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Technological Innovation Studies Program

Research Report

CLIMATE FOR ENTREPRENEURS:
A COMPARATIVE STUDY

by

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Department of Economics,
Carleton University,
January 1974

Rapport de recherche

Programme des études sur les innovations techniques

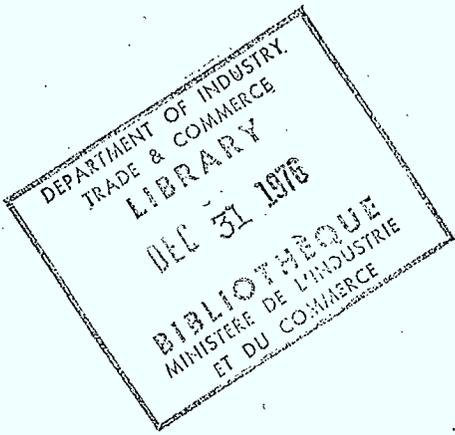


Industry, Trade
and Commerce

Industrie
et Commerce

Office of Science
and Technology
Ottawa, Canada

Direction des sciences
et de la technologie
Ottawa, Canada



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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.

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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.

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TABLE OF CONTENTS

		<u>PAGE</u>
PART I	INTRODUCTION	1-1
	Scope and Objectives	1-1
PART II	SUMMARY OF FINDINGS	2-1
	Entrepreneur's Background	2-1
	Establishing The First Company	2-7
	Environment for Entrepreneurship	2-21
PART III	SOURCES OF INFORMATION AND DATA	
	COLLECTION METHODS	3-1
PART IV	ENTREPRENEURS IN CANADA	
	SUMMARY OF FINDINGS	4-1
	Entrepreneur's Background	4-1
	The Firm	4-5
	The Environment for	
	Entrepreneurship	4-12
PART V	CANADIAN AND NON-CANADIAN BORN	
	ENTREPRENEURS	
	SUMMARY OF FINDINGS	5-1
	Entrepreneur's Background	5-1
	The Firm	5-4
	Environment for	
	Entrepreneurship	5-13

TABLE OF CONTENTS (con't)

		<u>Page</u>
PART VI	SUMMARY OF FINDINGS	6-1
	Entrepreneur's Background	6-1
	The Firm	6-5
	Environment For Entrepreneurship	6-13
APPENDIX B	COPY OF QUESTIONNAIRE	A-1

EXECUTIVE SUMMARY

Section 1 - Entrepreneur's Background

1. The entrepreneurs mean age at the time they incorporated their first firm was 33. The only notable exception to this finding was Quebec where the mean age was 30.
2. Approximately two-thirds of the Canadian entrepreneurs were born in Canada. The only notable exception to this pattern is British Columbia, where almost ninety per cent of the respondents were Canadian-born.
3. Fifty-six percent of the entrepreneurs were of the Protestant faith, 27% were Catholic, 10% were Jewish and the remaining were of other religious persuasions. In Quebec as expected, the proportion of Catholics (43.5%) was higher than the average. A very high percentage (34.8%) of the entrepreneurs in Quebec were of the Jewish faith. In British Columbia, the larger majority (81%) were Protestants.
4. Slightly less than half of the respondents (45%) were university graduates, the majority (86%) of them in science and engineering fields, largely at the Bachelor's level.
5. Approximately one-half of the entrepreneurs came from families where the father was self-employed. This pattern is echoed in the regional and Canadian/non-Canadian born breakdowns. 62.5% of the entrepreneurs identified their families as being well-off (middle class), 34.8% poor and 2.7% as wealthy.
6. The mean number of jobs held by the entrepreneurs before establishing their first firm was 3. In switching jobs before establishing their first venture, the entrepreneurs exhibited a marked tendency for upward career mobility. Of particular note is the increase in managerial occupations from 4.6% to 38.7% from first to last job. When comparing Canadian and non-Canadian born entrepreneurs, three points are deserving of mention: (1) the non-Canadian born group tends to have a lower proportion of white-collar jobs, (2) the rate of switch out of white collar jobs was markedly higher for the non-Canadian born group, and (3) the rate of switch out of blue collar occupations was also higher for this same group. Of the five regions, Ontario and British Columbia display the highest over-all rates of job switching and upward occupational mobility.

Section 2 - Establishing the First Company

7. In order of importance, the following principal features were considered most attractive with having one's own enterprise: (a) the challenges; (b) being one's own boss, and (c) the freedom to explore new ideas.
8. 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. The significant observations to note are as follows: (1) "new-breakthrough" is the single most important event for non-Canadian born entrepreneurs and drops significantly to the bottom of the list for Canadian born entrepreneurs; (2) "financial backing" is much more important for Canadian born entrepreneurs and drops off the list for the non-Canadian born group; and (3) "personal conflict" is more significant for the non-Canadian born group and drops off the list for the other group.
9. Non-Canadian born entrepreneurs emerge with the highest degree of "innovativeness". Ontario with the highest degree of "innovativeness" also has the highest proportion of non-Canadian born entrepreneurs (41.4%), and the highest percentage of companies (82.8%) with significant technological content. Conversely, British Columbia with the lowest index of "innovativeness" also has the lowest proportion of non-Canadian born entrepreneurs (12.6%), as well as the lowest proportion of companies (50%) with significant technological content.
10. Among those respondents who had a new idea or product to develop, 83.7% felt that their last employer would not have allowed them to exploit their new product ideas in their organizations. Though these respondents felt obliged to resign from their former employers in order to pursue their new product developments, this did not always result in a complete break in their relationships. It was not uncommon for some of these entrepreneurs to become suppliers to their former employers.
11. 70.5% of the entrepreneurs established firms with "significant" technological content. The criteria for determining "significant" include some or all of the following: completely new technology, design variation for existing technology, and exploitation of technology requiring relatively high fixed capital investment.

12. Of those entrepreneurs without university education, about 60% established firms with significant technological content. The comparable figure for university graduates is 82%. Furthermore, while 72.2% of university graduates with non-science degrees established firms with significant technological content, the figure for those with science and engineering concentration was 91.7%.
13. About 60% of the respondents chose industries that were related to their last job, and 47% chose industries which were related to their education. This would point to previous job experience as a prime factor in determining the industry in which the entrepreneur will be operating. With reference to both last job and education, the non-Canadian born group displayed a greater degree of association between previous experience and choice of industry in which they established their first firm.
14. Fifty-six percent of the entrepreneurs established their first firm with partners. We find a significantly greater tendency for non-Canadian born entrepreneurs to "go it alone". The majority (70.6%) of the first firms were established in metropolitan areas.
15. The typical first company was financed largely through personal savings, bank loans, and loans from friends and relatives (in that order of importance). It should be noted that venture capital firms represent a relatively unimportant source of financing. Personal savings provided a larger proportion of the financing for the non-Canadian born group, apparently at the cost of venture capital and other equity financing sources.
16. In the course of establishing and managing their first venture, the respondents overwhelmingly identified finance as the key problem area. This holds true across regions and for both groups of entrepreneurs. The second critical problem area given equal rank in all regions and by both groups of entrepreneurs is that of selling. The third ranking problem was in the area of managing personnel.
17. The great majority (78%) of the entrepreneurs formed more than one company. A number of the respondents had in excess of ten operating firms. The mean number of firms formed was 3.25, with an average of 2.87 still in operation. Canadian born entrepreneurs tended to establish a greater number of firms (mean = 3.5 as opposed to 2.9 for the non-Canadian born). The great majority of firms had an annual sales volume which was less than one million dollars, though the exceptional case did exceed ten million dollars.

18. Some form of government grant was received by 52% of the respondents. Most of these grants (90%) were federal, and eighty per cent were technical in nature (e.g. PAIT). While 56% of the Canadian born respondents received some form of grant, the percentage for non-Canadian born entrepreneurs was 44%. Relatively heavier use was made of the federal financial grants (e.g. I.D.B.) by the non-Canadian born, and the Canadian born group utilized the provincial grants to a greater extent. Only in the Prairies and the Maritimes did less than one-half of the respondents obtain any form of government grants. The most heavy use of federal financial grants was made in Quebec, with British Columbia and the Maritimes making no use of such grants. The proportion of technical grants was highest in Ontario. Of those respondents who received grants, approximately one-half (which holds for both groups and all regions) found this assistance program to be excellent, and approximately one-quarter rated the grants program to be good with qualification (i.e. there was room for improvement), and about one in fifteen felt the program to be poor.

SECTION 3 - The Environment for Entrepreneurship

19. The financing of entrepreneurial operations was viewed by the respondents as the single most important problem. Eighty percent of those identifying a specific problem explained it in terms of the conservatism of Canadian financial institutions. The symptoms of this conservatism were usually identified as financial institutions charging a relatively higher interest rate to smaller ventures, and a greater over-all reluctance to issue loans to smaller firms. However an increasing number of entrepreneurs commented that there is no general shortage of capital, but that too little of it is being channelled into entrepreneurial ventures in the form of risk capital. Generally speaking, non-Canadian born entrepreneurs perceived less of a problem in obtaining venture capital than Canadian born entrepreneurs.
20. Marketing related problems (sales and product distribution) constituted the second most critical problem area in managing entrepreneurial operations. Many of the respondents argued that the Canadian market was too small and dispersed and found that Canadian customers -- consumers and industrial users -- were unwilling to purchase goods which have not received the prior seal of approval through customer acceptance in the U.S.

21. Respondents addressed themselves primarily to government conservatism and taxes as the key problems of the policy environment for entrepreneurship in Canada. In the area of taxation most respondents made a distinction in their comments between the level of taxes and structure of the tax system. Comments on tax structure were usually linked to incentive systems directed at promoting innovation and entrepreneurship. Most respondents favoured tax relief for start-up ventures and new product projects as opposed to government grants. With respect to level of taxes, the criticism was two-fold: too high for firms with low sales volume, and, generally, too high for business.
22. Most of the respondents centered their recommendations on increasing the supply of venture capital, by altering the attitude and structure of Canadian financial institutions, by lowering the tax base for new ventures, and by providing incentives through tax relief rather than grants.

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. A unique feature of this study is that the Canadian data is collected and analysed on a regional basis -- Ontario, Quebec, Prairies, British Columbia and Maritimes. The population examined in this study consists of 112 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. 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."¹

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".² All 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."¹

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 Parts IV, V and VI, 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.
- 1-1:2 E.B. Roberts, "How to Succeed in a New Technology Enterprise", Technology Review, December, 1970, p.22.
- 1-2:1 Ibid., p. 22.

PART II
SUMMARY OF FINDINGS

In this section 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 1972, at the time the questionnaire was completed, the mean age of the entrepreneurs was 47.4 years, with little difference among regions or between Canadian and non-Canadian born entrepreneurs. However, the pertinent point to note is that their mean age at the time they incorporated their first firm was 33. The only notable exception to this finding was Quebec where the mean age was 30. 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.

Approximately two-thirds of the Canadian entrepreneurs were born in Canada. Of those who were not Canadian-born, seventy-five percent came from Europe, and approximately fifteen percent came from the United States. The only notable exception to this pattern is British Columbia, where almost ninety percent of the respondents were Canadian-born.

The respondents came from families which moved infrequently, with the majority of them having spent their first 18 years in one place. On the average, entrepreneurs had 1.5 residences in their first eighteen years with no notable regional or Canadian/non-Canadian born exceptions.

Fifty-six percent of the entrepreneurs were of the Protestant faith, 27% were Catholic, 10% were Jewish and the remaining were of other religious persuasions. There were no notable deviations between Canadian-born and non-Canadian born entrepreneurs. Quebec and British Columbia, however, proved markedly different from this pattern. In Quebec as expected, the proportion of Catholics (43.5%) was higher than the average, but still below the proportion of Catholics relative to the religious distribution of the population of Quebec. A very high percentage (34.8%) of the entrepreneurs in Quebec were of the Jewish faith, markedly out of proportion with the religious distribution of the population. In British Columbia, the larger majority (81%) were Protestants.

Our breakdown of the respondents' religious faith also resembles the U.S. statistic. For example, 56% 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 27% as opposed to 19% in the U.S. The breakdown for the Jewish segment was 10% in Canada and 13% in the U.S.

2-5

An important characteristic of the entrepreneur is that he is relatively well educated. Slightly less than half of the respondents (45%) were university graduates, the majority (86%) of them in science and engineering fields, largely at the Bachelor's level. About the same proportion (46%) had only a primary or secondary education. The remaining nine per cent held technical diplomas. The most notable difference between Canadian and non-Canadian born entrepreneurs was that all technical diplomas were held by the non-Canadian born (accounting for 26% of their educational distribution). Moreover, the non-Canadian born group contained 6 per cent more university graduates (49%), and 32% fewer respondents (25.6%) with only primary or secondary education. In terms of regional distribution, only Ontario and Quebec had more than half of their entrepreneurs (51.6% and 56.4% respectively) with university degrees. The Quebec phenomenon may be partially attributed to the high percentage of Jewish entrepreneurs. Though the Prairies had the lowest percentage (32.2%) of university educated entrepreneurs, it also had the highest percentage of those entrepreneurs with technical diplomas (19.4%). Of the five regions, British Columbia had the highest porportion (56.1%) of respondents with only primary and/or secondary education.

Approximately one-half of the entrepreneurs came from families where the father was self-employed. This pattern is echoed in the regional and Canadian/non-Canadian born breakdowns. This statistic is comparable to U.S. findings (50%). With regard to financial status, 62.5% of the entrepreneurs identified their families as being well-off (middle class), 34.8% as poor and 2.7% as wealthy. The distribution for non-Canadian born entrepreneurs is skewed slightly more towards wealthy and middle class and away from the poor. Regionally, Quebec has the lowest percentage of entrepreneurs who came from poor backgrounds (17.4%), and the Maritimes the highest (53.8%). Quebec is also notable for sharing with Ontario all entrepreneurs from wealthy backgrounds, as well as having the largest middle class contingent (78.3%).

The mean number of jobs held by the entrepreneurs before establishing their first firm was 3 (most entrepreneurs held 2 jobs with the odd exception of upwards of 10 jobs). There is a slight tendency for non-Canadian born entrepreneurs to change their jobs more often with a mean of 3.46 (Jobs held before incorporation) as opposed to 2.87 jobs for Canadian-born entrepreneurs. However, for most cases in each category the norm (mode) was 2 jobs. Of the regions, the entrepreneurs in Quebec displayed the lowest number of job changes (mean = 2.2, and mode = 1). In switching jobs before establishing their first venture, the entrepreneurs exhibited a marked tendency for upward career mobility. Of particular note is the increase in managerial occupations from 4.6% to 38.7% from first to

last job. When comparing Canadian and non-Canadian born entrepreneurs, three points are deserving of mention:

- (1) the non Canadian born group tends to have a lower proportion of white-collar jobs, (2) the rate of switch out of white collar jobs was markedly higher for the non-Canadian born group, and (3) the rate of switch out of blue collar occupations was also higher for this same group. Some interesting differences can also be discerned in the regional breakdown: (1) the proportion of managerial occupations as the last job in Ontario and British Columbia is two to three times higher than in the other regions, (2) in the Prairies the proportion of skilled blue collar workers in the last job is 3 to 4 times larger than anywhere else (35%), and, furthermore, it is the only region displaying job switching into, rather than out-of, the blue collar skilled category. This phenomenon may be partially attributed to the relatively high percentage of technical diplomas in that region. (3) Quebec had by far the largest percentage of white-collar workers (30.4% -- 2 to 3 times higher than the other regions), with a low rate of switching out of that occupational category.
- (4) Quebec and the Maritimes share a high proportion of respondents in the professional occupational category (approximately 30% for both regions) with a low rate of switching in or out of that category. (5) Of the five regions, Ontario and British Columbia display the highest over-all rates of job switching and upward occupational mobility.

In general, the types of occupation held by the respondents were significantly different from that held by their fathers. Relating this point to the entrepreneur's "poor" to "middle class" socio-economic background, and taking note that this study surveyed only successful entrepreneurs, this implies that there is a significant and early break by the entrepreneur from his family socio-economic background.

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 suggestion would appear to be borne out by the finding that 50% of our respondents had fathers who were self-employed. This figure is very high compared to what one would expect from a census sample. This observation, however, is not necessarily related to the entrepreneur's ultimate success (or lack of it).

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 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) being one's own boss, and (c) the freedom to explore new ideas. It should be noted that the relative percentage figures for (b) and (c) are so close (26.6% and 23.4% respectively) that the difference of rank cannot be considered statistically significant. However, "challenge" with a relative percentage of 38.8% stands out as the most significant reason for incorporation. In absolute terms, 74% of all respondents made mention of this reason, whereas approximately 50% of the respondents mentioned the other two prime reasons.

Some interesting differences can be noted when comparing the reasons for incorporation between Canadian and non-Canadian born entrepreneurs. Whereas the relative percentage difference between "being one's own boss" and "the freedom to explore new ideas" becomes even smaller than the sample average for Canadian born entrepreneurs, it becomes large and statistically significant (30.5% and 23.6% respectively) for the non-Canadian

born group: This greater emphasis on "being one's own boss" does not take place at the cost of the other prime reasons, but shows up mainly in a lower percentage of respondents who mention salary as a motivating factor (5.2% vs. 19.2% in absolute terms). In general, the non-Canadian born group tends to concentrate slightly more on the three prime reasons mentioned above.

The pattern established for "reasons for incorporation" is essentially adhered to by Ontario, the Prairies and British Columbia. Quebec and the Maritimes depart from this pattern, and notably in similar fashion: (1) both show a markedly higher interest in salary (at least 3 times as high in relative terms as the other regions); (2) both have a more pronounced interest in being one's own boss (attaching 2 to 3 times as much importance to this factor when compared to "the freedom to explore new ideas"); and (3) both display a significantly lower interest in "exploring new ideas" (about 1/3 to 1/2 of the relative percentage of other reasons). Though the deviations of the two regions from the sample pattern are similar, this should not necessarily imply similar casual factors. We might direct our observations to the high proportion of entrepreneurs of the Jewish faith in Quebec, and the relatively high proportion of entrepreneurs from financially poor backgrounds in the Maritimes.

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. Using only those events which received mention by more than 10% of the respondents, we obtain the following ranking in order of importance: (1) learned of a market for his idea (30.4%) ; (2) a new breakthrough or idea (21.4%); (3) acquisition of partners to join venture (20.5%); (4) learned of financial backing (19.7%); (5) personal conflict in last job (12.6%); and (6) taking up partnership in a new enterprise (11.7%). It should be noted that approximately one-third of the responses were not covered by our list of events (i.e. were categorized as "other"). Whereas the most important reason "market for idea" refers primarily to the development of a new market segment for an existing product, the second most important reason "new breakthrough" refers to a new product being sold in existing or new market segments.

The following table provides a comparison of the rankings of the importance of the various "events" to Canadian and non-Canadian born entrepreneurs. The "events" are listed in the order of their rank in the total sample.

<u>EVENTS</u>	<u>RANK</u>	
	<u>CANADIAN-BORN</u>	<u>NON-CANADIAN BORN</u>
Market for new ideas	1	2
New breakthrough	4	1
Acquired partners	3	3
Financial backing	2	-
Personal Conflict	-	3
Take up partnership	5	5

The significant observations to note are as follows: (1) "new-breakthrough" becomes the single most important event for non-Canadian born entrepreneurs and drops significantly to the bottom of the list for Canadian born entrepreneurs; (2) "financial backing" becomes much more important for Canadian born entrepreneurs and drops off the list for the non-Canadian born group; and (3) "personal conflict" becomes more significant for the non-Canadian born group and drops off the list for the other group.

The following table is an indication, albeit crude, of the relative degree of innovativeness by region and between Canadian and non-Canadian born entrepreneurs. The index is a ratio of the total percent of respondents mentioning as a precipitating event the category "new breakthrough" to the total percent falling in the category "market for existing idea". In using this index, it should be noted that some of the respondents answered in both categories; however, this should not critically alter the index since both the numerator and denominator of the index are equally affected. The index should indicate in each sample or sub-sample the relative proportion of those entrepreneurs basing the formation of their company on new products or ideas, or on existing products for possibly new or underexploited market segments. When examining these indices relative to each other, they should indicate the groups or regions with the highest (or lowest) innovative tendencies.

INDEX OF INNOVATIVENESS

(New breakthrough/Market for existing ideas)

<u>Total</u>	<u>.70</u>
Canadian born	.54
<u>Non-Canadian born</u>	<u>1.30</u>
Ontario	1.37
Quebec	.43
Prairies	1.14
British Columbia	.25
<u>Maritimes*</u>	<u>----</u>

*Sample too small to be included.

From this table, non-Canadian born entrepreneurs emerge with the highest degree of "innovativeness". Ontario with the highest degree of "innovativeness" also has the highest proportion of non-Canadian born entrepreneurs (41.4%), and as will be noted later the highest percentage of companies (82.8%) with significant technological content. Conversely, British Columbia with the lowest index of "innovativeness" also has the lowest proportion of non-Canadian born entrepreneurs (12.6%), as well as the lowest proportion of companies (50%) with significant technological content.

Among those respondents who had a new idea or product to develop, 83.7% felt that their last employer would not have allowed them to exploit their new product ideas in their organizations. Though these respondents felt obliged to resign from their former employers in order to pursue their new product developments, this did not always result in a complete break in their relationships. It was not uncommon for some of these entrepreneurs to become suppliers to their former employers. Of the two groups of entrepreneurs, the non-Canadian born were all (100%) convinced that their former employers would not have permitted them to develop their projects. The percentage figure for the Canadian born group was 76.7%.

Of the sampled entrepreneurs, 70.5% established firms with "significant" technological content. The criteria for determining "significant" include some or all of the following: completely new technology, design variation for existing technology, and exploitation of technology requiring relatively high fixed capital investment.

There is no significant difference between the Canadian and non-Canadian born groups, although the foregoing comments would lead one to expect otherwise. This lack of difference can be explained primarily by the way in which "significant technology" is defined to include cases of high fixed capital investment. In such cases, no "product breakthrough" need be implied. If this definitional characteristics is in fact the explanation for this unexpected equality of "significant" technological content, than this would suggest that Canadian born entrepreneurs tend to enter more capital intensive industries.

Our criteria for technological "significance" capture primarily new product or process developments (despite the inclusion of capital intensity). In view of the fact that the non-Canadian born group exhibits the highest degree of innovativeness, we would expect the regional distribution of firms with significant technological content to be correlated positively with the regional

distribution of non-Canadian born entrepreneurs. In the following table we have ranked the regions according to proportion of firms with significant technological content, and according to percentage of entrepreneurs who are non-Canadian born.

	<u>RANK</u>	<u>Technological Content</u>	<u>Non-Canadian born</u>
Ontario		1	1
Quebec		4	2
Prairies		2	2
British Columbia		5	5
Maritimes		3	3

Excluding Quebec, which provides the only exception to the rule, we obtain a perfect rank correlation.

Another dimension of note is the relationship between level of education and technological content. Of those entrepreneurs without university education, about 60% established firms with significant technological content. The comparable figure for university graduates is 82%. Furthermore, while 72.2% of university graduates with non-science degrees established firms with significant technological content, the figure for those with science and engineering concentration was 91.7%. Of interest again is the observation (as noted earlier) that non-Canadian born entrepreneurs tend to be slightly better

educated than Canadian born entrepreneurs.

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". This finding is indicated in the extent to which the entrepreneur's choice of industry is related to his previous job experience and education. About 60% of the respondents chose industries that were related to their last job, and 47% chose industries which were related to their education. This would point to previous job experience as a prime factor in determining the industry in which the entrepreneur will be operating. With reference to both last job and education, the non-Canadian born group displayed a greater degree of association between previous experience and choice of industry in which they established their first firm. Within the non-Canadian born group 68% of the respondents chose industries related to their last job; for the Canadian born group the figure was 55%. Similarly, 61.5% of the non-Canadian born entrepreneurs chose industries related to their education; the figure for the Canadian born group was only 39%.

Fifty-six percent of the entrepreneurs established their first firm with partners. We find a significantly greater tendency for non-Canadian born entrepreneurs to "go it alone". Of the latter group 63.2% established their first company on their own. This was true for only 34.2% of the Canadian born group. While the majority (70.6%) of the first firms were established in metropolitan areas, most of them (63.4%) were not situated in the same area as the entrepreneurs first eighteen years of residence. There was a tendency for both entrepreneurial groups to locate in metropolitan areas, but as might be expected the larger proportion of the non-Canadian born group situated their first firm in areas different from their first eighteen years of residency.

The typical first company was financed largely through personal savings, bank loans, and loans from friends and relatives (in that order of importance). It should be noted that venture capital firms represent a relatively unimportant source of financing. Personal savings provided a larger proportion of the financing for the non-Canadian born group, apparently at the cost of venture capital and other equity financing sources. Canadian born entrepreneurs employed five times as much equity financing as non-Canadian born entrepreneurs. An interesting phenomenon to note is that non-Canadian born entrepreneurs made greater use of government grants as a source of funds for establishing their first firm, than did Canadian born entrepreneurs (13% as opposed to 8%).

In Ontario, Quebec and the Prairies, personal savings, bank loans, and loans from friends and relatives were the most important source of financing. In British Columbia, venture capital must be viewed as a critical source of financing (25%) along with the above mentioned sources. The Maritimes are unique in that 70% of the respondents used bank loans as a form of financing making it the most important source in that region. In addition, venture capital financing is used to an extent (23.1%) similar to British Columbia. A remarkable characteristic of Quebec is that not one entrepreneur used government grants as a form of financing the establishment of his first company. The figures for the other regions were as follows: Ontario (17.2%), Maritimes (15.4%), Prairies (9.7%), and British Columbia (6.3%).

In the course of establishing and managing their first venture, the respondents overwhelmingly identified finance as the key problem area. This holds true across regions and for both groups of entrepreneurs. The second critical problem area given equal rank in all regions and by both groups of entrepreneurs is that of selling. The third ranking problem was in the area of managing personnel. Though all regions, with the exception of Quebec, and groups ranked this problem equally, it is of note that the Non-Canadian group felt the personnel problem more acute (41% as opposed

to 30% for the Canadian born group). In Quebec the third ranking problem was perceived to be product distribution, followed closely by personnel.

The great majority (78%) of the entrepreneurs formed more than one company. A number of the respondents had in excess of ten operating firms. The mean number of firms formed was 3.25, with an average of 2.87 still in operation. Of the firms no longer in operation (11.7%) due to sale of company, commercial failure and/or merger, about 80% were first companies.

Canadian born entrepreneurs tended to establish a greater number of firms (mean = 3.5 as opposed to 2.9 for the non-Canadian born), but also had a lower percentage of companies still operating (85.7% versus 93.1% for the non-Canadian born group). The only notable deviation in number of firms established among the regions is to be found in Quebec with a mean of 2.6 -- lower than the norm for the other regions.

The most popular pattern of corporate integration is the mini-conglomerate, closely followed by horizontal integration, each accounting for about one third of the respondents. The great majority of firms had an annual sales volume which was less than one million dollars, though the exceptional case did exceed ten million dollars. Vertical integration was used by 14% of the entrepreneurs.

While an approximately equal proportion of both groups established more than one company, the non-Canadian born group of entrepreneurs tended more towards horizontal integration (35.1% versus 23.9%), and made more use of vertical integration (18.9% versus 11.3%). The Canadian born group favoured the mini-conglomerate (38% versus 21.6%). The most significant regional difference is to be found between Quebec and the Maritimes. In Quebec only 59% of the respondents established more than one company, whereas in the Maritimes this figure was approximately 92%.

Some form of government grant was received by 52% of the respondents. Most of these grants (90%) were federal, and eighty per cent were technical in nature (e.g. PAIT). While 56% of the Canadian born respondents received some form of grant, the percentage for non-Canadian born entrepreneurs was 44%. Relatively heavier use was made of the federal financial grants (e.g. I.D.B.) by the non-Canadian born, and the Canadian born group utilized the provincial grants to a greater extent. Only in the Prairies and the Maritimes did less than one-half of the respondents obtain any form of government grants. The most heavy use of federal financial grants was made in Quebec, with British Columbia and the Maritimes making no use of such grants. The proportion of technical grants was highest in Ontario.

2-20

Of those respondents who received grants, approximately one-half (which holds for both groups and all regions) found this assistance program to be excellent, and approximately one-quarter rated the grants program to be good with qualification (i.e. there was room for improvement), and about one in fifteen felt the program to be poor.

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. A number of 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, 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.

It was noted earlier that the financing of entrepreneurial operations was viewed by the respondents as the single most important problem. This consensus again emerged in the entrepreneurs' responses to the issue of obtaining venture capital. Approximately eighty per cent of the entrepreneurs identified at least one specific problem they had encountered in raising venture capital. Eighty percent of those identifying a specific problem explained it in terms of the conservatism of Canadian financial institutions. The symptoms of this conservatism were usually identified as financial institutions charging a

2-22

relatively higher interest rate to smaller ventures, and a greater over-all reluctance to issue loans to smaller firms. This point was reinforced by the fact that many of the respondents either found or perceived capital to be more readily available on better terms in the United States.

In approaching financial institutions in Canada, the entrepreneurs felt this conservatism to be manifested in what were perceived to be "unreasonable" conditions for granting loans to small firms. The experiences of the entrepreneurs suggested that they were obliged to "prove" the ultimate commercial success of their ventures before establishing eligibility for a loan. This, they felt to be inconsistent with the very risk-taking nature of entrepreneurial ventures. Furthermore, they echoed a familiar small business complaint that "to get the loan you have to prove that you don't need it." In short, it was felt that the conservatism of financial institutions led them to avoid both financial and commercial risks associated with any small business venture. Thus, as noted previously, it is not surprising that personal savings, and loans from relatives and friends were such important sources of finance. Even when granting financial support through loans, financial institutions (chartered banks, in particular) did not escape criticism because of the "unfavourable" terms under which the financing was extended.

An increasing number of entrepreneurs commented that there is no general shortage of capital, but that too little of it is being channelled into entrepreneurial ventures in the form of risk capital. In addition, the terms under which such venture capital can be obtained, whenever it is granted, are unduly costly and constraining. This latter point is most often made when commenting on the equity control and management participation demanded by venture capital firms as a pre-condition for granting financial assistance.

Generally speaking, non-Canadian born entrepreneurs perceived less of a problem in obtaining venture capital than Canadian born entrepreneurs. Sixty-five per cent of the non-Canadian born group identified a specific problem in this area. The comparable figure for the Canadian born group was eighty-five per cent. The nature of the complaints, however, was identical. Eighty-five per cent of the Non-Canadian born group's complaints centered on the conservatism of Canadian financial institutions, and about ten percent on the equity and management control issue. A comparable pattern applied to the Canadian born group (75% for institutional conservatism, and 10% for equity and control constraints).

It appears that while fewer non-Canadian born entrepreneurs voiced specific complaints on this issue, this should not be attributed to a more favourable view on their part of Canadian capital markets. As noted earlier, the non-Canadian born group made greater use of personal savings, and loans from friends and relatives, and significantly less use of venture capital firms. Non-Canadian born entrepreneurs have manifested their discontent less by complaints and more by avoiding Canadian financial institutions, and by relying to a greater extent on their "personal" sources of financing.

The same general pattern is reflected throughout the regions. One observation of interest is that regions (e.g. British Columbia and the Maritimes) making the greatest use of venture capital have the fewest complaints about it. Conversely, regions making little use of venture capital (e.g.. Ontario and Quebec) complain more extensively about the terms under which such capital is granted. This regional phenomenon may be attributed to fewer and less favourable alternative sources of capital, particularly in British Columbia and the Maritimes.

Marketing related problems (sales and product distribution) constituted the second most critical problem area in managing entrepreneurial operations. Many of the respondents (24%) argued that the Canadian market was too small and dispersed and 20% found that Canadian customers -- consumers and industrial users -- were 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 fact, most of the respondents who had no specific comment or felt that their operations were free of "marketing" problems (55%) displayed a distinct lack of understanding of the "concept of marketing" and the implied problem areas.

Several differences between Canadian and non-Canadian born entrepreneurs should be noted. Among the non-Canadian born group, a larger proportion (62% as opposed to 50% for the Canadian born group) had no comment or felt there was no problem. Of those who mentioned specific problems, the non-Canadian born group placed greater emphasis on the dispersion and small size of Canadian markets (28% as opposed to 22%), and paid much less attention to consumer conservatism (10% as opposed to 26% for the Canadian born group). Given the greater experience with markets other than the Canadian one (62% had job experience outside Canada, whereas only 12% of the the Canadian born group had acquired such experience) -- usually European markets -- and the nature of the comments, two deductions might be suggested:

- (a) the perception of Canadian born entrepreneurs is influenced largely by comparisons exclusively with U.S. markets,
- (b) their more critical appraisal of the Canadian consumers may be partly a result of their own more limited perspective.

The most significant regional characteristic is that no one in Quebec felt that marketing was unproblematic. British Columbia was the only province in which more emphasis was placed on Canadian consumer conservatism than in the other provinces, and relative to the issue of the size and dispersion of Canadian markets.

Respondents addressed themselves primarily to government conservatism (27%) and taxes (29%) as the key problems of the policy environment for entrepreneurship in Canada. In the area of taxation most respondents made a distinction in their comments between the the level of taxes and the structure of the tax system. Comments on tax structure were usually linked to incentive systems directed at promoting innovation and entrepreneurship. Most respondents favoured tax relief for start-up ventures and new product projects as opposed to government grants. With respect to level of taxes, the criticism was two-fold: too high for firms with low sales volume, and, generally, too high for business. The latter criticism was more frequently linked to a general anti-government bias. Favoured treatment of larger businesses in granting monies was seen as the major dimension of government conservatism. Criticism in this area was similar to that of Canadian financial institutions.

Generally speaking, non-Canadian born entrepreneurs appeared to be more worried about the level of taxes, and less concerned with the structure of the tax system. However, there were more regional differences to note. British Columbia was the least critical region with less than 40% of the respondents finding fault with the policy environment. Quebec was notable on several accounts: it was by far the most concerned about (federal) government involvement per se, about bureaucratic procedure (red tape in processing grant applications), and the least worried about government (federal) conservatism. Unlike Quebec, Ontario expressed a great concern about government conservatism which was their only major worry. Of all the regions, the Prairies expressed the greatest concern about

2-20

taxes (both level and structure).

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, by altering the attitude and structure of Canadian financial institutions, by lowering the tax base for new ventures, and by providing incentives through tax relief rather than grants. A significant number of respondents also favoured a general reduction in government involvement or an increase in government business expertise. Although not generally viewed as a critical problem area, approximately 10% of the respondents favoured measures to reduce the impact of "employee" unions.

Recommendations by Canadian and non-Canadian born groups on the tax issue were a reflection of the relative importance which they attached to this area as a policy problem. The non-Canadian born group had emphasized the level of taxes. Thus, their major tax recommendation was to lower the tax burden. Similarly, since the Canadian born group had placed relatively more emphasis than the non-Canadian born group on tax structure, their prime recommendation with regard to taxes was to change the tax structure. The Canadian born group was more in favour of reducing government involvement and the impact of employee unions (i.e. all forms of "countervailing power"). On the other hand, non-Canadian born

respondents were far more concerned about increasing the level of government business expertise. Perhaps, this attitude is a reflection of the "European" background where government-business co-operation is more acceptable, and the role of the union tends to be viewed in a less antagonistic fashion.

In line with their view that there was too much government involvement, one of the key suggestions made by entrepreneurs in Quebec was the reduction of government involvement. A most interesting phenomenon in Quebec is that while arguing for a reduction in the level of government involvement, Quebec entrepreneurs were more concerned than any other region with increasing the quality and changing the mix of government involvement. This led to the suggestions that government business expertise be increased and that government shift some of its efforts towards marketing assistance programs. This latter recommendation is directly related to the absence of any respondent in Quebec who found no problems with "marketing". In addition, Quebec was the only region in which significant mention was made of selective government support of Canadian-owned companies

Consistent with their identification of taxation as their primary concern, the Prairies made the strongest recommendation for reducing taxes. Except for Ontario all regions supported a change in the tax structure. Ontario's major concerns had been with the conservatism of financial institutions and the (federal) government. Therefore, it is not surprising that they concentrated

their recommendations on altering the attitudes and structure of financial institutions, including the government as a source of capital. The Prairies and British Columbia were the strongest supporters for a reduction in union power.

It is evident that there is a close correlation between the way in which entrepreneurs view the "policy environment" and the recommendations they make to improve that environment. It is not entirely speculative that the backgrounds of the entrepreneurs have a significant impact on the regional and Canadian and non-Canadian born differences in perception of the problems and the recommendations designed to alleviate them. Quebec which had proved consistently to be unique in terms of the entrepreneur's background and the events and problems surrounding the establishment and management of his firm, also was unique among all regions in the perception of, and ways to improve upon, the environment for Canadian entrepreneurship.

PART III

Sources of Information
and
Data Collection Methods

These questionnaires were prepared for computer processing in the following manner:

1. 61 questions in the three sections were designated as "variables" (VAR001 to VAR061) and given a short description ("variable labels").
2. For each variable (i.e., question) a series of numerical codes, representing the range of possible answers, was assigned (except for those variables, such as age, date of incorporation, etc., which were already numerical).
3. Each "variable" was assigned four columns on a computer card into which was entered, for each case, the code appropriate to the answer contained in the questionnaire. Each questionnaire was treated as a "case", each case consisted of four computer cards.

It may be mentioned that "variables" represent both most of the questions themselves as well as information to be obtained indirectly from the questionnaire, such as:

- a) the level of technological content (significant or low),
- b) the state of integration (horizontal, vertical, conglomerate and combinations)

c) age at first incorporation etc.

Once so keypunched, the cards were used as the data input into SPSS (Statistical Program for the Social Sciences by McGraw Hill). The data deck was organized into "Sub files" representing regions, and place of birth. Sub files were thus: QC (Quebec - Canada), QNC (Quebec - Non Canadian) PRC (Prairies - Canadian) PRNC (Prairies - Non Canadian) etc.

Three sub-programs were used in SPSS:

- a) CONDESCRIPTIVE - Descriptive statistics (means, standard deviations) -- for all numerical variables.
- b) CODEBOOK - Frequency distribution and histogram - for most non-numerical variables.
- c) CROSSTABS - cross tabulation with statistics (chi-square, contingency coefficient, etc.) -- for several selected variable pairs

These analyses were done for the following sub file arrangements:

- a) ALL = an aggregation of all sub files, i.e., the entire sample at once, ignoring sub file structure [(QC, QNC, PRC, PRNC, BCC, BCNC, OC ONC, MC, MNC)]

- b) CANADIANS = aggregation of all Canadians
[(QC, PRC, BCC, OC, MC)]
- c) NON-CANADIANS = aggregation of all Non-Canadians
[(QNC, PRNC, BCNC, ONC, MNC)]
- d) REGIONS = aggregate Canadians and non-Canadians
by region [(QC, QNC), (PRC, PRNC), (BCC, BCNC),
(OC, ONC), (MC, MNC)]
- e) EACH = each sub file separately.
[(QC) (QNC)(PRC) (PRNC) (BCC) (BCNC) (OC) (ONC)
(MC) (MNC)]

PART IV
ENTREPRENEURS IN CANADA
SUMMARY OF FINDINGS

PART IV

ENTREPRENEURS IN CANADA

SUMMARY OF FINDINGS

SECTION 1: ENTREPRENEUR'S BACKGROUND

1. Mean age In 1972: 47.4 years

2. Entrepreneur's Age At First Incorporation

Mean Age: 33

3. Place Of Birth

Canada - 65.2%

Europe - 25.9%

U.S. - 5.4%

Other - 3.6%

4. Religion:

Protestant - 56.3%

Catholic - 26.8%

Jewish - 9.8%

Other - 7.1%

5. Education:

Primary - 16.1%

Secondary - 30.4%

Diploma - 8.9% (primarily technical diplomas)

University - 44.8% (only 14% received their degrees in non-science or engineering fields)

6. Number of Residences in First 18 Years:

Mean: 1.42

7. Father's Finances:

Wealthy - 2.7%

Well-Off - 62.5%

Poor - 34.8%

8. Father Self Employed:

Yes - 50%

No - 50%

(#108)

9. Father's Occupation:

Farmer - 14.7%

Blue Collar Unskilled - 9.8%

Blue Collar Skilled 22.5%

White Collar - 16.7%

Professional 6.9%

Managerial - 28.4%

Other - 1%

(#102)

It should be noted that self-employment is not related directly to occupational status; e.g. a lathe operator managing a small machine shop would be classified as "blue collar skilled" and not "managerial".

10. Occupation of Entrepreneur:

	FIRST JOB (UPON COMPLETION OF ED.)	LAST JOB (BEFORE EST. FIRM)
Farmer	2.8%	0.9%
Blue Collar Unskilled	11.1%	3.8%
Blue Collar Skilled	20.4%	16.0%
White Collar	26.9%	16.0%
Professional	25.9%	19.8%
Managerial	4.6%	38.7%
Military	8.3%	4.7%
	(#108)	(#106)

Approximately 6% of the respondents were self-employed. In the first job about 75% of the respondents were employed by private firms, increasing to 90% with the last job. A major cause for this difference can be attributed to military service by some of the respondents during World War II.

10. (a) The relationship between the respondent's last occupation before establishing his first venture and his father's occupation is not significant at the 5 per cent level of confidence. This suggests that the entrepreneurs at this stage of their development were already breaking with their occupational economic and social backgrounds (see 5 and 9).

In general, the entrepreneurs experienced upward mobility in their occupational status from their first to their last jobs. In the categories of farmer, blue collar unskilled and skilled, and white collar, 70% of the respondents changed occupations. The rate of change in the higher occupational status groupings was dramatically lower -- professional (30%) and managerial (0%).

11. Total Number of Jobs Held Before Incorporation:

Mean: 3

Mode: 2

12. Proportion of Respondents with Non-Military Work Experience
Outside of Canada:

Yes - 29.5%

No - 70.5%

SECTION 2: THE FIRM13. Reasons For Incorporation:

	TOTAL %	RELATIVE%
Salary	14.3	7.5
Being Own Boss	50.9	26.6
Challenge	74.1	38.8
Explore New Ideas	44.7	23.4
Other	<u>7.2</u>	<u>3.7</u>
	191.2*	100

* Total percentage is greater than 100 due to multiple answers.

14. Events Precipitating The Formation Of First Company:

	TOTAL %	RELATIVE %
Market For Idea*	30.4	18.9
Financial Backing	19.7	12.2
Partnership in New Enterprise	11.7	7.3
New Breakthrough (Product or Idea)	21.4	13.3
Someone Offered to Join Venture	20.5	12.7
Last Employer Dropped Project	1.8	1.1
Last Employer Changed Work Assignment	4.5	2.8
Personal Conflict In Last Job	12.6	7.8
Friend Left	2.7	1.7
Other	<u>35.8</u>	<u>22.2</u>
	161.1	100

*Idea in this instance does not necessarily imply a new product

15. Did Entrepreneur Exploit New Idea Or Product:

Yes - 40.9%

No - 59.1%

(#110)

16. Would Last Employer Have Allowed Entrepreneur To Exploit New Idea Or Product:

Yes - 6.3%

No - 32.1%

Not Applicable - 58.6%

By excluding the not applicable cases, the figures are as follows: Yes - 16.3%

No - 83.7%

17. Relationship Between Level Of Education and Technological Content:

Education	NU	U	USc	UNSc
% with Significant Technology	59.7	82	91.65	72.23

NU - (Non-University) Includes primary, secondary, and diploma.

USc - (University Science Degree)

UNSc - (non-Science University degree)

U = USc + UNSc

The CHI-square coefficient showed differences in technological content according to education to be significant at the 5 per cent level of confidence.

18. Technological Content of Operations:

Significant - 70.5%
 Low - 29.5%

The criteria for determining "significant" include some or all of the following: completely new technology, design variation for existing technology, and exploitation of technology requiring relatively high fixed capital investment.

19. Related To Present Firm:

	PREVIOUS JOB EXPERIENCE	EDUCATION
Yes	59.6	46.8
No	40.4	53.2
	(#109)	(#111)

20. Was Company Established Alone:

Yes - 44%
 No, with partner(s) - 56%

21. Was Locale Of First Incorporation The Same As The Residence Of The Entrepreneur During His First 18 Years:

Yes - 36.6%
 No - 63.4%

22. Locale Of Incorporation:

Metropolitan	- 70.6%
Non-Metropolitan	- 29.4%

23. Source Of Capital For First Venture:

	Total %	Relative %
Personal Savings	55.4	34.4
Partner	7.2	4.5
Friends or Relatives	25.9	16.1
Bank Loan	45.5	28.3
Venture Capital	10.8	6.7
Equity	6.3	3.9
Government Grant	<u>9.9</u>	<u>6.1</u>
	161.0	100

24. Problems Encountered in Managing First Company:

	Total %	Relative %
Personnel	33.9	15.8
Finance	82.2	38.3
Product Distribution	26.8	12.5
Sales	47.4	22.1
Legal	13.4	6.2
Administration	2.7	1.3
Other	<u>8.1</u>	<u>3.8</u>
	214.5	100

25. Government Grants Received By Respondents:

	%	Relative %
Federal-Technical (e.g. Pait)	44.4	40.7
Federal-Financial (e.g. IDB)	11.1	10.2
Provincial-Technical	1.9	1.7
Provincial-Financial	3.7	3.4
None	<u>48.0</u>	<u>44.0</u>
	109.1	100
	(#108)	

26. Number of Grants Received:

#	None	1	2	3	
%	48.0	43.7	7.4	0.9	(#108)

27. (A) Evaluation Of Government R & D Assistance

	%
Non Receptients	49.1
Excellent	25.9
Good With Qualifications	14.3
Poor	3.6
No Comment	7.1

(B) Evaluation Of Government R & D Assistance - Excluding Non-Receptients

	%
Excellent	50.9
Good with Qualifications	28.1
Poor	7.0
No Comment	14.0

(#57)

28..

TOTAL NUMBER OF COMPANIES

Mean Number Formed	Mean Number Owned And Still Operating	% Of First Co. Still Operating
3.25	2.87	Yes - 90.2
		No - 9.8

The percentage difference between those formed and those still owned and operating is 11.7%. This reduction results from sale of company, commercial failure and/or merger. The significant point to note is that 83.8% of those companies no longer owned and operating are first companies.

29. Pattern Of Corporate Integration

	%
Horizontal	27.8
Vertical	13.9
Conglomerate	32.4
Horizontal-Vertical	1.9
Conglomerate-Vertical	1.9
Single Company Only	<u>22.1</u>
	100

(#108)

SECTION 3: THE ENVIRONMENT FOR ENTREPRENEURSHIP

30. Problems With Obtaining Venture Capital

	%	RELATIVE %
No Problem	22.3	21.0
Financial Institutions Too Conservative	64.3	60.5
Financing Tied With Equity Control	8.1	7.6
Taxes-Corporate & Personal	1.8	1.7
Other	0.9	0.8
No Comment	<u>8.9</u>	<u>8.4</u>
	106.3	100

31. Problems With Marketing In Canada

	%	RELATIVE %
No Problem	22.3	21.3
Markets Small And Dispersed	24.1	23.1
Canadian Consumers Conservative	20.6	19.7
Need For More Government Marketing Pgms.	3.6	3.4
Other	1.8	1.7
No Comment	<u>32.1</u>	<u>30.8</u>
	104.5	100

32. Problems With Government Policy Environment

	%	RELATIVE %
No Problem	25.9	22.8
Government Too Conservative	26.8	23.6
Too Much Government In-House R&D	1.8	1.6
Government Red Tape	9.9	8.7
Tax Structure	10.7	9.4
Tax Burden	17.9	15.8
Lack Of Policy Co-Ordination	0.9	0.8
Too Much Government Involvement	3.6	3.2
Other	1.8	1.6
No Comment	<u>14.3</u>	<u>12.5</u>
	113.6	100

33. Recommendations For Improving Environment For Entrepreneurship

	%	RELATIVE %
Less IN-House Government R & D	2.7	1.9
Greater Development Oriieintation In Gov't R & D	3.6	2.5
More Government Marketing Assistance	6.3	4.5
Lower Tariffs	1.8	1.3
Lower Taxes	24.2	17.1
Change Tax Structure	11.7	8.3
Develop More Government Business Expertise	11.7	8.3
Greater Emphasis On Business Education	5.4	3.8
Change Financial Institutions	25.0	17.7
Less Government Involvement	13.4	9.5
Greater Support Of Canadian Companies	3.6	2.5
Reduce Union Power	9.0	6.4
Cannot Be Improved	0.9	0.6
Other	2.7	1.9
No Comment	<u>19.6</u>	<u>13.7</u>
	141.6	100

PART V.

CANADIAN AND NON-CANADIAN BORN ENTREPRENEURS

SUMMARY OF FINDINGS

PART V
CANADIAN AND NON-CANADIAN BORN ENTREPRENEURS
SUMMARY OF FINDINGS

SECTION 1: ENTREPRENEUR'S BACKGROUND

1. Mean age: C
47 NC
48

2. Entrepreneur's Age At First Incorporation (%):

	C	NC
Mean age	32.5	33.8

3. Sample Size: 73 39

4. Religion (%):

Protestant	-	58.9	51.3
Catholic	-	26.0	28.2
Jewish	-	8.2	12.8
Other	-	6.8	7.7

5. Education (%):

Primary	-	21.9	5.1
Secondary	-	35.6	20.5
Diploma	-	0	25.7
University	-	42.5	48.7

6. Number of Residences in First 18 Years:

Mean	1.36	1.5
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7. Father's Finances (%):

	<u>C</u>	<u>NC</u>
Wealthy -	1.4	5.1
Well-Off -	60.3	66.7
Poor -	38.4	28.2

8. Father Self-Employed (%):

Yes -	50.7	49.0
No -	49.3	51.0
	(#69)	

9. Father's Occupation (%):

Farmer	18.2	8.3
Blue Collar Unskilled	10.6	8.3
Blue Collar skilled	18.2	30.6
White Collar	18.2	13.9
Professional	9.1	2.8
Managerial	25.8	33.3
Other	0	2.8
	(#66)	(#36)

It should be noted that self-employment is not related directly to occupational status; e.g. a lathe operator managing a small machine shop would be classified as "blue collar skilled" and not "managerial".

10. Occupation of Entrepreneur (%):

FIRST JOB (UPON COMPLETION OF ED.) LAST JOB (BEFORE EST. FIRM)

	C	NC	C	NC
Farmer	0	7.7	0	2.8
Blue Collar Unskilled	14.3	5.1	4.3	2.8
Blue Collar Skilled	14.3	30.8	15.7	16.7
White Collar	31.4	17.9	21.4	5.6
Professional	30.0	17.9	20.0	19.4
Managerial	4.3	5.1	37.1	41.7
Military	5.7	12.8	1.4	11.1
#of observations	(#70)	(#38)	(#70)	(#36)

11. Total Number of Jobs Held Before Incorporation:

	C	NC
Mean:	2.87	3.46
Mode:	2	2

12. Proportion of Respondents with Non-Military Work Experience Outside of Canada (%):

	C	NC
Yes	12.3	61.5
No	87.7	38.5

SECTION 2: THE FIRM

13. Reasons for Incorporation (%):

	Canadian		Non-Canadian	
	%	Rel %	%	Rel %
Salary	19.2	9.4	5.2	2.8
Being Own Boss	48.0	24.7	56.4	30.5
Challenge	74.0	38.0	74.4	40.3
Explore New Idea	45.2	23.2	43.6	23.6
Other	8.2	4.2	5.2	2.8
Totals	194.6	100	184.8	100

*Total percentage is greater than 100 due to multiple answers.

14. Events Precipitating The Formation Of First Company:

	Canadian		Non-Canadian	
	%	Rel %	%	Rel %
Market For Idea*	35.6	21.5	20.5	16.3
Financial Backing	26.0	15.7	7.7	6.1
Partnership in New Enterprise	12.3	7.4	10.3	8.2
New Breakthrough (Product or idea)	19.2	11.6	25.7	20.4
Someone Offered to Join Venture	21.9	13.2	18.0	14.3
Last Employer changed work assignment	5.5	3.3	2.6	2.1
Personal Conflict in Last Job	9.6	5.8	18.0	14.3
Friend Left	1.4	.8	5.1	4.1
Other	31.5	19.0	17.9	14.2
Total	165.8	100	125.8	100

*Idea in this instance does not necessarily imply new product.

15. Did Entrepreneur Exploit New Idea or Product (%):

	C	NC
Yes	38.0	46.0
No	62.0	54.0

(#71)

16. Would Last Employer Have Allowed Entrepreneur To Exploit New Idea Or Product (%):

	C	NC
Yes	10.3	0
No	33.8	36.1
Not Applicable	55.9	63.9

By excluding the not applicable cases, the figures are as follows:

	C	NC
Yes	23.3	0
No	76.7	100

17. Technological Content of Operations (%):

	C	NC
Significant	70.0	72.0
Low	30.0	28.0

The criteria for determining "significant" include some or all of the following: completely new technology, design variation for existing technology, and exploitation of technology requiring relatively high fixed capital investment.

18. Related to Present Firm (%):

		Previous Job Experience	Education
Yes	C	55.0	39.0
	NC	68.0	61.5
No	C	45.0	61.0
	NC	32.0	38.5

19. Was Company Established Alone?

	C	NC
Yes	34.2	63.2
No, with partner(s)	65.8	36.8

20. Was Locale of First Incorporation The Same As The Residence Of the Entrepreneur During His First 18 Years (%)

	C	NC
Yes	49.3	12.8
No	50.7	87.2

21. Locale of Incorporation (%):

	C	NC
Metropolitan	72.6	66.7
Non-Metropolitan	27.4	33.3

(336)

22. Source of Capital For First Venture:

	CANADIAN		NON-CANADIAN	
	%	Rel %	%	Rel %
Personal Savings	49.4	31.0	66.7	40.6
Partner	6.8	4.3	7.7	4.7
Friends or Relatives	27.4	17.3	23.1	14.1
Bank Loan	43.8	27.6	48.7	29.5
Venture Capital	15.0	9.5	2.6	1.6
Equity	8.2	5.2	2.6	1.6
Government Grant	8.1	5.1	12.9	7.9
Total	158.7	100	164.3	100

23. Problems Encountered in Managing First Company:

	CANADIAN		NON-CANADIAN	
	%	Rel %	%	Rel %
Personnel	30.2	14.1	41.4	19.0
Finance	80.8	37.8	84.6	39.3
Product Distribution	24.7	11.6	30.8	14.3
Sales	49.3	23.1	43.6	20.2
Legal	15.1	7.1	10.3	4.8
Administration	4.1	1.9	0	---
Other	9.5	4.4	5.2	2.4
Total	213.7	100	215.5	100

24. Government Grants Received By Respondents

	%		RELATIVE %	
	C	NC	C	NC
Federal-Technical (e.g. Pait)	47.1	39.5	44.0	34.8
Federal-Financial (e.g. IDB)	8.6	15.8	8.0	14.0
Provincial-Technical	2.9	0	2.7	----
Provincial-Financial	4.3	2.6	4.0	2.4
None	44.3	55.3	41.3	48.8
Total	107.2	113.2	100	100

25. Number of Grants Received:

	NONE	1	2	3	
C	44.3	48.6	7.1	0	(#70)
NC	55.3	34.2	7.9	2.6	(#38)

26: (A) Evaluation Of Government R & D Assistance:

	%	
	C	NC
Non Receptients	45.2	56.4
Excellent	27.4	23.1
Good with Qualifications	16.4	10.3
Poor	4.1	2.6
No Comment	6.8	7.7

(B) Evaluation of Government R & D Assistance - Excluding Non-Receptients:

	%	
	C	NC
Excellent	50.0	52.9
Good with Qualifications	30.0	23.6
Poor	7.5	5.9
No Comment	12.5	17.6

(#40) (#17)

27. Total Number of Companies (%):

Mean Number Formed		Mean Number Owned and Still Operating		% Of First Co Still Operating	
C	NC	C	NC	C	NC
3.5	2.9	3.0	2.7	Yes	90.0
				No	10.0

28. Pattern Of Corporate Integration (%):

	C	NC
Horizontal	23.9	35.1
Vertical	11.3	18.9
Conglomerate	38.0	21.6
Horizontal-Vertical	2.8	----
Conglomerate-Vertical	2.8	----
Single Company Only	21.2	24.4
Total	100.0	100.0

SECTION 3: THE ENVIRONMENT FOR ENTREPRENEURSHIP

29. Problems With Obtaining Venture Capital:

	%		RELATIVE %	
	C	CN	C	CN
No Problem	15.1	35.9	14.0	34.1
Financial Institutions too Conservative	67.1	59.0	62.5	56.1
Financing Tied With Equity Contro	8.2	7.7	8.1	7.3
Taxes-Corporate & Personal	2.8	-----	2.6	-----
Other	1.4	-----	1.3	-----
No Comment	12.3	2.6	11.5	2.5
Total	106.9	105.2	100.0	100.0

30. Problems With Marketing In Canada:

	%		RELATIVE %	
	C	CN	C	CN
No Problem	19.2	28.2	18.2	27.5
Markets Small And Dispersed	21.9	28.2	20.8	27.5
Canadian Consumers Conservative	26.0	10.3	24.7	10.0
Need For More Gov't Marketing Programs	4.1	2.6	3.9	2.5
Other	2.7	0	2.6	-----
No Comment	31.5	33.3	29.8	32.5
Total	105.4	102.6	100.0	100.0

31. Problems With Government Policy Environment:

	%		RELATIVE %	
	C	NC	C	NC
No Problem	26.0	25.6	23.1	22.2
Government Too Conservative	27.4	25.6	24.5	22.2
Too Much Government In-House R & D	1.4	2.6	1.2	2.3
Government Red Tape	8.3	12.8	7.4	11.1
Tax Structure	13.7	5.1	12.2	4.4
Tax Burden	16.4	20.5	14.6	17.8
Lack Of Policy Co-Ordination	1.4	----	1.2	----
Too Much Government Involvement	2.7	5.2	2.4	4.5
Other	----	5.2	----	4.5
No Comment	15.1	12.8	13.4	11.0
Total	112.4	115.4	100.0	100.0

32. Recommendations For Improving Environment For Entrepreneurship:

	%		RELATIVE %	
	C	CN	C	CN
Less In-House Government R & D	1.4	5.2	1.0	3.8
Greater Development Orientation In Gov't R & D	5.5	---	3.8	---
More Government Marketing Assistance	5.5	7.7	3.8	5.7
Lower Tariffs	1.4	2.6	1.0	1.9
Lower Taxes	20.6	30.8	14.4	22.6
Change Tax Structure	13.7	7.7	9.6	5.7
Develop More Government Business Expertise	6.8	20.6	4.7	15.1
Greater Emphasis On Business Education	6.8	2.6	4.7	1.9
Change Financial Institutions	26.0	23.1	18.1	17.0
Less Government Involvement	16.4	7.7	11.5	5.7
Greater Support of Canadian Companies	4.1	2.6	2.9	1.9
Reduce Union Power	10.9	5.1	7.6	3.7
Cannot Be Improved	1.4	0	1.0	---
Other	2.7	2.6	1.8	1.9
No Comment	20.5	17.9	14.1	13.1
Total	143.7	136.2	100.0	100.0

PART VI
ENTREPRENEUR'S BY REGION
SUMMARY OF FINDINGS

SUMMARY OF FINDINGSENTREPRENEURS BY REGIONSSECTION 1: ENTREPRENEUR'S BACKGROUND

	ONTARIO	QUEBEC	PRAIRIES	B.C.	MARITIMES
1. Mean Age:	46.3	47.6	49.0	47.6	45.8
2. <u>Place of Birth</u>					
Canada	58.6	60.9	61.3	87.5	69.2
Europe	34.5	26.1	29.0	0	30.8
U. S.	6.9	4.3	6.5	6.3	0
Other	0	8.7	3.2	6.3	0
3. <u>Religion</u>					
Protestant	69.0	17.4	51.6	81.3	76.9
Catholic	20.7	43.5	32.3	6.3	23.1
Jewish	6.9	34.8	0	6.3	0
Other	3.4	4.3	16.1	6.3	0
4. <u>Education</u>					
Primary	10.4	21.8	19.4	12.5	15.4
Secondary	27.6	21.8	29.0	43.6	38.5
Diploma	10.4	0	19.4	6.3	0
University	51.6	56.4	32.2	37.6	46.1

	ONTARIO	QUEBEC	PRAIRIES	B.C.	MARITIMES
5. <u>Father's Occupation</u>					
Farmer	16.0	0	31.0	7.1	8.3
Blue Collar Unskilled	4.0	9.1	6.9	14.3	25.0
Blue Collar Skilled	16.0	27.3	24.1	14.3	33.3
White Collar	16.0	18.2	13.8	28.6	8.3
Professional	16.0	9.1	3.4	0	0
Managerial	32.0	31.8	20.7	35.7	25.0
Other	0 (#25)	4.5 (#22)	0 (#29)	0 (#14)	0 (#12)
<p>It should be noted that self-employment is not related directly to occupational status; e.g. a lathe operator managing a small machine shop would be classified as "blue collar skilled" and not "managerial".</p>					
6. <u>Father Self-Employed</u>					
Yes	44.4	56.5	55.2	43.8	46.2
No	55.6 (#27)	43.5	44.8 (#29)	56.3	53.8
7. <u>Father's Finances</u>					
Wealthy	6.9	4.3	0	0	0
Well-Off	62.1	78.3	58.1	62.5	46.2
Poor	31.0	17.4	41.9	37.5	53.8
8. <u>Number of Residences in First 18 Years</u>					
Mean	1.5	1.4	1.4	1.3	1.5

9. Occupation of Entrepreneur

	Ontario		Quebec		Prairies		B.C.		Maritimes	
	First Job*	Last Job**								
Farmer	0	0	0	0	10.3	3.4	0	0	0	0
Blue Collar Unskilled	7.1	0	9.5	0	13.3	6.9	6.3	0	23.1	15.4
Blue Collar Skilled	21.4	11.1	9.5	8.7	26.7	34.5	25.0	7.1	15.4	7.7
White Collar	25.0	11.1	33.3	30.4	23.3	13.8	31.3	7.1	23.1	15.4
Professional	35.7	18.5	33.3	30.4	20.0	10.3	12.5	14.3	23.1	30.8
Managerial	3.6	51.1	4.8	26.1	3.3	27.6	12.5	71.4	0	23.1
Military	7.1	7.4	9.5	4.3	3.3	3.4	12.5	0	15.4	7.7
	(#28)	(#27)	(#21)		(#30)	(#29)		(#14)		

*Upon Completion of Education

**Before Establishing Firm

	Ontario	Quebec	Prairies	B.C.	Maritimes					
10. <u>Total Number of Jobs Held Before Incorporation</u>										
Mean	4.0	2.2	2.9	3.3	3.0					
Mode	2	1.0	2	3	2					
11. <u>Proportion of Respondents with Non-Military Work Experience Outside Canada</u>										
Yes	51.7	8.7	25.8	31.3	23.1					
No	48.3	91.3	74.2	68.8	76.9					
12. <u>Related To Present Firm</u>										
1. Previous Job Experience	1 65.5 34.5	2 51.7 48.3	1 81.8 18.2	2 59.1 40.9	1 40 60	2 45.2 54.8	1 80 20	2 31.3 68.7	1 30.8 69.2	2 38.5 61.5
2. Education			(#22)	(#22)	(#30)		(#15)			

SECTION 2: THE FIRM

13. <u>Company Established Alone</u>	Ontario		Quebec		Prairies		B.C.		Maritimes	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	45.4 (#28)	53.6	34.8	65.2	61.3	38.7	43.8	56.3	15.4	84.5
13.A <u>Reasons For Incorporation</u>	%	Rel %	%	Rel %	%	Rel %	%	Rel %	%	Rel %
Salary	3.4	1.8	30.4	13.7	6.5	3.9	12.5	6.7	30.8	15.4
Being Own Boss	51.7	26.8	60.9	27.5	35.5	21.6	56.3	30.0	61.6	30.8
Challenge	75.9	39.3	82.6	37.2	67.7	41.1	68.9	36.6	77	38.5
Explore New Idea	58.6	30.3	34.8	15.7	45.2	27.5	50.1	26.7	23.1	11.5
Other	3.4	1.8	13.0	5.9	9.7	5.9	0	0	7.7	3.8
Total	193.0	100	221.7	100	164.6	100	187.8	100	200.2	100
*Total % is greater than 100 due to multiple answers										
14. <u>Did Entrepreneur Exploit New Idea or Product</u>	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<u>Or Product</u>	65.5	34.5	52.2	47.8	24.1	75.9	37.5	62.5	7.7	92.3
15. <u>Would Last Employer Have Allowed</u>										
<u>Entrepreneur to Exploit New Idea or Product</u>										
Yes	19.2		4.8		0		6.6		0	
No	46.2		47.6		20.7		46.7		7.7	
Not Applicable*	34.6		47.6		79.3		46.7		92.3	
*Usually because there was no new idea to exploit										

	Ontario	Quebec	Prairies	B.C.	Maritimes
By excluding the not applicable cases, the figures are as follows:					
Yes	29.4	9.1	0	12.5	0
No	70.6	91.9	100	87.5	100
16. <u>Was Locale of First Incorporation The Same As the Residence of the Entrepreneur During His first 18 Years</u>					
Yes	24.1	47.8	38.7	50	23.1
No	75.9	52.2	61.3	50	76.9
17. <u>Locale of Incorporation</u>					
Metropolitan	71.4	72.7	70.0	81.3	53.8
Non-Metropolitan	28.6	27.3	30.0	18.7	46.2
	(#28)	(#22)	(#30)		

18. <u>Events Precipitating The Formation of First Company</u>	ONTARIO		QUEBEC		PRAIRIES		B.C.		MARITIMES	
	%	REL.%								
Market For Idea*	27.6	15.2	30.4	19.0	22.6	17.1	50.0	29.6	30.8	20.0
Financial Backing	17.2	9.4	21.7	13.5	19.4	14.7	18.8	11.1	23.1	15.0
Partnership in New Enterprise	17.2	9.4	8.6	5.4	6.4	4.8	18.9	11.1	7.7	5.0
New Breakthrough (Product or Idea)	37.8	20.8	13.0	8.1	25.8	19.5	12.6	7.4	0	0
Someone Offered to Join Venture	24.0	13.2	26.0	16.2	6.4	4.8	12.5	7.4	46.2	30.0
Last Employer Dropped Project	0	0	4.3	2.7	0	0	6.3	3.7	0	0
Last Employer Changed Work Assignment	6.8	3.7	0	0	6.5	4.9	6.3	3.7	0	0
Friend Left	6.8	3.7	4.3	2.7	0	0	0	0	0	0
Personal Conflict in Last Job	20.6	11.3	13.0	8.0	6.4	4.8	6.3	3.7	15.4	10.0
Other	<u>24.1</u>	<u>13.3</u>	<u>39.1</u>	<u>24.4</u>	<u>38.8</u>	<u>29.4</u>	<u>37.6</u>	<u>22.3</u>	<u>30.8</u>	<u>20.0</u>
	182.1	100	160.4	100	132.3	100	169.3	100	154.0	100
*Idea in this instance does not necessarily imply a new product										
19. <u>Entrepreneur's Age At First Incorporation</u>										
Mean Age	34		30		33		34		35	

20. <u>Source of Capital For First Venture</u>	Ontario		Quebec		Prairies		B.C.		Maritimes	
	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%
Personal Savings	58.6	37.9	60.8	35.9	54.8	34.7	56.4	34.6	38.5	23.8
Partner	3.4	2.2	21.7	12.8	3.2	2.2	0	0	7.7	4.8
Friends or Relatives	24.0	15.5	39.1	23.1	25.8	16.3	25.0	15.4	7.7	4.8
Bank Loan	41.3	26.7	30.4	18.0	54.9	34.7	37.6	23.1	69.3	42.9
Venture Capital	6.9	4.5	4.3	2.5	6.4	4.1	25.0	15.4	23.1	14.3
Equity	3.4	2.2	13.0	7.7	3.2	2.0	12.5	7.7	0	0
Government Grant	17.2	11.0	0	0	9.7	6.0	6.3	3.8	15.4	9.4
	154.8	100	169.3	100	158.0	100	162.8	100	161.7	100

21. <u>Problems Encountered in Managing First Company</u>	Ontario		Quebec		Prairies		B.C.		Maritimes	
	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%
Personnel	34.5	17.9	34.7	13.8	32.3	15.9	43.8	18.0	23.1	12.5
Finance	79.3	41.1	87.0	34.5	74.2	36.5	87.6	35.9	92.3	50.0
Product Distribution	17.2	8.9	39.1	15.5	29.1	14.3	37.5	15.4	7.7	4.2
Sales	37.9	19.7	65.2	25.9	38.7	19.0	62.6	25.7	38.5	20.8
Legal	10.3	5.3	17.3	6.8	12.9	6.3	12.5	5.0	15.4	8.3
Administration	3.4	1.8	8.7	3.5	0	0	0	0	0	0
Other	10.2	5.3	0	0	16.2	8.0	0	0	7.7	4.2
	192.8	100	251.9	100	203.4	100	244.0	100	184.7	100

22. Total Number of Companies

1. Mean Number Formed
2. Mean Number Owned and Still Operating
3. % of First Companies Still Operating

Ontario			Quebec			Prairies			B. C.			Maritimes		
1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
3.2	2.9	Yes 82.8	2.6	2.4	Yes 91.3	3.5	3.1	Yes 96.8	3.6	2.9	Yes 87.5	3.5	3.3	Yes 92.3
		No 17.2			No 8.7			No 3.2			No 12.5			No 7.7
% Change 9.4			% change 7.7			% change 6.6			%change 19.0			% Change 5.7		

The percentage difference between those formed and those still owned and operating is listed at the bottom of each table. A percentage reduction results from sale of company, commercial failure and/or merger. One significant point to note is the tendency for regions with high average formation rates to suffer higher reductions -- a notable exception being the Maritimes.

	ONTARIO	QUEBEC	PRAIRIES	B.C.	MARITIMES
<u>23. Pattern of Corporate Integration</u>					
Horizontal	35.7	18.2	30	31.25	16.7
Vertical	17.9	9.1	16.7	6.25	16.7
Conglomerate	28.5	22.7	36.7	25.0	58.3
Horizontal-Vertical	0	9.1	0	0	0
Conglomerate-Vertical	0	0	0	12.5	0
Single Company Only	<u>17.9</u>	<u>40.9</u>	<u>16.7</u>	<u>25.0</u>	<u>8.3</u>
	(#28)	(#22)	(#30)	(#16)	(#12)
<u>24. Technological Content of Operations</u>					
Significant	82.8	65.2	74.2	50	69.2
Low	17.2	34.8	25.8	50	30.8
<p>The criteria for determining "significant" include some or all of the following: Completely new technology, design variation for existing technology, and exploitation of technology requiring relatively high fixed capital investment.</p>					

29. Government Grants Received by Respondents	ONTARIO		QUEBEC		PRAIRIES		S.C.		MARITIME	
	#	Rel. %	#	Rel. %	#	Rel. %	#	Rel. %	#	Rel. %
Federal-Technical (e.g. Pat.)	38.0	50	36.4	30.8	32.2	29.4	53.3	53.3	0	0
Federal-Financial (e.g. ICB)	0	0	27.3	23.0	12.9	11.8	0	0	0	0
Provincial-Technical	0	0	0	0	3.2	2.9	0	0	0	0
Provincial-Financial	7.4	9.6	9.1	7.6	0	0	0	0	0	0
Non-Financial	53.3	70.0	45.5	38.6	61.3	55.9	46.7	46.7	51.9	51.6
Total	98.7	100	118.3	100	109.5	100	100	100	101.8	100
	(#10)		(#22)		(#31)				(#31)	

30. Number of Grants Received	ONTARIO				QUEBEC				PRAIRIES				S.C.				MARITIME			
	0	1	2	3	0	1	2	3	0	1	2	3	0	1	2	3	0	1	2	3
#	0	1	2	3	0	1	2	3	0	1	2	3	0	1	2	3	0	1	2	3
%	33.3	59.3	3.7	3.7	45.5	36.3	18.2	0	61.3	29.0	9.7	0	46.7	23.0	0	0	53.3	38.2	0	0

SECTION 3: THE ENVIRONMENT FOR ENTREPRENEURSHIP

	Ontario		Quebec		Prairies		B.C.		Maritimes	
	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%
27. <u>Problems With Obtaining Venture Capital</u>										
No Problem	13.8	11.8	21.7	20.8	25.8	25.0	18.8	18.8	38.5	38.5
Financial Institutions Too Conservative	75.9	64.8	56.5	54.2	61.3	59.4	68.8	68.7	53.8	53.8
Financing Tied With Equity Control	17.2	14.7	13.0	12.5	3.2	3.1	0	0	0	0
Taxes-Corporate & Personal	3.4	2.9	0	0	3.2	3.1	0	0	0	0
Other	0	0	0	0	3.2	3.1	0	0	0	0
No Comment	6.9	5.8	13.0	12.5	6.5	6.3	12.5	12.5	7.7	7.7
	117.2	100	104.2	100	103.2	100	100.1	100	100.0	100
28. <u>Problems With Government Policy Environment</u>										
No Problem	31.0	27.3	26.1	21.5	16.1	15.2	43.8	41.2	15.4	14.3
Government Too Conservative	44.8	39.5	8.6	7.1	22.6	21.2	25.0	23.5	30.8	28.6
Too Much Government In-House R&D	3.4	3.0	4.3	3.5	0	0	0	0	0	0
Government Red Tape	6.8	6.0	17.4	14.3	13.2	13.0	6.3	5.9	23.1	21.4
Tax Structure	3.4	3.0	13.0	10.7	19.4	18.2	0	0	15.4	14.3
Tax Burden	6.9	6.1	17.3	14.3	29.0	27.3	12.5	11.7	7.7	7.1
Lack of Policy Co-Ordination	0	0	4.3	3.5	0	0	0	0	0	0
Too Much Government Involvement	0	0	13.0	10.8	3.2	3.0	0	0	0	0
Other	3.4	3.0	4.3	3.5	0	0	0	0	0	0
No Comment	13.8	12.1	13.0	10.8	12.9	12.1	18.8	17.7	15.4	14.3
	113.5	100	121.3	100	106.4	100	106.4	100	107.8	100

	Ontario		Quebec		Prairies		B.C.		Maritimes	
	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%
29. <u>Problems With Marketing In Canada</u>										
No Problem	20.7	20.0	0	0	32.3	31.3	37.5	33.3	23.1	23.1
Markets Small and Dispersed	27.6	26.7	30.4	29.2	29.0	28.1	12.5	11.1	7.7	7.7
Canadian Consumers Conservative	20.6	19.9	21.7	20.8	19.3	18.7	31.3	27.6	7.7	7.7
Need For More Government Marketing Pgms.	0	0	8.7	8.3	3.2	3.1	6.3	5.7	0	0
Other	0	0	4.3	4.1	0	0	0	0	7.7	7.7
No Comment	34.5	33.4	39.1	37.6	19.4	18.8	25.0	22.1	53.8	53.8
	103.4	100	104.2	100	103.2	100	112.6	100	100.0	100
30A. <u>Evaluation of Government R & D Asst.</u>										
Non Recipients	37.9		56.5		61.3		43.8		38.5	
Excellent	34.5		26.1		19.4		31.3		15.4	
Good with Qualifications	17.2		8.7		16.1		12.5		15.4	
Poor	3.4		0		0		6.3		15.4	
No Comment	6.9		8.7		3.2		6.3		15.4	

30B. Evaluation Of Government R. & D.
Assistance - Excluding Non-Recipients

	Ontario	Quebec	Prairies	B.C.	Maritimes
Excellent	55.6	60	50	55.6	25
Good with Qualifications	27.8	20	41.7	22.2	25
Poor	5.6	0	0	11.1	25
No Comment	11.0	20	8.3	11.1	25

31. <u>Recommendations for Improving Environment for Entrepreneurship</u>	Ontario		Quebec		Prairies		B.C.		Maritimes	
	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%	%	Rel.%
Less In-House Government R & D	3.4	2.8	4.3	2.5	0	0	0	0	7.7	6.25
Greater Development Orientation in Gov't R&D	0	0	0	0	3.2	2.3	12.5	8.7	7.7	6.25
More Government Marketing Assistance	0	0	21.7	12.5	3.2	2.3	6.3	4.4	0	0
Lower Tariffs	0	0	4.3	2.5	0	0	0	0	7.7	6.25
Lower Taxes	24.0	20.0	21.7	12.5	35.5	25.5	12.6	8.7	15.4	12.5
Change Tax Structure	0	0	21.7	12.5	16.2	11.7	12.6	8.7	0	0
Develop More Government Business Expertise	10.3	8.6	17.4	10.0	9.7	7.0	6.3	4.4	15.4	12.5
Greater Emphasis on Business Education	3.4	2.8	0	0	12.9	9.3	0	0	7.7	6.25
Change Financial Institutions	41.3	34.4	17.3	10.0	6.4	4.6	50.1	34.7	15.4	12.5
Less Government Involvement	6.9	5.7	21.7	12.5	19.4	14.0	6.3	4.4	7.7	6.25
Reduce Union Power	0	0	8.6	5.0	16.2	11.7	12.6	8.7	7.7	6.25
Other	0	0	4.3	2.5	0	0	0	0	15.4	12.5
Cannot be improved	0	0	4.3	2.5	0	0	0	0	0	0
Support Canadian Companies	3.4	2.8	13.0	7.5	0	0	0	0	0	0
No Comment	27.6	22.9	13.0	7.5	16.1	11.6	25.0	17.3	15.4	12.5
	120.3	100	173.3	100	138.8	100	144.3	100	123.2	100

APPENDIX B

Copy of Questionnaire

A QUESTIONNAIRE
ON
ENTREPRENEURSHIP IN CANADA

Dr. I.A. Litvak and Dr. C.J. Maule
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Ottawa 1, Ontario, Canada
(613) 231-4377

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.

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

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

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>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Present Annual Sales

Is Company Still in Existence

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.

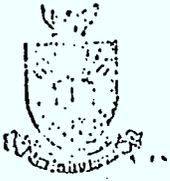
3 - 3 Please comment freely on any problems associated with marketing new products in Canada.

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.

CARLETON UNIVERSITY

OTTAWA, 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.

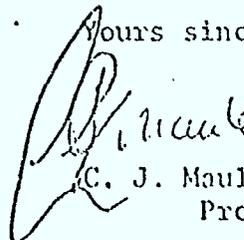
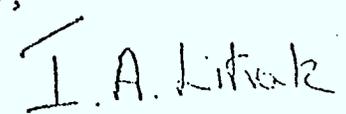
The recipients of this questionnaire are persons who were identified as entrepreneurs by other entrepreneurs, or whose names have appeared in newspapers and periodicals as entrepreneurs associated with new business ventures. However, you will note that in completing this questionnaire, your anonymity 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,

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

UNIVERSITY GRANT PROGRAM RESEARCH REPORTS

RAPPORT DE RECHERCHE SUR LE PROGRAMME DE SUBVENTIONS AUX UNIVERSITES

AUTHOR(S)/AUTEUR(S)	UNIVERSITY/UNIVERSITÉ	REPORT TITLE/TITRE DE L'OUVRAGE
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31. M.E. Charles D. MacKay	The C.E.R.C.L. Foundation, 200 College Street, Toronto, Ontario. M5S 1A4	Case Studies of Industrial Innovation in Canada, February, 1975.
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