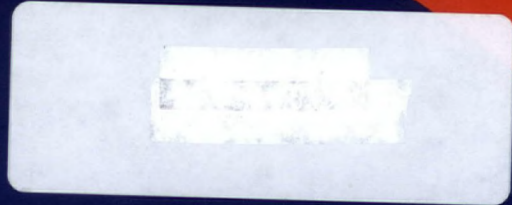


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**CANADIAN SMALL BUSINESS
NEEDS AND POLICY ISSUES:
QUALITATIVE RESEARCH FOR THE
SMALL BUSINESS POLICY BRANCH OF
INDUSTRY CANADA**



Patterson, Langlois
Consultants inc.

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Presented to:
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ANNEX:

- I Discussion Guide
- II Recruiting Screener

SECTION 1: EXECUTIVE SUMMARY

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION/BACKGROUND

This report presents the results of a series of sixteen focus groups held in five different cities across Canada. These groups were held with a sampling of small business owners, managers or operators, and were intended to provide insight into the evolving needs of small business in Canada. The first objective of the process was to evaluate and inventory the needs of small business as a means of assessing the adequacy of the information products at their disposal. Given that Industry Canada is actively developing information products and disseminating them over the Internet, the results of this process were expected to help rationalize this process. A second objective here was to inform the small business policy development process at Industry Canada by way of direct commentary and input from small business owners and operators.

The reader of this report is reminded that the methodology employed in this study is qualitative in nature, and therefore should not be construed as representative of the populations addressed here in any statistically representative manner. The high degree of consistency in the findings derived from this process does, however, suggest that we may have confidence in the general validity of the findings reported herein.

1.2 OVERVIEW

1.2.1 Information Needs of Small Business

If we examine our findings on the *information* needs of small business, the most obvious conclusion is that these are *not* answerable by having the government develop *new* information products. Most participants were unaware of what already exists, and most believe that what does exist is hard to get at. For most, therefore, *access to information* has become as critical as the information itself. This suggests that government should concentrate on making what it has to offer more accessible, more transparent and more intelligible to small business operators, rather than develop new information products. This in turn suggests better and more extensive marketing efforts in the following respects:

- To promote better awareness of existing information products and sources of information available to small business.
- To provide better information to correct erroneous impressions about funding available for small business from the Government of Canada.

A second important finding about information needs concerns the distribution channels. There was clear evidence of frustration among many small business operators about the inadequacy of the channels they feel are available to them. While some agree that the delivery of information can be provided via on-line delivery tools, most small business operators continue to expect – and demand – access to the government and its information via *interpersonal media* such as the telephone or in person. The recent perceived movement away from this "personal" contact has vexed many, calling the government's service delivery philosophy into question.

1.2.2 General Needs of Small Business

Group participants expressed needs that can be met solely by government:

- To provide better information about what government requires of small business including regulations, information requirements and so on;
- To provide for a more qualified pool of entry-level human resources by ensuring an adequate matching between the capabilities of the nation's educational resources and its economic needs.
- To provide better information on trends in the economy. While most participants are vaguely aware that the government already provides this information through Statistics Canada and other departments, it is apparent that many lack faith in the information, or presume that it is unavailable. Many also complain about the "paper work" involved in responding to Statistic Canada's surveys, and fail to make the connection between the two.
- By better providing for the general conditions that will foster economic growth, which implies a more sensible and proportionate tax regime and minimal regulatory burden, and a reduction of the factors that contribute to the "brain drain";

Other needs were identified that are less obviously characterized as areas of "primary government responsibility":

- Act to help address small business' need for capital by insisting on greater flexibility on their part of the banking community;
- Enforcement of regulations in a more systematic fashion. One of the more irritating and destructive aspects of regulations arise when one "player" is forced to adhere when others are not, or when a minority are perceived to avoid what the majority are forced to do. These situations are seen as clear examples of government actively contributing to de-stabilizing and counter-productive business environments.

Finally, there were needs expressed by small business participants that are less obviously associated with government, but that are otherwise germane to the discussion. These included:

- access to capital;
- access to technical expertise or help for exploiting or capitalizing on the opportunities implied in technological change, specifically with the Internet;
- help with human resource issues such as training, motivational issues, etc.
- help with marketing, specifically in the area of advertising and promotions;
- help with managing growth;
- help with legal matters.

1.2.3 Findings Relative to Policy Development

A secondary objective of the focus groups was to gain feedback on current issues or problems areas faced by small business, with a view to assessing existing, or defining new policy areas on which the government should focus. In this light, many of the needs expressed in this process, be they to have the government intervene with the banks, provide funding or expertise, were the object of divided opinion and therefore tenuous as directions for new policy. The exceptions to this, and where we *did* encounter consensus, are areas articulated around the theme of government "doing its job better". Broad consensus exists for continued effort on the part of the government to do what it can to cultivate the pre-conditions for economic growth, to act as steward of the nation's educational resources to ensure that our workforce is equipped to meet the demands of the emerging economy, and to minimize its growth-inhibiting burden on small business.

SECTION 2: OBJECTIVES

2.0 OBJECTIVES

The overall objective of this study was to assess the needs of the small (under 100 employees) business community, in order to guide the development of new information products and services. Specifically, we wanted to find out:

- The key needs or obstacles faced by small business today and how these needs are being addressed;
- To assess the different sources of information small businesses turn to with a special emphasis on government;
- To explore attitudes and opinions about the different distribution channels for business information, with a special emphasis on on-line media.

By touching on the more general needs of small business, we also expected that the results of this assessment would contribute to the development of small business policy. To this end, our conversations also touched on the general role of government in support of small business from both a current and an ideal perspective.

SECTION 3: METHODOLOGY

3.0 METHODOLOGY

3.1 CHOSEN METHOD

Given the objectives set out for this study, the method of focus group interviewing was selected as the most appropriate. In order to inhibit regional bias, a total of sixteen groups were held across the country in 5 locations. In this process, we held discussions with roughly 127 participants, representing businesses of many different sizes and sectors of activity. Participants in this process were generally cooperative, although highly diverse in their expressed needs and attitudes about government.

3.2 NUMBER AND LOCATION OF GROUPS

A total of sixteen focus groups were held in the following locations and in the following configurations:

- Businesses employing 1 to 4 people;
- Business with between 5 and 20 employees;
- Businesses with between 21 and 50 employees;
- Business with between 50 and 100 employees.

Locations included St-John's, Sherbrooke, Toronto, Calgary and Vancouver. The specific distribution of group type per city is indicated in the table below. This table also indicates information relative to group size (mini denoting a group where 7 participants were recruited, and "regular" denoting a full group of 11 recruited participants), and the urban or rural location of the businesses represented. For the purpose of this study, "rural" businesses were defined as those located more than 30 minutes outside of the municipality indicated.

City	Group Type	Composition (# employees)
St-John's	1. Mini	1. 1-4 (urban/rural)
	2. Mini	2. 5-20 (urban/rural)
	3. Mini	3. 21-50 (urban/rural)
	4. Mini	4. 51-100 (urban/rural)
Sherbrooke	5. Regular	5. 1-4 (urban/rural)
	6. Regular	6. 5-20 (urban/rural)
Toronto (All urban)	7. Mini	7. 1-4
	8. Mini	8. 5-20
	9. Regular	9. 21-50
	10. Regular	10. 51-100
Calgary	11. Regular	11. 21-50 (rural)
	12. Regular	12. 51-100 (rural)
Vancouver (all urban)	13. mini	13. 1-4
	14. mini	14. 5-20
	15. mini	15. 21-50
	16. mini	16. 51-100

3.3 PARTICIPANT RECRUITING CRITERIA

Participants were recruited according to identical criteria in the various cities so as to encourage the participation of individuals who represent a variety of small businesses in different sectors of activity. This process was guided by the use of a participant recruiting questionnaire or screener, which was developed prior to the recruiting process and submitted for client approval. A copy of this screener is appended to this report. Recruiting in Sherbrooke was more difficult than anticipated and required considerably more than the planned amount of time and effort.

3.4 INCENTIVE FEES

Participants in all groups were offered an incentive of \$100 for their participation in the groups.

3.5 MODERATING AND ANALYSIS

John Patterson moderated all of the groups and was also responsible for all aspects related to the analysis of results and the writing of this report.

SECTION 4: DETAILED RESULTS

4.0 DETAILED RESULTS

This process was undertaken to assist the Small Business Policy Branch in its review of its web site on *Strategis* and the possible design of new information products. While much of our conversations with small business operators did indeed center on their "needs", it was one of the revelations of this process that "information" itself figures only modestly on the hierarchy of their pressing concerns. In addition, the in-going premise – that the Government of Canada might serve small business well by providing more information – is true only in the most narrow of respects. Small business operators do indeed require and need information from government, but the information they seek from government is generally limited to regulatory matters. We encountered little evidence of a need or even a desire among small business for information from government in other respects. In short, the consensus view among participants is that government would do well to concentrate on its own interfacing with business by either *reducing* its requirements, or making them clearer and more simple to adhere to.

The consensus opinion described above reflects a small business community that appears to be highly fractured in its perspective on government. Typically, we encountered substantial disagreement among participants on broad issues such as how much government should support small business and the various forms this support may take. What we did hear was volumes about the challenges that face small businesses, how the role and character of government's intervention in the life of small business contributes to (or could relieve) those challenges, a range of opinion concerning the proper direction for small business policy development. These findings in turn provide the basis for analysis that may be useful for the purposes of subsequent research on issues and questions raised here. In keeping with the tone and substance of our discussions then, this report will develop along the following lines, with specific sections to discuss the following:

- An inventory of more general needs expressed by small business operators.
- A description of how small business operators typically address these needs, and findings relative to perceptions of government in this sense.

- A distribution channels for business information.
- In light of what was a very diverse and disjointed body of opinion about the above, an analysis of underlying factors or variables that may *explain* or *predict* certain perspectives encountered. These are offered to assist the Small Business Policy Branch in subsequent research efforts.
- And finally, a discussion of the substance of conversations we had about the idea of the *ideal* government support of small business. This latter point was raised in an attempt to move our participants and our discussions beyond the current paradigm and to enlist the *imagination* of small business operators in envisioning a more perfect kind of small business policy.

4.1 GENERAL NEEDS OF SMALL BUSINESS

Many of the needs expressed by participants were *generic* to business, and consisted of rather predictable and obvious requirements for the success of any one of the businesses represented in the process. For example, participants typically need more customers, to lower their operating costs, to find more time to develop new business opportunities, for better, more skilled employees, to raise working capital, to better manage their inventories, and so on. Those needs that were commonly expressed are as follows:

- Access to capital from conventional sources, which is to say for money from a more business-friendly banking community. Interestingly, this is one of only a few areas where we encountered tangible differences between the very small businesses (less than 4 employees) and the larger ones (over 50 employees), the latter apparently benefiting from more satisfactory relationships with their banking institutions in general.
- Access to technical expertise of all kinds, but particularly in high-tech areas. Understanding the basics and exploiting the fullest potential of the Internet are "front and center" in this regard;
- Adapting to and taking advantage of technology and technology-induced change. More specifically, we heard about difficulties keeping employees up to date on the latest innovations in software, lack of resources to train people on the latest manufacturing equipment, and so on;

- Help with time management and other basic management skills. As one participant put it "*to be a small businessman these days, you have to be an expert in about twenty different things.*"
- Help with the demands that operating a small business can make on one's personal life. This is a recurring theme and a pervasive problem among many of the small business operators we talked to as they "struggle" to maintain some sort of balance between the demands of work and their personal lives;
- Help with the concrete problems of managing human resources. Beyond the problems associated with *finding* the right kinds of people, there is a recurring and widespread need for help with *keeping* good staff, getting rid of the bad, and helping personnel become better employees.
- Help with marketing was another recurring theme. This need is expressed in many forms, including how to advertise (in general), how to advertise using new media, and other forms of general marketing help.
- Help with managing growth. *Some* small business operators know that their business could expand, but are lacking either the knowledge or the resources to capitalize on the opportunity. As successful small businessmen rarely have much time, and because opportunities for expansion are more often associated with successful companies, this is a particularly frustrating thing.
- Help with legal matters. Some small business operators feel disadvantaged in that they can rarely marshal the resources necessary to engage in protracted legal battles. Some feel particularly vulnerable to bigger clients who choose not to pay and who can delay things in the court for long periods of time.
- Access to tailored or more customized marketing research is also a need, particularly for those companies that offer or manufacture consumer products (retail, some manufacturing, service industries, etc.). Some specifics mentioned in this regard were customer satisfaction measurement instruments, comparative market performance data, advertising effectiveness studies and the like.

4.2 SOURCES OF HELP FOR SMALL BUSINESS NEEDS

Typically, the small business operators we spoke to look to a variety of different sources for help with the needs itemized above. For issues relative to capital, most participants seek out a limited number of sources of help. Many have "given up" on securing capital from the banking community, concluding that the banks are simply not willing lenders to small business. Others seek the route of self-sufficiency, attempting to eliminate or reduce this need by ensuring that they themselves can provide the requisite capital. A smaller number look to government for funding, apparently motivated by an impression that the Government of Canada has funding for small business available somewhere.

For help with technical needs, most participants turn to outside, private-sector sources. Much confusion and uncertainty surrounds the private-sector options in this sense, however. Most participants have little confidence in their own ability to judge the merit or the worth of outside support in this sense, particularly for Internet-related help. The same can be said for help taking advantage of and managing technology and its attendant impact on business operations.

Most participants turn to interpersonal contacts for help with their more personal needs such as time management, stress management. The same can be said for most human resource and marketing-related needs, where personal friends and family become sources of support of the "moral" kind, but also as a pool of potential labor. When these are inadequate for the purpose of staffing, most participants were disparaging about the other resources at their disposal (employment centers).

Finally, it was apparent that few of the participants would naturally turn to government for help with any of the major needs identified in this study, save for those that naturally fall under government responsibility. These are the focus of ensuing sections.

4.3 DISTRIBUTION CHANNELS

An integral part of understanding the needs of small business and how these relate to both information and government is exploring the question of distribution channels. The following section highlights the findings in this regard:

For most small business operators, communication with government, although *facilitated* by impersonal media such as the Internet, is still defined, assessed and understood as a function of *interpersonal* exchange. In this sense, then, it matters little in the final appraisal of government's performance whether or not there was a successful transfer of information via impersonal media if the personal interchange fails. In this regard, there is reason to postulate the existence of a certain perceived hierarchy with respect to the different media at the Government of Canada's disposal. In broad terms, it is generally clear that most small business people continue to attach the highest degree of importance to the telephone. Although most are quick to point out their expectations that trying to get information from government over the phone will be difficult, this does not diminish the primacy of the telephone. The words of one participant evoked the views of many:

"You just have to do it. You can get a lot of general information over the net, or from publications, but ultimately the specific answers have to come from a real, live person."

The printed media, as the above would suggest, is generally seen as a tool for conveying broad information, but is also often judged incomprehensible or so broad as to be of little use for specific problems or companies:

"They don't write that stuff for people like me - I don't understand it and I don't even bother to try anymore."

Finally, it should be noted that participants were generally unaware of the activities, products and services made on their behalf by Industry Canada or any other Government of Canada department, including the web sites available to them on Strategis.

4.4 NEEDS THAT CAN BE ADDRESSED BY GOVERNMENT

4.4.1 Broad Areas of Government Responsibility

There were broad needs expressed by participants that fall under broad areas of primarily government responsibility. Most of these have to do with the general imperative of government to be responsible for education and training:

- For government to better matching the evolving demands of the economy with the evolving skill sets of the emerging work force. A great deal was said in our groups about a shortage of basic skilled workers – workers able to function as bricklayers, electricians, plumbers, welders, and the like. Several participants felt that it is the responsibility of government not only to see that there are adequate numbers fill the demand, but also to address the larger, more systemic causes of shortages in these trades. The comments of one participant in Toronto illustrates the point:

"We're building houses with aluminum siding, not because people want that – they'd actually prefer to have brick houses, but we seriously can't find enough bricklayers to do the work. Nobody wants to do these trades anymore. They're not sexy. Everybody wants to be a lawyer or a Doctor, but a lot of kids aren't getting the message that you can be a bricklayer and make a 100 grand a year and take 3 months off! I think it's up to the government to push more people into these trades.

- To further improve the education system, by raising the quality and pertinence of the training provided, by making education more accessible, more responsive to the needs of business, and so on. Several participants spoke of how other governments in other countries actively promote closer relationships between business and education, for example.
- To create the economic conditions and incentives sufficient enough to keep Canadian talent in Canada. We heard much about the proverbial "brain drain";

and most who spoke of the loss of talent to the US and elsewhere implicitly believe that this problem is of a sufficiently systemic nature that only government can realistically be expected to affect the problem.

- To better identify emerging trends in industry and the economy and to communicate these in a clearer and accessible manner. This point also reflects the view that the government is *uniquely* placed, by virtue of its interaction with all sectors of activity, to accomplish this sort of work;
- While there is consistent debate and ambiguity about the wisdom of the government *actively* promoting the growth of small business by way of resource transfer, there is no debate about the more general imperative that government do all that it can to create the pre-conditions to economic growth. While there is little in terms of precise definition as to what this means, one certain component of this notion is that government burden business as little as possible.

Another whole grouping of "government-related" needs constitute those things that the government is uniquely positioned to do. Examples of these sorts of gestures would be:

- Act on behalf of small business with the nation's banks, lobbying or even legislating them into a more small-business-friendly mode. While there is little positive sentiment for additional regulatory action from the perspective of small business operators, the banks seem to constitute an exception.
- Enforce its regulations in a consistent, precise and above all, egalitarian manner. For many of the small business operators we talked to, this equitable enforcement is rarely the perception. For many, the norm is the perpetuation of inequities between "big guys and small guys", the "gray" market, and other practices that impeded free and unimpeded competition.

4.4.2 Regulation

Clearly, the imperative for most of the small business operators we talked to would be for government in general (and *especially* the federal government) to be a better provider of information about the body of regulations it imposes on small business. The more clearly expressed examples are as follows:

- For better information on reporting requirements as they relate to taxation (the collection of the GST and HST were recurring examples), but also relative to human resource procedures, and so on. Smaller companies working in highly regulated industries have more strident demands in this sense. There is a need for greater clarity, in that many participants do not understand the language of these regulations, and a need for more *proactive* and *coordinated* information dissemination activities.

An example illustrates the latter point. In matters related to taxation, the government could take advantage of the fact that every business start-up in Canada has to begin with a GST registration to offer a "business start-up" kit at this very same moment.

- For better information about inter-provincial and international trade, including tariffs, regulations concerning the movement of goods, people, etc.;
- For better information about doing business with the federal government, procurement policy, and so on.

4.4.3 Regional Specificities

Finally, we need to note that there were types of help or gestures expected or desired from government that appeared to be especially prominent during our discussions with small business operators working in isolated areas. These would be:

- Regionally-favored purchasing policies, meaning that governments favor local over national or international suppliers for its own needs;
- Assistance in the form of tax credits, grants and special monies to help overcome some of the more tangible drawbacks associated with working in isolated areas. These would include such things as transportation costs, monies for additional training, etc.
- Looser restrictions and requirements for access to capital to offset the inherent difficulties and obstacles associated with doing business in remote areas.

4.5 GENERAL ATTITUDES OF SMALL BUSINESS OPERATORS

The body of opinion we encountered among the various participants we spoke with was highly diverse, and in many cases, fraught with contradiction. Often, the general tone of one group in one city was entirely the opposite of that encountered in another. In many cases, participants in the same group disagreed strongly. In fewer cases, but in almost every group, individual participants championed perspectives or opinions that were lacking in internal consistency. While some of the contradictions that emerged were about the general needs of participants, the most polarized and confounding opinions were those expressed about government. In this light, if this report focuses on issues relative to government, it is not only because there are many needs in this area¹, but also because most of the ambiguity lies in this general area.

As the reader may surmise, making sense of this diverse and contradictory opinion was very difficult, as there is arguably no consistent body of opinion or shared perspective relative to government that can be reported as fact or general finding.

In an effort, however, to provide feedback from this process that is more useful than a simple reporting of the contradictions we encountered, some analysis is offered that attempts to provide a means of making sense of these contradictions. This analysis is also a potential avenue to subsequent research on this topic.²

¹ Exploring the "burden of government" was also part of the documented objectives set out for this study.

² In our view, any attempt to conduct quantitative research without such an analytical framework would result in research that would be difficult to use.

A starting point to understanding some of the contradictions we encountered is to highlight the issue of how much or little participants believe government should be a factor in the day to day reality of small business. One way of understanding the different points of view in this light is to recognize a *spectrum* of opinion between two extremes:

- One is "*interventionist*", and indicates a strong belief that many otherwise viable small businesses could not survive or even be born without the active support of government. Typically, those who ascribe to this view also believe that the economic environment is functionally hostile to business start-ups, and
- The other is "*laissez-faire*", indicated by a strong belief that most business that do not survive on their own should not survive, and that the active or even passive intervention of government in this environment artificially distorts and disrupts the natural equilibrium and balancing mechanisms of the market. Typically, those who ascribe to this view also believe that the economic environment has its own natural "weeding out" mechanisms that naturally favor the survival of the more viable and the demise of the weaker businesses.

Other variables or characteristics of the small business or the small business operator may account for, or even predict which end of this axis they may lean to. While recognizing that these are generalizations, these "predictors" are manifest in:

- *How well the business is doing*: We tend to hear more about the need and the wisdom of government intervention from small business operators whose businesses are vulnerable, undergoing transitions, facing significant obstacles, and so on. The reverse, however, that would suggest that those representing healthier businesses would be equally inclined toward the *laissez-faire* perspective, was, however, not born out in this process. Generally, what we did hear with consistency from those participants whose businesses are doing well is a plea for the maintenance of a "level playing field", which is to say for limited intervention that does not distort competition.
- *The extent of resources at the business' disposal*: If we include financing as part of the resource kit of small businesses, we can assert that the absence of capital is a condition that is likely to account for or predict a favorable attitude toward government intervention. A related issue is the extent to which Canada's banks are perceived to fail in their support of small business. This shortage of

resources also comes into play in other terms, however, including but not limited to *human resources* (absence of qualified staff), *training resources*, and others.

- *The relative isolation of a small business*: Our foray into more isolated parts of the country (such as in Newfoundland, or rural Quebec and Alberta) has provided some insight that isolation may be predictor, albeit a less clear one, of a favorable attitude about government intervention.
- *Sector of Activity*: While more difficult to pin down, there was some suggestion in our groups that small businesses that operate on a global basis, or in very high-tech industries feel a stronger need for government intervention. This need is often expressed, if only to "level the playing field" by addressing certain systemic inequities, or by way of financing research and development.
- *The size of the business*: While this too is a less clear indicator than some of the variables mentioned previously, it does appear that the very small business operators – those with less than 4 employees – are more likely to adhere to the "interventionist" perspective. This may simply reflect the reality a small business is also less likely to have access to the resources that are available to larger ones (access to capital, cooperation from the banks, etc.).

Finally, however, the reader should recognize that the patterns evoked here are generalities, and replete with exceptions that should provoke caution in taking these findings too literally. To the point, we encountered very small business operators from isolated areas who had precarious business and little access to financing that were staunchly *against* government intervention. By the same token, we also encountered operators of larger, more successful business who have plenty of resources who were *for* government intervention.

It is important to note that government in general figures as only part of the overall business landscape, and that small businesses face many other important challenges.

4.6 PERSPECTIVES ON HOW GOVERNMENT IMPACTS SMALL BUSINESS

The following the "burden of government" in more detail as it was articulated by participants. In that this burden represented a major concern and a significant barrier to the conduct of their businesses, addressing these aspect by definition constitute needs for small business operators:

4.6.1 Taxation

The following constitutes a partial inventory of a litany of needs in this regard:

- That government reduce the demand on small businesses to act as tax collectors on their behalf. This is a complaint that primarily concerns the GST.
- That government reduce its expectation that small business finance the government's tax bill before it is collected from their end. This "financing" results from regulations (GST) that require taxable amounts to be paid to the government before they are actually collected at the business end.
- That the government reduce confusion surrounding taxation regulation: Many view tax regulations as imprecise and ambiguous.
- That government make more effort to redress inequities in taxation policies, embodied in practices such as requiring small business operators to "pay tax on tax", or forcing small business operators into paying unreasonable provisional payments, etc.

4.6.2 Regulation

Another common perspective, but one particularly held by companies working in heavily regulated industries (environmental consulting, waste disposal, food processing, etc.) is that regulation is excessive, and often characterized by the same lack of clarity as tax

regulations. The following constitutes a partial inventory of the needs expressed in this regard:

- That government act to be a more consistent and predictable legislator, reducing the quantity of changes to the "rules";;
- That government more adequately consult with industry;
- That governments be more *consistent* in their enforcement of regulations, causing fewer imbalances in the competitive arena.

4.6.3 Communication Issues

Another aspect of the burden of government is defined as a problem of communication and internal consistency. One way of grasping the essence of this burden is by describing some very common anecdotes that are recounted about what it is like, as a small business operator, to have to get information from government. These anecdotes are so common that they arguably have the trappings of archetypes in this story. Some of the more common ones are evoked by the following quotes:

Oh yeah, you call the government, and you get 'press one' for this 'press two' for that and at the end of the line, if you get to talk to a person, they don't know the answer."

"You can't ever talk to a person in government – it's only voice mail and nobody ever calls you back."

"I get all this stuff, but I just pass it off to my accountant. I just haven't got the time to try to figure that stuff out. It's not written for people like me."

"If you ask three different people about a question, you get three different answers. The trick is to write down the names and phone numbers so you can tell them who said what earlier."

"People in government don't talk to each other. So, you get one department

*or level doing one thing, and another doing the opposite.
Business people get caught in the middle."*

*"...when it comes to needing something from us, they're right there, but when you
need something from them, it's a different story."*

The above also extends to a question of reliability and internal consistency. It is very difficult to avoid the overwhelming evidence that suggests that rules, regulations and requirements are first and foremost defined by what *people say* as opposed to what is written. The recurring theme of different people providing different and even contradictory answers to the same question highlights the prevalence of this view.

Finally, there is a common view that government is unfair in that it seems a efficient – even *ruthlessly* efficient communicator in its outward demands, but very inefficient in its ability to make its internal dynamics transparent to the outside world. This is an especially critical point from the perspective of small business operators, as every minute spent "trying to figure it out" is, by definition, time wasted for other more important or productive pursuits. This inward inefficiency is manifest in many respects, including the sense that many have that different departments in one level of government, or even different levels of government are often working at cross purposes, or, or mildly, simply failing to coordinate their activities.

In these broad respects, therefore, government is perceived to impose a burden on government by failing to make its policies, procedures and requirements *transparent* to small business operators.

4.7 SOURCES OF FINANCIAL SUPPORT TO SMALL BUSINESS

Clearly, the issue of financial support in the form of grants, loans and access to capital in general constitutes the single most important aspect of "support" for small business, and is an area around which there are many needs. One of the most common and consistent views in this regard is that the country's banks are poor supporters of small business, and especially of very small businesses in Canada. While most small business operators are convinced that the "motor of the economy" is in the hands of small business, banks are not seen to recognize this. Further, in failing to involve themselves in the commercial policies of the banks (an event that not all would welcome), many small business operators are left with a dependence on government for many essential kinds of funding.

This dependence, which is the source of many needs, is perceived to be the most critical in the following circumstances:

- For very small business attempting to start-up in an economically depressed area;
- For high-tech industries that need large amounts of capital for research and development funding;
- For businesses operating in highly competitive markets or industries, where the injection of capital from any source to any one of the players can be a significant factor in the overall economic viability of the concern.
- For business confronting evidence of opportunities for growth, but who lack the financial wherewithal to finance expansion on their own. Typically, these small business operators complain of frustrated efforts to adequately convey the opportunity to both the banks and to government sources of financing.

It should also be noted that this dependency on government funding is something that is widely held with mixed feelings. Most small business operators who need it and want it are quick to concede that they would be better off without it, yet many are equally quick to credit a small business loan as the deciding factor in the success of their start up.

It was also clear that media coverage of funding issues in government has a certain distorting effect on popular understanding of the process, in at least the following respects:

- Many small business operators are *vaguely* conscious that "a lot of money is being spent" in Ottawa, but the details about distinctions between tax break incentives, job growth funds, and programs managed by different departments clearly escape most. The general sense, then, is that a lot of money is going to a lot of other firms.
- It is apparent that many have heard or retained information to the effect that *big business* is getting funding from government, but there is no evidence to suggest that they hear of – or have retained as much about grants to small business, *except in the context of recent scandals*. These two factors combined clearly contribute to widespread distortions about the reality of government funding programs. It is interesting to note, however, that personal anecdotes from participants about how government funding helped them appear to have a tangible effect on both the government's reputation in this regard, and on perceptions of the general utility of this gesture.

4.8 INFORMATION ON PROGRAMS AND SERVICES

Finally, in assessing what small business operators have revealed about how they view the current activities of government on their behalf, it is equally revealing to note what is not seen nor recognized. In this context, we were confronted with overwhelming evidence that small business operators in general remain almost wholly ignorant of the activities of Industry Canada or any other Government of Canada department. To this point, it is significant that only a handful of participants had ever heard of Strategis, or even knew vaguely what it was about. More to the point, many participants clearly need information that already exists, such as:

- lists of companies working in different sectors;
- broad-based statistics on specific economic sectors, industries, etc.
- sources of financing;
- opportunities for doing business with government such as procurement policies and procedures;
- labour market information;
- trends, analyses, and other general statistics,
- etc.

All of this suggests a clear need for better communication surrounding the sources of support for small business. Several points surrounding this question emerge as more critical than others:

- For better communication on what is, and what is not currently available to small business in terms of government funding. It was difficult to avoid the conclusion that misperceptions on this question are rampant.
- For better communication about what is currently available in terms of information and products from government. It was abundantly clear that most participants are not aware of what currently exists, and that many would benefit from access to these products.

4.9 GOVERNMENT IN "IDEAL" SUPPORT OF SMALL BUSINESS

As a way of ending our conversations, participants were encouraged to picture an "ideal" support role for government. This was also done to encourage participants to "think around" the multitude of problems that they had been talking about. Just as we encountered a range of attitudes about the general wisdom of *any* government intervention in the arena of small business, this point was the object of some dissent. This dissent, however, does not alter the existence of a few points of broad consensus about what this "ideal" support would look like. These are as follows:

Partnership: While many are conscious of "lip service" being paid to the notion of "partnership" between small business and government, an ideal manifestation of this sort of relationship implies a much greater level of co-operation than currently exists. Implicit in this vision is:

- The notion of *shared risk*, where government actively risks in concert with small business in the interest of economic growth, increased competitiveness, etc.
- The notion of *shared perspective* that is most tangibly needed in the ranks of the civil service. Quite simply, many (if not most) small business operators believe that the ranks of the civil service are full of individuals who have "no idea" of what is required to make a small business work. On this note, one of the recurring themes is that "*if we ran things the way government is run, we'd be out of business*". Many believe the government would *by default* be a much better supporter of small business were it in fact run more like a small business. This perspective has it that a government that spent only what it had, and only as is necessary, and that invested wisely in the future would be a better partner to small business.
- That the ideal form of government support of small business be predicated on accounting for the dependence-inducing effect of government help, and be offered in a manner that always fosters movement back toward *independence*. This spirit was expressed several times and in different words, but one of the more articulate was that "*the government should not be giving us fish, but rather teaching us how to fish*".

- The notion of partnership also envisions a government that is more accountable, and more transparent with respect to its intentions and requirements.
- A government acting as a partner would also be more "proactive than reactive".

Finally, the most compelling and frequent evocation of this more ideal relationship was expressed in discussions we had in several groups about "customer service", as implied in the vision of government as *service provider* and small business as *client*. When the relationship is defined and circumscribed in this context, participants raised the specter of a "customer service representative", some *person*, in government, whose role it would be to see to it that the service relationship was enhanced, that the information was accessible and clear, and so on. This idea was compelling because it provides for several solutions to widely perceived problems and deficiencies in the current state of affairs:

- A *human face* to the government, accessible in person, and *personally accountable* to the entities government serves;
- A reinforcement of the *responsibility* of government toward constituents, and not the other way around;
- A direct and concrete solution to the perceived intractability of the ambiguity in government communications (the *inward* burden of government);
- Some hope for the accountability, transparency and consistency that are perceived as so lacking from the perspective of many participants.

APPENIDIX:

DISCUSSION GUIDE
RECRUITING SCREENER

Small Business Owners/Operators

DATES/TIMES: Specific times in each location (Please note carefully!)

CLIENT: Industry Canada

SUBJECT: Needs of small businesses

COMPENSATION: 100 \$

REGISTER: sector of company activity: PLEASE ENSURE A MIX OF COMPANIES FROM DIFFERENT SECTORS, I.E RETAIL, SERVICE, MANUFACTURING, AND SO ON. THE MAXIMUM SIZE OF THE BUSINESS IS 100 EMPLOYEES TO BE ELIGIBLE.

PRE-INTRODUCTION

Good day/evening, my name is _____ from _____, a consumer research company. We are currently looking for specific people in companies to participate in a focus group on behalf of Government of Canada. May I please speak to the person in your company who normally is the one that deals with the future direction of the company? .

SOUND OUT YOUR RESPONDENT: *Depending on the size of the company: In a small company with less than 10 employees, we would be looking to talk to the owner or manager. In companies, of a larger size (between 10 and 100) employees, we would still like the owner or general manager, but may have to settle for the most senior person available. Please ensure, however, that this person can speak with authority for the future development of the company, i.e. is a partner, a managing director, etc.*

May I speak to this person?

ENSURE YOU ARE SPEAKING TO THE RIGHT PERSON, SET UP CALL-BACK IF UNAVAILABLE

Good day/evening, my name is _____ from _____, a consumer research company. We are currently looking for specific people in companies to participate in a focus group on behalf of the Government of Canada. This discussion group is research , not an attempt to sell you anything or get you to sign up with any organization. The discussion is meant to provide an opportunity for people to share their opinions on what their needs are as owner/operators of small businesses. In short, we are hoping that you might be willing to come and provide your opinion and experience on this topic. There are some things you should know before you consider this request:

PLEASE READ CAREFULLY AND THOROUGHLY:

- The subject that is to be discussed in this group involves the needs of your company, and we need the person to attend to be able to speak with authority on this topic.

IF NOT, PLEASE RE-START WITH RIGHT PERSON

- Your company has been randomly chosen.
- This is a request for your participation so you can share your opinions:. You are in no way obligated to come. .

- The research will be conducted by independent researchers, and your participation will be private and anonymous.
- If you chose to participate, you will be offered a sum of \$100 as compensation for your time.
- The discussion should last no more than 2 hours.

Are you interested in joining this discussion?

- Yes 1 → **(Continue)**
 No 2 → **Thank and terminate**

Great! Can I ask you a few more questions just to make sure that we fill the group with a good mix of people?

IN CALGARY, ST-JOHN'S AND SHERBROOKE (IN THE OTHER CITIES, JUST GO TO Q1): *First, for this group, we are looking for businesses operating outside of urban centres.*

Does that description match your business?

- Yes 1 → How far outside of _____ is your business located? (if less than 15 minutes in St-John's and Sherbrooke and less than ½ hr in Calgary, **THANK AND TERMINATE**)
 No 2 → **Thank and terminate**

Q.1 Would you please tell me how many employees there are in your company? (**ENSURE GOOD MIX WITHIN CATEGORIES and DISTRIBUTE ACCORDING TO YOUR SPEC SHEET**)

- 4 or less 1
 5-20 2
 21-50 3
 51-100 4
 OVER 100 9 **THANK AND TERMINATE**

Q.2 Do you or does someone in your household work for... (**IF YES TO ANY OF THESE QUESTIONS, THANK AND TERMINATE**)

- the federal or provincial government
 directly for an association of small businesses
 a public relations, advertising or market research company

Q.3a Can you give me a rough idea of what sector of activity your company is in (manufacturing, service, retail, etc.)

ENSURE A GOOD MIX

Q.3b Would you please tell me which of the following best describes where your business is in terms of it's development or "life-cycle":

- It's a young company, just starting out 1
 This is a young company established, not looking to expand at this time 2
 This is a mature company established and expanding 3
 This is a company that is facing pressure to evolve or may have to close soon 4
 Don't know/none of the above 9
ENSURE A GOOD MIX

Q.4 Do you know what a discussion or a "focus" group consists of?

- Yes 1 → GO TO Q.5
- No 2 → GO TO Q.7

Q.5 Have you participated in a discussion group in the past six months?

- Yes 1 → THANK AND TERMINATE
- No 2 → Continue

Q.6 Let me tell you again what this is about: This research is all about the needs of small businesses, and particularly their needs for information, as well as who or what organization is best placed to answer those needs. Our discussion will center on this topic, and your opinions and experience on the subject. This will happen in a focus group, and by way of thanks for your participation, you will receive \$100 at the end of the discussion. Do you think you will be willing to attend?

- Yes 1 → GO TO Q.8
- No 2 → THANK AND TERMINATE

Q.7 A focus group is made up of a small number of people and a group leader in order gather the opinion of the participants on a particular subject. In this case, the discussion will be all about the needs of small businesses, and particularly their needs for information, as well as who or what organization is best placed to answer those needs. Participation is on a completely voluntary basis and comments made during the discussion will be grouped to ensure that they remain confidential. By way of thanks for your participation, you will receive \$100 at the end of the discussion.

Q.8 Would you be able to participate in the discussion group which will be held on _____ at...

- | | | |
|------|-----|---|
| Time | Yes | 1 |
| | No | 2 |

The discussion will be held in _____, at _____ located at _____.

The discussion will last no longer than 120 minutes. If, for some reason, you are unable to attend, **please** let us know as soon as possible so we can find someone to replace you. For any additional information, please contact _____ at _____. You should also note that the location for this discussion group is _____. Please ensure that you show up at least 15 minutes prior to the start of the discussion. This is very important because we don't like to start late, and if you are late for the beginning of the group, you may not be paid. This discussion will be informal, please come as you are.

Name: _____

Please give us a phone number where we can reach you the day before the discussion to confirm your attendance:

Home: _____

THANK YOU !

Your participation is greatly appreciated!

RECRUITED BY: _____ CONFIRMATION MADE BY: _____

581 Patricia St.
Greenfield Park, Quebec
Canada J4V 2A9
john@plinc.qc.ca

MODERATOR'S GUIDE

Topic: Perspective of small and medium businesses - needs
Date / Time: As previously indicated
Length: 90-120 minutes
Locations: As previously indicated
Moderator: John Patterson

1. INTRODUCTION (5 MIN.)

1.1 Introduction of moderator

1.2 Topic:

- Here to talk about your needs, broad discussion on how they are being addressed, where they are, etc.

1.3 Explanation of the focus group process:

- Points in common among participants;
- role of participants:
 - honest opinion;
 - your opinion
 - no right or wrong answers;
 - do not have to all agree.
- role of moderator: moderate the discussion, no opinion to give, neutral and impartial
- observers behind the mirror;
- audio and videotaped;
- length (about one hour).

1.4 Introduction of participants:

- First name
- Tell me what's special about your establishment
- What do you suppose you have in common with your colleagues? What do you suppose makes you and your situation different?

2. CONTEXT

- **Several broad points to cover in this time period:**
 - What you think your needs are as a manager/owner of your business and how those needs are prioritised
 - Your thoughts on where you should be able to find the answers to those needs

Have a volunteer (or two or three) "map out" (on board) the basic functions and facets of their business. Use as a starting point for the conversation, concentrating primarily on aspects that are common to all or unique to individual business.

- **PROBING POINTS:**
 - Is everyone familiar with this one? Do some of you recognise this functions, aspect of business but just call it something else?
 -

3. DEFINING PARTICIPANTS' NEEDS

Start with a list of their major business functions, turn conversation to how these arise as challenges/obstacles/barriers etc. (written on board), and work from there. Probe and validate thoroughly with the following sorts of questions:

- **PROBING POINTS:**
 - Relatively-speaking, how much of a "problem" is this one?
 - Is this something that you feel you can deal with on your own? Why? Why not?
 - Is this problem unique to your situation or something you all share?
 - To whom do you look for help with this one? Why?
 - Ideal situation: How would it be best to handle this one ("pie in the sky"). If you could handle it any way you thought best, how would that be?
 - **VALIDATE** : Are you all on the same page here. Is any of this different for some of you? How?

OK. Let's prioritise these:

- Which is most important? Why?

Small Business Needs Inventory

- If this were about which ones you need the most help with, would it change the order? How? Why?

4. WISH LIST

Explore and discuss the attitudes, opinions, perceptions and beliefs how their business might operate under ideal circumstances. Relate back to previously defined list of needs.

5. "PARTNERS" TO SMALL BUSINESS

As they arise naturally in the conversation, or more deliberately if the topic does not come up, probe and assess the role of potential "partners" and third parties as factors in this "needs" equation. Ensure coverage of at least:

professional associations (C.F.I.B.), governments (all levels)

- Define the entity: What sort of role does it play, influence does it have?
- General attitude: Is this _____ a "partner", etc.? What would be the right word to describe the relationship between your business and this _____?
- What's the mission of this _____? Does it work as its supposed to? How? How not?
- Communication between you and this _____:
 - How do you communicate?
 - How much exchange of information is there? What kind of information? Is any of it what you would consider sensitive? Do you do so willingly? Why or why not? Tell me how you feel about that?
 - We had asked you about your experience on the internet, and some of you have some, and some not... How do you feel about the net? Do you see it as a tool for business? Why? Why not? PROBE:
 - Perceived role;
 - Perceived benefits and disadvantages;
 - Negatives attached?
 - etc.

Generally, how would you like to see these _____ play a role in your business?

6. "PARTNERS" AS SOURCES OF ANSWERS TO NEEDS

Relate back to the list of needs: which of these "partners" or third parties do you see as the logical (or even potential) source of answers to the needs we've talked about?

Using list, compare and contrast all needs voiced to likely sources, i.e.:

Based on what you think is most realistic, and what makes most sense, tell whether government(s), associations, yourself or some other third party is best suited to speak to _____?

Any additional thoughts?

THANK AND END

INDUSTRY CANADA/INDUSTRIE CANADA



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| Patterson, Langlois Consulta
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