7 Did father own his own business?

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	15	11	4
No	<u>23</u>	<u>12</u>	<u>11</u>
	<u>38</u>	<u>23</u>	<u>15</u>

Father's Financial Status.

	<u>Total</u>		<u>Own Business</u>		<u>Canadian</u>		<u>Own Business</u>		<u>Non-Canadian</u>		<u>Own Business</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Wealthy	3	8	2	13	1	4	1	9	2	13	1	25
Well-Off	17	45	8	53	12	52	6	54	5	33	2	50
Well-Off/Poor	6	16	3	20	5	22	2	18	1	7	1	25
Poor	<u>12</u>	<u>31</u>	<u>2</u>	<u>13</u>	<u>5</u>	<u>22</u>	<u>2</u>	<u>18</u>	<u>7</u>	<u>47</u>	<u>0</u>	<u>0</u>
	<u>38</u>	<u>100</u>	<u>15</u>	<u>99*</u>	<u>23</u>	<u>100</u>	<u>11</u>	<u>99*</u>	<u>15</u>	<u>100</u>	<u>4</u>	<u>100</u>

It was found that thirty-nine per cent of the respondents' fathers were self-employed. Fathers of Canadian-born entrepreneurs were more frequently self-employed (48%) as compared to their foreign-born counterparts (27%). Sixty-seven per cent of all respondents' fathers who were self-employed were also financially well-off or wealthy.

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\*errors due to rounding

1 - 8 Entrepreneur's First Job.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1. Professional and Managerial	12	30	7	29	5	33
2. Clerical and Sales	6	15	1	4	5	33
3. Skilled Labour	18	46	14	58	4	27
4. Unskilled Labour	1	3	0	0	1	7
5. Farmer	<u>2</u>	<u>5</u>	<u>2</u>	<u>8</u>	<u>0</u>	<u>0</u>
	<u>39</u>	<u>99*</u>	<u>24</u>	<u>99*</u>	<u>15</u>	<u>100</u>

30% of the respondents secured "professional" type jobs following their schooling. A further 15% held white-collar jobs.

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\*errors due to rounding

1 - 8 First Job-Location.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Canada:			
British Columbia	4	4	0
Prairies	5	5	0
Ontario	11	10	1
Quebec	5	3	2
Atlantic	2	2	0
Czechoslovakia	1	0	1
U.K.	4	0	4
Milan	1	0	1
United States	3	0	3
Germany	1	0	1
Hungary	1	0	1
Sweden	<u>1</u>	<u>0</u>	<u>1</u>
	<u>39</u>	<u>24</u>	<u>15</u>

The majority of entrepreneurs tended to secure their first job in their native land. This finding might be explained by the fact that many of the respondents received their academic training in their country of birth.

1 - 8 Years of Tenure at First Job.

<u>Years</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
0-2	11	28	5	21	6	40
3-5	10	26	4	17	6	40
5-10	10	26	7	29	3	20
10-15	4	10	4	17	0	0
15-20	2	5	2	8	0	0
20+	<u>2</u>	<u>5</u>	<u>2</u>	<u>8</u>	<u>0</u>	<u>0</u>
	<u>39</u>	<u>100</u>	<u>24</u>	<u>100</u>	<u>15</u>	<u>100</u>

Reasons for Resignation from First Job.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Change from industry to industry	2	0	2
2. Further studies	1	1	0
3. Financial	2	1	1
4. No future	6	4	2
5. Company failure	1	1	0
6. New Position	5	4	1
7. Army	2	1	1
8. Management disagreement	1	1	0
9. Economic conditions in country	5	1	4
10. Health	2	2	0
11. Transfer	2	1	1
12. Start own Business	<u>7</u>	<u>4</u>	<u>3</u>
	<u>36</u>	<u>21</u>	<u>15</u>

80% of the respondents held their first job for a period not exceeding ten years. In fact 54% were employed at their first job for less than five years.

Job stability was more evident with Canadian-born entrepreneurs than with non-Canadian-born entrepreneurs. Sixty-two per cent of the Canadian-born entrepreneurs were employed for a period five years or more at their first job, whereas eighty per cent of non-Canadian-born entrepreneurs held onto their first job for a period not exceeding five years.

With respect to job stability, several factors can be cited for contributing to this situation. Among the reasons mentioned for resignation from their first job, the entrepreneurs frequently replied that a new position was open, there was no future in the present company and there was a desire to start one's own business. Foreign born entrepreneurs stated that economic conditions in their native lands precipitated resignation, and probably their emigration to Canada.



1 - 9      Last Job Before Establishing First Company.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Professional and Managerial	19	11	8
2. Clerical and Sales	11	7	4
3. Skilled Labour	3	3	0
4. Unskilled Labour	0	0	0
5. Farmer	<u>2</u>	<u>2</u>	<u>0</u>
	<u>35</u>	<u>23</u>	<u>12</u>

Location of Last Job Before Establishing First Company.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Canada:			
British Columbia	5	5	0
Prairies	6	5	1
Ontario	9	6	3
Quebec	8	5	3
Atlantic	0	0	0
United States	6	2	4
Hungary	1	0	1
Sweden	<u>1</u>	<u>0</u>	<u>1</u>
	<u>36</u>	<u>23</u>	<u>13</u>

Most of the respondents held professional and managerial positions prior to establishing their first company. Just before establishing their first venture, seventy-eight per cent of all the entrepreneurs worked in Canada.

1 - 9

Tenure at Last Job Before Establishing First Company.

<u>Number of Years</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
0-2	9	27	5	27	4	27
3-5	11	33	6	33	5	33
5-10	3	9	1	6	2	13
10-15	6	18	4	22	2	13
15-20	0	0	0	0	0	0
20+	0	0	0	0	0	0
Unknown	4	12	2	11	2	13
	<u>33</u>	<u>99*</u>	<u>18</u>	<u>99*</u>	<u>15</u>	<u>99*</u>

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\*errors due to rounding

1 - 9      Reasons for Resignation.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Change from industry to industry	0	0	0
2. Further studies	0	0	0
3. Financial	0	0	0
4. No future	3	2	1
5. Company failure	1	1	0
6. New Position	1	1	0
7. Army	0	0	0
8. Management disagreement	3	1	2
9. Economic conditions in country	1	0	1
10. Health	1	1	0
11. Transfer	1	1	0
12. Start own business	16	9	7
13. Frustration	<u>3</u>	<u>2</u>	<u>1</u>
	<u>30</u>	<u>18</u>	<u>12</u>

Jobs by Industry Classification.

<u>Industry</u>	<u>1 - 8</u> <u>First Job on</u> <u>Completion</u> <u>of Education</u>	<u>1 - 9</u> <u>Last Job Before</u> <u>Establishing</u> <u>First Company</u>
Primary	6	4
Secondary	14	17
Tertiary	11	7
N.A.	<u>8</u>	<u>11</u>
	<u>39</u>	<u>39</u>
	<u>    </u>	<u>    </u>

The term of employment decreased for the respondents as the frequency of jobs and age of entrepreneur increased. 60% of Canadian-born entrepreneurs were employed for a period less than five years at their last job prior to establishing their first company. 60% of non-Canadian-born entrepreneurs revealed a similar propensity. The entrepreneur's reason for resigning from his last job was the desire to start a new business. Less frequently cited reasons included no future, management disagreement and frustration.

1 - 10 Number of Full-Time Jobs Before Establishing  
First Company.

<u>Number</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
0	5	13	4	17	1	7
1	7	18	3	13	4	29
2	9	24	7	29	2	14
3	6	16	4	17	2	14
4	6	16	5	21	1	7
5	3	9	0	0	3	22
6	2	5	1	4	1	7
	<u>38</u>	<u>101*</u>	<u>24</u>	<u>101*</u>	<u>14</u>	<u>100</u>

Employment Outside of Canada.

<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
19	10	9

Position Held Abroad.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
General Manager	7	4	3
Army	2	1	1
Course Training	2	2	0
Researcher	1	0	1
Engineer	1	1	0
N/A	<u>6</u>	<u>2</u>	<u>4</u>
	<u>19</u>	<u>10</u>	<u>9</u>

\*errors due to rounding

1 - 10 Location of Job.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
United States	9	7	2
South Africa	1	1	0
U.K.	2	1	1
Milan	1	0	1
Hungary	1	0	1
Sweden	1	0	1
N/A	<u>4</u>	<u>1</u>	<u>3</u>
	<u>19</u>	<u>10</u>	<u>9</u>

Length of Tenure of Work Outside Canada.

<u>Number of Years</u>	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
0-2	4	3	1
3-5	3	2	1
5-10	2	1	1
10+	1	0	1
N/A	<u>9</u>	<u>4</u>	<u>5</u>
	<u>19</u>	<u>10</u>	<u>9</u>

Non-Canadian-born entrepreneurs held an average of about three full-time jobs prior to establishing their first company. Canadian-born entrepreneurs held slightly more than two full-time jobs. It should be noted again

that although the entrepreneur becomes unsettled and job transient in later years, the formation of a first venture was done at a relatively early age.

Fifty-two per cent of the entrepreneurs had previous work experience outside of Canada for an average period of four years. Their positions were frequently general manager. Others cited army and course training as positions held outside Canada. Almost fifty per cent of these respondents (work experience outside Canada) were domiciled in the United States. Others typically worked in their country of origin. Over fifty per cent of the respondents had worked with a U.S. company or subsidiary.



1 - 11 Present Job Title.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
President	24	61	16	67	8	53
Vice-President	7	18	4	17	3	20
General Manager	5	13	2	7	3	20
Technical Director	2	5	1	4	1	7
Senior Staff Engineer	<u>1</u>	<u>3</u>	<u>1</u>	<u>4</u>	<u>0</u>	<u>0</u>
	<u>39</u>	<u>100</u>	<u>24</u>	<u>99*</u>	<u>15</u>	<u>100</u>

Industry.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Chemicals and Plastics	6	0	6
Electronics	4	2	2
Mechanical Transport	4	4	0
Steel Fabrication	1	1	0
Mining Equipment and Machinery	3	3	0
Processing Machinery	3	3	0
Food Processing	2	1	1
Wood Products	3	2	1
Other Manufacturing	<u>13</u>	<u>8</u>	<u>5</u>
	<u>39</u>	<u>24</u>	<u>15</u>

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\*error due to rounding

All respondents presently hold important management positions, principally those of President, Vice-President and General Manager. Although there was a diverse number of industries represented by the sample of first companies, generally speaking, first ventures tended to be concentrated in three industries: chemicals-plastics, electronics, and mechanical-transport. Non-Canadian-born entrepreneurs tended to specialize in the chemicals-plastics field whereas Canadian-born entrepreneurs favoured the mechanical-transport field.

1 - 12 Is Entrepreneur Planning to Establish Another Company?

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	7	5	2
No	4	3	1
Maybe	<u>2</u>	<u>2</u>	<u>0</u>
	<u>13</u>	<u>10</u>	<u>3</u>

All the entrepreneurs were self-employed. Only one-third of the entrepreneurs responded to this question from the standpoint of establishing another company. Of these, approximately two-thirds indicated a willingness to establish another company.

B. FIRST BUSINESS VENTURE2 - 1 Location and Success of First Company.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>Successful</u>	<u>No.</u>	<u>Successful</u>
Canada:						
British Columbia	7	20	6	5	1	1
Prairies	7	20	6	5	1	1
Ontario	13	37	7	6	6	6
Quebec	6	17	3	1	3	2
Maritimes	0	0	0	0	0	0
United States	2	6	1	0	1	1
	<u>35</u>	<u>100</u>	<u>23</u>	<u>17</u>	<u>12</u>	<u>11</u>

2 - 2 Did Entrepreneur Establish Company on His Own?

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	13	9	4
No	22	14	8
N/A	<u>4</u>	<u>1</u>	<u>3</u>
	<u>39</u>	<u>24</u>	<u>15</u>

Ninety-four per cent of the respondents located their first company in the Provinces of Ontario, British Columbia, Prairies and Quebec. Most non-Canadian-born entrepreneurs located their first ventures either in Ontario or Quebec. This finding may be explained partially by the entrepreneur's past history. Typically, the immigrant first locates himself in Montreal or Toronto where suitable employment can be found.

Sixty-three per cent of the respondents indicated the need for manpower support in order to establish their first company.

2 - 3 Features Most Attractive in Starting First Venture.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Salary	1	1	0
Being own Boss	12	9	3
Challenge	29	18	11
Freedom to explore new areas	17	13	4
Other	11	8	3

In order of importance, this study found the following principal features most attractive with having one's own enterprise: (a) the challenges; (b) the freedom to explore new ideas; and (c) being one's own boss. No significant differences were revealed by the two groups of entrepreneurs.

2 - 4 Skills from last Job Found Most Valuable.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Personnel Management	7	4	3
Technical	9	7	2
Managerial Capacity	13	9	4
Contracts	4	4	0
Financial	8	6	2
Sales/Marketing	2	1	1
All	1	0	1
None	<u>1</u>	<u>1</u>	<u>0</u>
	<u>45</u>	<u>32</u>	<u>13</u>

In their first ventures, the entrepreneurs were able to draw upon skills previously acquired. Managerial capacity, technical competence and financial ability were the most frequently cited skills and resources. Canadian-born entrepreneurs prided themselves more on managerial capacity and technical competence, while non-Canadian-born entrepreneurs indicated management experience, particularly with regard to personnel management as their major strength brought to the new enterprise.

2 - 5

On Resignation Was There an Intention to Exploit  
a Specific Idea or Product.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	25	14	11
No	<u>14</u>	<u>10</u>	<u>4</u>
	<u>39</u>	<u>24</u>	<u>15</u>

If You Had Not Resigned, Would Former Company  
Have Permitted You to Work on Your Specific  
Idea or Product.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Yes	4	14	4	19	0	0
No	25	83	16	76	9	100
Maybe	<u>1</u>	<u>3</u>	<u>1</u>	<u>5</u>	<u>0</u>	<u>0</u>
	<u>30</u>	<u>100</u>	<u>21</u>	<u>100</u>	<u>9</u>	<u>100</u>

Elaboration of Negative Reasons in Previous  
Company.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Unwilling to engage in new product development	3	2	1
2. Internal bureaucracy	2	1	1
3. Turned down proposal	5	4	1
4. Idea nothing to do with former Company	3	3	0
5. Company not capable of developing idea	3	1	2
6. Wanted to keep secret	<u>2</u>	<u>2</u>	<u>0</u>
	<u>18</u>	<u>13</u>	<u>5</u>



Sixty-four per cent of the respondents established their first company for the sole purpose of exploiting a specific idea or product. Non-Canadian respondents were much more inclined to resign in order to exploit specific ideas or products (73%), whereas Canadian-born entrepreneurs were more disposed towards the establishment of a new company per se.

It should also be noted that the respondents tended to establish their first ventures in the industries in which they had previously worked.

Eighty-three per cent of the respondents indicated that their former companies would not have allowed them to develop their product idea. All of the non-Canadians were convinced that their former employers would not have permitted them to develop their projects. The over-riding reason for rejecting the entrepreneurs' ideas was that they did not fit the objectives of the former employers, both Canadian and foreign-owned firms.

2 - 6

Specific Events Precipitating Resignation from  
Last Job.\*

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Learned of market for new ideas	11	8	3
2. Learned of possible financial backing	10	7	3
3. Offered position in new enterprise	6	2	4
4. New breakthrough or new idea	11	6	5
5. Someone decided to join in venture	10	7	3
6. Project completed, delayed or dropped	2	2	0
7. Change in work assignment	3	3	0
8. Friend or associate left company	2	2	0
9. Personal conflict	9	4	5
10. Other	<u>10</u>	<u>7</u>	<u>3</u>
	<u>74</u>	<u>48</u>	<u>26</u>

---

\*Respondents listed more than one event

2 - 6 Elaboration of Other.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. To make money for University	1	1	0
2. Former company rejected idea	1	1	0
3. Challenge	2	2	0
4. Boredom	1	1	0
5. Crystallization of former plans	1	1	0
6. Fill market void	1	0	1
7. Former company not capable	1	0	1
8. No jobs available	1	1	0
9. Disenchantment with management	<u>1</u>	<u>0</u>	<u>1</u>
	<u>10</u>	<u>7</u>	<u>3</u>

There were many specific events precipitating the entrepreneur to leave his former company. Typically these included:

- (a) learned of a market for his new ideas;
- (b) learned of possible financial backing;
- (c) a new breakthrough or new idea;
- (d) acquisition of partners to join venture.

It is interesting to note that only six per cent of the Canadian respondents cited personal conflict as a reason for leaving, compared to nineteen per cent of the non-Canadian-born entrepreneurs.

2 - 7

Did Entrepreneur Try to Recruit Anyone to Leave With Him?

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Yes	7	20	4	18	3	23
No	<u>28</u>	<u>80</u>	<u>18</u>	<u>82</u>	<u>10</u>	<u>77</u>
	<u>35</u>	<u>100</u>	<u>22</u>	<u>100</u>	<u>13</u>	<u>100</u>

Skills Possessed by Those Recruited.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Technical	5	3	2
Administrative	1	1	0
Sales/Marketing	<u>1</u>	<u>0</u>	<u>1</u>
	<u>7</u>	<u>4</u>	<u>3</u>

On establishing their first venture, twenty per cent of the respondents recruited personnel from their former company. Of those entrepreneurs who did manage to recruit, only one or two others were ever chosen. It was noted that the majority of companies were established by more than one individual, (see 2 - 2).

2 - 8 Major Problems in Managing First Company.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
1. Personnel	39	16	21	7	18	9
2. Financial	41	31	29	21	12	10
3. Distribution of Product	36	11	13	3	23	8
4. Selling, getting contracts	36	18	18	10	18	8
5. Legal	28	8	13	4	15	4
6. Other	6	4	6	4	0	0

Average (C)

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1.	2.50	3.0	2.0
2.	1.33	1.4	1.2
3.	3.30	4.3	2.9
4.	2.00	1.8	2.25
5.	3.50	3.25	3.75
6.	1.50	1.50	--

Notes - item analysis to rank order answers.

(A) - refers to sum total of relative weight given to each problem area.

(B) - refers to number of respondents within each problem category.

(C) - average refers to overall relative ranking of problem areas.

i.e. - financial most important, distribution of product least important.

The major problems encountered by our sample (in order of significance) were as follows:

Canadian

1. Financial
2. Other
3. Selling, getting contracts
4. Personnel
5. Distribution of Product
6. Legal

Non-Canadian

1. Financial
2. Personnel
3. Selling, getting contracts
4. Distribution of Product
5. Legal

It is apparent that financial and selling problems were the most significant and most frequently encountered by the survey of entrepreneurs.

It is interesting to note that non-Canadian-born entrepreneurs cited personnel problem as high on their list. A touch of irony is evident insofar as these very same respondents indicated earlier that personnel management was one of their chief skills, (see 2 - 4).

2 - 9      Initial Sources of Venture Capital.\*

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Savings	14	11	3
Family/Friends	8	6	2
Bank/IDB	9	5	4
Small Investors	11	6	5
Government Programs	4	2	2
Venture Capitalist	4	1	3
Corporate	4	4	0
Investment Dealers	<u>4</u>	<u>1</u>	<u>3</u>
	<u>58</u>	<u>36</u>	<u>22</u>

---

\*Respondents noted more than one source

The most frequently used sources of venture capital were personal savings and equity positions taken by small investors. Family/friends and the banks were used to a lesser extent. Non-Canadian-born entrepreneurs made greater recourse to institutional sources of capital (venture capitalists and investment dealers) than did their Canadian-born counterparts.

2 - 10 Did Entrepreneur View First Venture as Successful.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	28	17	11
No	7	6	1
Maybe	<u>2</u>	<u>1</u>	<u>1</u>
	37	24	13
	<u>==</u>	<u>==</u>	<u>==</u>

Eighty per cent of all first ventures were deemed successful by our group of respondents. Non-Canadian-born entrepreneurs were generally more successful than Canadian-born entrepreneurs. This group of respondents reported an eight and one-half per cent casualty rate, while the failure rate for Canadian-born entrepreneurs was twenty-four per cent.



2 - 11 Number of Companies Helped to Form Since  
Establishing First Venture.

<u>Number</u>	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
0	4	3	1
1-2	11	6	5
3-5	13	9	4
5+	<u>5</u>	<u>3</u>	<u>2</u>
	<u>33</u>	<u>21</u>	<u>12</u>

Location of These Companies.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Canada:			
British Columbia	12	11	1
Prairies	10	9	1
Ontario	23	15	8
Quebec	13	4	9
Atlantic	<u>0</u>	<u>0</u>	<u>0</u>
	58	39	19
United States	5	1	4
U.K.	1	1	0
Hungary	<u>1</u>	<u>0</u>	<u>1</u>
	<u>65</u>	<u>41</u>	<u>24</u>

2 - 11 Type of Products.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Chemicals	5	0	5
2. Communications	3	3	0
3. General Equipment	4	3	1
4. Transportation	6	4	2
5. Building products	3	2	1
6. Agricultural Products	3	3	0
7. Sales/Service	11	11	0
8. Forest Products	1	0	1
9. Automobile Parts	<u>1</u>	<u>1</u>	<u>0</u>
	<u>37</u>	<u>27</u>	<u>10</u>

Present Annual Sales Volumes of all Companies.

<u>Sales Volumes</u>	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
0 - 50,000	8	16	6	22	2	9
50,000 - 100,000	10	20	5	19	5	22
100,000 - 500,000	14	28	9	33	5	22
500,000 - 1M	5	10	4	15	1	4
1M - 5M	9	18	2	7	7	30
> 5M	<u>4</u>	<u>8</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>13</u>
	<u>50</u>	<u>100</u>	<u>27</u>	<u>100</u>	<u>23</u>	<u>100</u>

2 - 11 Companies Still in Existence.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
Yes	74	38	36
No	<u>10</u>	<u>9</u>	<u>1</u>
	<u>84</u>	<u>47</u>	<u>37</u>

The sample was inherently "successful". As a result, it is not surprising to find that our group of entrepreneurs have participated in a number of new company formations.

Non-Canadian-born entrepreneurs maintained their favour for chemical products in subsequent ventures, while Canadian-born entrepreneurs scaled down their participation in manufacturing-oriented ventures to sales/service companies. Non-Canadian-born entrepreneurs were extremely successful in promoting and developing large-size Canadian operations compared to their Canadian counterparts. Ten out of 23 ventures achieved annual sales over \$1.0 M, compared to 3 of 27 for Canadian-born entrepreneurs.

Success rates are further confirmed by the failure rates of other companies which these entrepreneurs helped to form. Non-Canadian-born respondents indicated only one failure out of thirty-seven ventures, while Canadian-born entrepreneurs had nine failures in forty-seven attempts. These figures do not imply that the remaining companies were successful, but only in existence.

C. ENVIRONMENT FOR ENTREPRENEURSHIP AS PERCEIVED BY THE  
ENTREPRENEUR

3 - 1 Problems Related to Venture Capital.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>
1. Venture capital is hard to come by.	24	62	16	66	8	53
2. Canadian banks are too conservative.	9	23	7	29	2	13
3. Financial institutions lack confidence in Canadian entrepreneurs.	14	36	9	38	5	33
4. Venture capital firms insist on too great equity participation.	3	8	2	8	1	7
5. Inadequate federal and provincial government assistance - general.	3	8	2	8	1	7
6. Canadian tax structure provides disincentives.	2	5	2	8	0	0
7. Stringent security (underwriting) regulations.	1	3	1	4	0	0
8. No comments.	7	18	3	13	4	27

---

\* % calculated out of 39 for each item under Total, out of 24 under Canadian, and out of 15 under Non-Canadian.

Sixty-two per cent of the respondents indicated that venture capital was hard to come by. Thirty-six per cent felt that Canadian financial institutions lacked confidence in Canadian entrepreneurs, and twenty-three per cent stated that Canadian banks were too conservative.

Comments relating to other sources of venture capital (e.g. venture capitalists, Government, Investment Dealers) were minimal, probably reflecting a lack of exposure to these sources.

3 - 2 Problems Associated with Government Policies  
Which Affect the Establishment of New  
Enterprises.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Taxes too high for new ventures.	8	6	2
2. Government is too conservative to support Canadian entrepreneurs.	8	6	2
3. Lack of government purchasing support for firms which receive assistance from I.T. & C.	1	1	0
4. Government incentive programs are not marketing oriented.	5	4	1
5. Insufficient government support for management and R & D personnel.	1	1	0
6. Programs are not properly co-ordinated to provide incentives.	3	1	2
7. Government favours supporting firms which do not require assistance.	7	4	3
8. Lack of incentives for promoting export business.	5	2	3
9. Patent policy requires review.	3	2	1
10. Government incentive programs are constrained by political considerations.	1	1	0
11. Government is involved in too much in-house research.	2	1	1
12. Lack of information about programs.	1	1	0
13. No comments.	11	5	6

In commenting on problems associated with Government policies designed to encourage the formation of new enterprises, the Federal government was judged to be too conservative, and was said to favour supporting firms which did not require assistance.

A related problem with regards to fostering entrepreneurship was the Canadian tax system. The respondents argued for lower taxes particularly during the early development stages of the venture. It is during this stage of the company life cycle that capital requirements are of significant importance.

The respondents noted a lack of marketing support on the part of Government incentive programs. There were indications that the respondents faced many problems related to selling, getting contracts and establishing distribution systems. Canadian-born entrepreneurs were more critical of Government policies.

3 - 3 Problems Associated with Marketing New Products.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>
1. Market is too small.	15	38	10	42	5	33
2. Lack of marketing research information.	2	5	1	4	1	7
3. Canadian customers (users and resellers) are too conservative and, thus, less willing to purchase new products.	6	15	6	25	0	0
4. Canadian consumers follow U.S. lead and are unwilling to set a new pattern.	9	23	8	33	1	7
5. There is a need to rely on export earnings.	2	5	1	4	1	7
6. Industrial customers are unwilling to support the activities of Canadian entrepreneurs.	3	8	1	4	2	13
7. No comments.	12	30	5	21	7	47

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\* % calculated out of 39 under total, out of 24 under Canadian, and out of 15 under Non-Canadian.

Thirty-eight per cent of the respondents stated that the Canadian market was too small. In addition, Canadian consumers were cited to be U.S. followers, and were generally unwilling to set new buying patterns. The respondents attributed this unwillingness to Canadian conservatism.



3 - 4

As a Recipient of Government Assistance for R & D,  
Rate the Effectiveness of the Programme.

	<u>Total</u>		<u>Canadian</u>		<u>Non-Canadian</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1. Excellent	19	49	13	54	6	40
2. Fair	9	23	6	25	3	20
3. Poor	3	8	2	8	1	7
4. No comments	<u>8</u>	<u>20</u>	<u>3</u>	<u>13</u>	<u>5</u>	<u>33</u>
	<u>39</u>	<u>100</u>	<u>24</u>	<u>100</u>	<u>15</u>	<u>100</u>

Despite the criticisms levied against general government policies, incentive programs were judged, generally, fair to excellent by seventy-two per cent of the respondents.

3 - 5 Recommended Measures for the Promotion of  
Entrepreneurship in Canada.

	<u>Total</u>	<u>Canadian</u>	<u>Non-Canadian</u>
1. Lower taxes for new ventures.	11	9	2
2. Tax incentives for promoting R & D in Canada.	2	1	1
3. Publicize benefits of promoting entrepreneurship.	1	1	0
4. Tax incentives for investing in Canadian-owned firms.	4	2	2
5. Improve procedure for government assistance and procurement policies.	5	2	3
6. Increase the availability of venture capital - private and public.	14	8	6
7. Less in-house research.	1	1	0
8. Government officials should become more familiar with business practices.	1	1	0
9. Promote a government marketing corporation.	1	0	1
10. No comments.	10	5	5

Several proposals were suggested to improve the environment for entrepreneurship in Canada. The respondents argued for increasing the availability of venture capital, both in the private and public sectors. This would help to remove the initial difficulties of getting the venture off the ground. Second, lower taxes for new ventures were recommended in order to enable the new venture to acquire the necessary resources to build a viable concern. Third, in order to remove the inequities of government assistance programs, screening procedures should be improved. Thereby, only the most deserving companies would be recipients of government assistance. Finally, the entrepreneurs hoped that further tax incentives could be made available to the investing public with respect to new ventures.

APPENDIX A

Copy of Questionnaire

A QUESTIONNAIRE  
ON  
ENTREPRENEURSHIP IN CANADA

Dr. I.A. Litvak and Dr. C.J. Maule  
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NOTE: Please use checks (✓) where appropriate.

SECTION 1: ENTREPRENEUR'S BACKGROUND

Questions in this section are designed to provide information on an anonymous basis about the entrepreneur.

1 - 1 Please indicate your present age \_\_\_\_\_

1 - 2 Where were you born? Country \_\_\_\_\_

1 - 3 Where did you spend your first 18 years?

Town/City

Country

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1 - 4 What is your religion?

Protestant ( ) Catholic ( ) Jewish ( )

Other \_\_\_\_\_

1 - 5 Education

	<u>Did you Attend</u>		<u>Did you Complete</u>	
Primary School	YES( )	NO( )	YES( )	NO( )
High School	YES( )	NO( )	YES( )	NO( )
University	YES( )	NO( )	YES( )	NO( )

For University graduates, please list the following:

	<u>Degree</u>	<u>Date of Graduation</u>	<u>Area of Concentration</u>	<u>Name of University</u>
(i)	_____	_____	_____	_____
(ii)	_____	_____	_____	_____
(iii)	_____	_____	_____	_____

1 - 6 Please list other professional qualifications.

\_\_\_\_\_  
\_\_\_\_\_

1 - 7 Father's occupation \_\_\_\_\_

Did he have his own business: YES ( ) NO ( )

Was he financially WEALTHY ( )

WELL-OFF ( )

POOR ( )

1 - 8 On completion of your education, please indicate:

Type of first job \_\_\_\_\_

Location of job \_\_\_\_\_

Year of appointment 19\_\_\_\_\_

Type of industry \_\_\_\_\_

Name of company \_\_\_\_\_

Year of resignation 19\_\_\_\_\_

Reasons for resignation \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

1 - 9 What was your last job before establishing your first company?

\_\_\_\_\_  
\_\_\_\_\_

Location of job \_\_\_\_\_

Year of appointment 19\_\_\_\_\_

Type of industry \_\_\_\_\_

Name of company \_\_\_\_\_

Year of resignation 19\_\_\_\_\_

Reasons for resignation \_\_\_\_\_

\_\_\_\_\_

1 - 10 Approximately how many full-time jobs did you have before establishing your first company?

Number \_\_\_\_\_

Did you work outside of Canada on any of these jobs?

YES ( ) NO ( )

If yes, please indicate positions, locations and approximate periods of employment.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1 - 11 What is your present job title? \_\_\_\_\_

Type of industry \_\_\_\_\_

1 - 12 If you are currently self-employed, are you planning to establish another company in the future? Please comment, if possible.



SECTION 2: ESTABLISHING YOUR FIRST COMPANY

This section is concerned with the events leading up to the actual establishment of your first company.

2 - 1 When did you establish your first company?

Year 19 \_\_\_\_\_

Where: city and country \_\_\_\_\_

Nature of Product or Service \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 - 2 Did you establish this company on your own?

YES ( ) NO ( )

If no, please elaborate. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 - 3 At the time you resigned from your job, what features of going into business for yourself did you consider most attractive?

Salary \_\_\_\_\_ ( )

Being own boss \_\_\_\_\_ ( )

Challenge \_\_\_\_\_ ( )

Freedom to explore  
new areas \_\_\_\_\_ ( )

Other \_\_\_\_\_

2 - 4 What skills from your last job did you find most valuable in managing your first business? Please describe.

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2 - 5 When you resigned, did you intend to exploit a specific idea or product? If yes, please describe.

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If you had not resigned, would the company have permitted you to work on your idea or product with their facilities? Please elaborate.

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2 - 6 Can you point to any specific events which precipitated your leaving to start your own company, such as new information or a change at work? (Check all which apply).

Learned of market for new ideas \_\_\_\_\_ ( )

Learned of possible financial backing \_\_\_\_\_ ( )

Offered position in new enterprise \_\_\_\_\_ ( )

New breakthrough or new idea \_\_\_\_\_ ( )

Someone decided to join in venture \_\_\_\_\_ ( )

Project completed, delayed, or dropped \_\_\_\_\_ ( )

Change in work assignment \_\_\_\_\_ ( )

Friend or associate left company \_\_\_\_\_ ( )

Personal conflict \_\_\_\_\_ ( )

Other \_\_\_\_\_

2 - 7 Did you try to recruit anyone to leave with you?

YES ( ) NO ( )

If yes, how many people \_\_\_\_\_

What skills did they possess that you required?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2 - 8 What were your major problems in managing your first company? Please rank, 1, 2. . . (1 being most important).

Personnel and personalities \_\_\_\_\_ ( )

Finance and capital support \_\_\_\_\_ ( )

Distribution of product \_\_\_\_\_ ( )

Selling, and getting contracts \_\_\_\_\_ ( )

Legal matters \_\_\_\_\_ ( )

Other \_\_\_\_\_

2 - 9 Please identify your initial sources of venture capital.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2 - 10 Was your first business venture a success? Please discuss freely.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2 - 11 How many companies have you helped to form since establishing your first business venture?

Number \_\_\_\_\_

<u>Date of Incorporation</u>	<u>Location</u>	<u>Type of Product</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

<u>Present Annual Sales</u>	<u>Is Company Still in Existence</u>	
_____	YES ( )	NO ( )
_____	YES ( )	NO ( )
_____	YES ( )	NO ( )
_____	YES ( )	NO ( )
_____	YES ( )	NO ( )

SECTION 3: THE ENVIRONMENT FOR ENTREPRENEURSHIP IN CANADA

Questions in this section are designed to obtain information on the strengths and weaknesses of the Canadian environment for entrepreneurship.

3 - 1 Please comment freely on any problems associated with the availability of venture capital in Canada.

3 - 2 Please comment freely on any problems associated with government policies which affect the establishment of new enterprises in Canada, such as research and development incentives, taxation, patent policy, etc.

- 3 - 3 Please comment freely on any problems associated with marketing new products in Canada.
- 3 - 4 If your firm has been a recipient of a government assistance program in the area of research and development, please comment on the effectiveness of this program.
- 3 - 5 What measures could be taken to promote the environment for Entrepreneurship in Canada.

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OTTAWA 1, CANADA



DEPARTMENT OF ECONOMICS

We are currently conducting a study on Entrepreneurship in Canada which is being supported both by Carleton University and a number of foundations.

In recent years the topic of entrepreneurship has received increasing attention in Canada, particularly with respect to the promotion of innovation. There has, however, been an absence of information on the background of entrepreneurs and the companies formed by them. For this reason, we are seeking your assistance in completing the enclosed questionnaire.

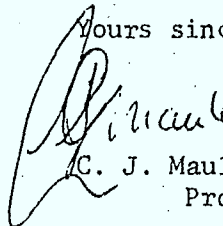
The recipients of this questionnaire are persons who were identified as entrepreneurs by other entrepreneurs, or whose names have appeared in newspapers and periodicals as entrepreneurs associated with new business ventures. However, you will note that in completing this questionnaire, your anonymity is assured. At no time are you requested to identify yourself. A self-addressed and stamped envelope is attached to the questionnaire.

We hope that you will agree that this is an important study, and that you will be kind enough to give it your support. It is our intention to use these findings to promote a greater understanding about the environment for entrepreneurship in Canada, and the problems experienced by entrepreneurs.

On completion of our study, we will undertake to send a copy of our findings to you.

In anticipation, we thank you for your co-operation.

Yours sincerely,

 I. A. Litvak  
C. J. Maule and I. A. Litvak  
Professors



APPENDIX D

Recommendations to promote entrepreneurship  
in Canada published in two special issues  
of the Business Quarterly, Spring 1972 and  
Summer 1972.

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1. Introduce methods to improve Canada's management talent by
  - a) Organization of management development programs in professional associations and graduate schools of business.
  - b) Corporate sponsorship of a management development institute a la IMEDE, CEI or INSEAD
  - c) Further programs in Canadian business schools for the 'seasoned executive' population.
  - d) Support from Provincial governments for management development.
  - e) Support from the Federal government to aid the businessman's understanding of current and proposed legislation and the overall relationship of government to business.
  - f) Introduction in Canadian business schools of courses in entrepreneurship, such as risk-taking procedures.
  - g) Financial assistance from Canadian industry to Canadian business schools to extend curricula to provide needed courses.
  - h) Introduction by Provincial governments in courses fundamental to the operations of business.
  - i) Provincial governments' rationalization of schools of business.
  - j) Federal government's development of a master plan for establishing and refining institutional structures and interrelationships needed to assist the success of businessmen today and tomorrow.<sup>1</sup>
  
2.
  - a) Need to develop procedures for presenting sound propositions to Canadian venture capital firms.
  - b) Cooperation needed between provincial and federal governments so that tax incentives are provided at the appropriate time for the new firms?<sup>2</sup>

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1. I. H. McLeod, "Can Canadians Be Successful Entrepreneurs," Business Quarterly, Vol. 37, No.1. Spring 1972, pp.34-36.

2. N. Williams, "The Cold Canadian Climate for the Entrepreneur: How One Company Weathered It!" Ibid., p.43.

3. Because of foreign-ownership of much of Canadian secondary manufacturing industry, government policy, aimed at promoting entrepreneurship, will have to take into account the corporate philosophy of the foreign parent, and the associated commercial autonomy granted to the Canadian subsidiary.<sup>1</sup>
4. Institute the following measures:
  - a) Let individuals write off losses on investments against overall income.
  - b) Make gains on stock options taxable at capital gains rates.
  - c) Insist that all foreign controlled corporations spend on research and development an equal percentage of sales as the parent.
  - d) Negotiate duty free access to the U.S. market for certain selected industries - preferably the industries of tomorrow, i.e. high technology, communications, products, etc.
  - e) Encourage U.S. managers to come to Canada (items a, b and d would have this effect).
  - f) Install some legislation like the U.S. S.B.I.C. small business program. This is essentially a subsidization program by the government of those people who involve themselves in this risky venture capital business.
  - g) Encourage the universities to innovate in developing entrepreneurship.
  - h) Encourage concentrations of high technology industry in highly liveable parts of Canada.
  - i) Disseminate more information about the Venture Capital industry to the entrepreneurs in our society.
  - j) The overall government attitude to business is very important, most business people have reacted negatively to the extraordinarily complex Tax Legislation that has just become law. Also the Competition Act is a very strange piece of suggested legislation if we are really trying to develop an entrepreneurial business climate in Canada. Our view is that government should encourage business to make as much money as possible, rather than seeming to view the whole free enterprise system as something inherently evil.<sup>2</sup>
5. Entrepreneur should seek guidance from his bank manager, accountant, lawyer and relevant government officials when seeking financial assistance.<sup>3</sup>

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1 I.A. Litvak and C.J. Maule, "Branch Plant Entrepreneurship, Ibid., p.53.

2. A. Grieve, "Venture Capital Sources and the Canadian Entrepreneur," Ibid., p.54.

3. D.L. Sinclair and A.G. Fells, "Management Challenges to the Entrepreneur," Ibid., p.63.

6. Encourage 'spin-off' entrepreneurship in high technology industries through the closer association of universities to industry. Suggested areas for encouraging high technology industry include, VSTOL and VTOL aircraft design and production; environmental reclamation; mass-transport; high volume uses of sulphur; sensor technology; electro-video products; and health care delivery systems.<sup>1</sup>
7. This article deals with the nature and promotion of internal entrepreneurship within large existing corporations. Recommended steps for individual firms to take include
  - a) Set up a department (New Ventures, or New Business Development) charged with the responsibility of searching for, identifying and nurturing new ideas. This department should be given "seed money" to promote further limited development work. The department should be viewed as a "new idea advocate." It should aid a new idea until it is ready for review for full funding and advocate its merits in front of the review panel, the next step.
  - b) Establish a review panel to examine new ideas and to select from among them those that should receive further corporate attention. Members of the panel should be very carefully selected as they will be the judge and jury for all new ideas. Two months is probably the longest an idea should be held before a decision. If an idea is initially turned down an opportunity for a second review is often worthwhile. An idea which the panel approves can then be funded as a start-up internal venture.
  - c) Re-examine the company's compensation scheme to see if it is sufficiently flexible to recognize the risks an entrepreneur undertakes and to reward him accordingly if he succeeds.<sup>2</sup>
8.
  - a) Establishment of a screening board for foreign takeovers, and incentives for companies with a portion of Canadian public ownership.
  - b) Consolidation of government grant dispensing programmes and selection of key industries for promotion - such areas as metals, northern development, pulp and paper, oceanography and cable television. Also concentrate development in certain areas.

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1. J.W. Hodgins, "Academic Spinoffs and Canadian Entrepreneurship," Ibid, pp.69-70.

2. E.B. Roberts and A.L. Frohman, "Internal Entrepreneurship: Strategy for Growth," Ibid., p.78.

8. c) Provision of a tax credit against other income for the Canadian owner-operator equal to 50% of new investment or a maximum of \$10,000 per year. Elimination of tax on capital gains accruing to venture capital commitments up to the public offering or merger stage.
- d) Encouragement of greater consultation among the government, business and academic communities. Have the Canada Development Corporation meet its venture capital commitments by investing in private venture capital companies.
- e) Use a newly-formed venture capital industry association to sponsor seminars for prospective entrepreneurs and to lobby for new enterprise courses in business schools.<sup>1</sup>
9. Examine the opportunities for public entrepreneurship in Quebec, because of the prevailing social and economic structure in the Province.<sup>2</sup>
10. Consideration should be given to developing the following government policies and programmes:
  - a) A statement of the goals of an industrial policy with emphasis on those sectors and regions which will receive special treatment for the purpose of promoting Canadian entrepreneurship.
  - b) An attempt must be made to rationalize the many incentive programs within and between government departments in order to make a more effective use of public resources. The role of the Canada Development Corporation as a venture capital firm must be clarified.
  - c) The design of special management education programs for entrepreneurs, particularly those involved in the start-up of new enterprises.
  - d) The promotion of stronger ties between entrepreneurs and venture capital and management consulting firms. One method of achieving this objective might be to contract out to private firms the evaluation of applicants for government incentive programs which is presently done in-house.
  - e) The promotion of greater awareness about entrepreneurship on the part of universities, particularly in the Faculties of Engineering and Administration.
  - f) The development of a more effective public information program about the availability of government incentive programs for entrepreneurs.<sup>3</sup>
11. Improving the market research capability of entrepreneurial firms.<sup>4</sup>

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1. A.C. Baillie, "Promoting Entrepreneurship in Canada," Business Quarterly, Vol. 37, No. 2, Summer 1972, pp. 26-30.

2. G. Paquet, "French-Canadian Entrepreneurship: Quebec must Design its Own Brand," Ibid., pp. 40-41.

3. I.A. Litvak and C.J. Maule, "Managing the Entrepreneurial Enterprise," Ibid., pp. 49-50.

4. B. Little, R.G. Cooper and R.A. More, "Putting the Market into Technology to Get Technology into the Market," Ibid., pp. 68-69; and L.M. Lamont, "The Dimensions of Technical Entrepreneurship," Ibid., p. 74.

12. Examination of methods to reward those involved in the crucial early stages of the start-up of a new enterprise, but whose skills are required less, once the enterprise is underway.<sup>1</sup>

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1. J.L. Komives, "Characteristics of Entrepreneurs," Ibid., pp. 76-79.





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PROGRAMME DES ÉTUDES SUR LES INNOVATIONS TECHNIQUES

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