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Binarius Research Group
Two Working Together

REPORT ON THE ISSUES FACING ENTREPRENEURS AND MICRO-BUSINESS OWNERS

May 1, 1996

Prepared for
Industry Canada

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EXECUTIVE SUMMARY

- Research was conducted among entrepreneurs and owners of businesses of less than ten employees. The purpose of the research was to obtain feedback on business attitudes, information requirements and expectations of government.

- Focus groups were held in Halifax, Montreal, Toronto and Vancouver between March 18-25, 1996. Four groups were held with entrepreneurs and four with owners and senior managers of micro-business owners.

- One of the principal findings in this research is a widespread spirit of entrepreneurship from Halifax to Vancouver. With minor exceptions, there is no divergence in attitude between region, gender or language. However, economic conditions differ; Montreal participants appear to be experiencing more economic hardship than the other participants.

- Many participants have difficulty articulating their thoughts on how they conduct business (e.g., critical success factors, information sources, etc.). They do not spend much time thinking about <u>how</u> they do business, they just <u>do</u> it.

- Entrepreneurs and micro-business owners often mention the tax burden as being a disincentive to them. There is a generalized concern that any new government initiative will cost money. *Strategis* is a focal point in this regard. Participants had difficulty understanding how *Strategis* might benefit them.

- Challenges facing entrepreneurs and micro-business owners differ from those facing the owners of larger businesses.

  - Entrepreneurs rely on a local market and have very little inclination to market beyond it. Earnings are cyclical and volatile. Financing is derived from personal savings or non-standard sources of credit.

  - Micro-business owners have a steadier fiscal cycle, more access to financial reserves and have a wider perspective on business opportunities.

  - Most entrepreneurs have absolutely no desire to expand. Many appear to be comfortable with their current level of effort and income.

- Micro-business owners, however, would like to expand but are extremely cautious in how that is done. For example, many prefer sub-contracting in lieu of assuming another employee.

- Entrepreneurs and micro-business owners tend to prefer that government minimize involvement in their business lives. Most feel that the government participation should be limited to fostering a small business environment, reducing taxes and tackling the debt and deficit.

- Micro-business owners are more sophisticated than entrepreneurs in how they run their business. Although they share a minimalist view of government, they are more easily able to separate business from their private lives.

- The size of the business is often related to how participants perceive their operating environment. Owners are required to assume multiple roles, consequently their time is a valuable resource. Any task that requires a significant investment of time must show an immediate return.

- Compliance and paperburden is regarded as onerous. Participants are most concerned about it in terms of the time and effort required to comply with government requirements with no perceived pay-back or benefit.

- The majority of entrepreneurs and micro-business owners feel that the government is more of a hindrance than a help to their businesses. Many express the opinion that governments are out of touch with small businesses.

- Many entrepreneurs and micro-business owners feel they are working harder for less money than ever before. They note that their business horizon is short and a contract or two away from financial uncertainty.

- Entrepreneurs and micro-business owners are not averse to using new technology, many are well-disposed towards computerization and the Internet. The Montreal groups are an exception in this regard.

- Entrepreneurs and micro-business owners prefer government to reduce their involvement in business, minimize paperburden, reduce taxes and improve infrastructures so that small business can operate more efficiently. They are resistant to any government initiatives that cost money.

1.0 BACKGROUND

1.1 History

Previous business research for Industry Canada has relied on definitions that define the small business category as "less than 50" employees. There is very little information available on entrepreneurs and micro-business owners.

1.2 Proposal

The Binarius Research Group proposed that research be conducted into the smallest of business sizes -- those of less than 10 employees and entrepreneurs. Exploratory research was recommended -- specifically focus groups of entrepreneurs and micro-business owners. Focus groups were held in Halifax, Montreal, Toronto and Vancouver between March 18-25, 1996. Four groups were held with entrepreneurs and four with owners and senior managers[1] of micro-businesses.

1.3 Purpose

The purpose of the research was to obtain feedback on business attitudes, information requirements and expectations of government. Research requirements were translated into the following objectives; determining:

- the perception of the general business climate in which entrepreneurs and micro-business owners operate;
- how entrepreneurs and micro-business owners differ in terms of their markets, business planning, accounting systems, access to financing and business relationships;
- what the critical success factors are for entrepreneurs and micro-business owners;

[1] Appendix A contains the logistics sheet for the focus groups.

- what the perception is of government's role with respect to business;
- the expectations of government, improvements sought, awareness of different levels of government;
- beliefs of what governments' priorities should be;
- sources of information for entrepreneurs and micro-business owners; and,
- attitudes towards regulation, taxes, paperburden, credit and financing.

1.4 Target Groups

Target groups included entrepreneurs and micro-business owners and senior managers. To participate in the focus group research, they must make the strategic decisions of the business. Strategic decisions are defined as those affecting the future growth or positioning of the business, for example making the hiring decision, arranging for financing, approving a new product line, dealing with government, etc.

Entrepreneurs are defined as people who currently operate a one-person business as their principle livelihood. The business functions as a corporation, sole proprietorship or the person operates it as an individual. They work out of their home or office. Other than a spouse, they have no other full-time person working with them. They may have part-time personnel (defined as working less than 15 hours per week each).

Micro-business owners and/or senior managers are defined as owners and senior managers of businesses that have less than ten full-time employees. Professional categories such as doctors, lawyers and accountants were screened out because this is not what the report is about.

1.5 Recruiting

The recruiting formula provided a balance of manufacturing, retail, service, financial and consulting sectors. Three participants per industry category was fixed. Gender balance

was achieved. Two participants in each group were recruited from outside the four major metropolitan areas.[2] Marketing research businesses were screened out.

1.6 Moderator's Guide

A moderator's guide[3] was developed by the Binarius Research Group and approved by Industry Canada. It addressed all of the research objectives outlined earlier.

1.7 Introduction

The discussion began by welcoming participants and explaining the purpose of the focus group. They were told that they were being audio-taped and that there were clients behind the mirror who would meet them at the conclusion of the group.[4] In terms of confidentiality, participants were assured that no comments would receive individual attribution and were encouraged to be open and honest in their discussion.

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[2] Appendix B contains the recruiting screener.
[3] Appendix C contains the moderator's guide.
[4] Industry Canada was represented at all groups.

Notes ...

2.0
BUSINESS OPERATIONS

2.1 Business Start-Up

Both entrepreneurs and micro-business owners started their businesses for a number of reasons including the challenge of self-employment, dissatisfaction with the existing business and missionary zeal and passion.

A number of entrepreneurs and micro-business owners initiated their business for economic reasons. Some had involuntarily found themselves unemployed. One person said: "the jobs weren't there though - the question was how do I transfer my passion into something that makes money?" Another commented: "there's a growing sense that if you want a job then you make it for yourself rather than wait for someone else to do it for you."

2.2 Operating Milieu

Both entrepreneurs and micro-business owners feel one of the main characteristics of their business is its instability. Many entrepreneurs live from contract to contract; many feel insecure about their future.

Many entrepreneurs and micro-business owners work harder now than previously. Most of the micro-business owners group agree with an experienced retailer in Vancouver when she said: "I've never worked harder for less money and never found it nearly this hard to start a retail type business ... it's a real struggle."

Many micro-business owners blame this situation on competition from the many people starting up new companies. They are concerned that new entries undercut costs and have questionable ethics. One micro-business owner notes: "it's dog eat dog."

Micro-business owners note that the pace of change has increased over the last five years. One participant notes: "the world is changing more and more quickly and I think the person who is abreast of what's happening is miles ahead of the game." One Vancouver micro-business owner asserts: "you're either on the technology train or you're tied to the tracks ... you have to do it, there's no way around it any more."

Micro-business owners, especially those relying on high technology, feel that the learning curve is so steep in their industry that it is necessary to specialize in order to keep up. A computer retailer in Toronto said: "our business plan is different than it was even six months ago." Another predicts that, at the current pace of change, "one field of specialization will be six areas twenty years from now."

A Toronto architect described the potential negative consequences of specializing when he relayed what happened to his company. He was forced to down-size his architectural and design firm, that had specialized in shopping centres, because no one was building them any more.

Entrepreneurs and micro-business owners are not averse to using new technology and many are well-disposed towards computerization and the Internet. Many noted how they plan to upgrade their computers. Affordability, however, is an issue. One Montreal entrepreneur noted: "every year something new comes along; it costs a lot of money, but it saves a lot as well."

2.3 Critical Success Factors

Both entrepreneurs and micro-business owners identify a number of factors they believe contribute to their success, including an emphasis on customer service, flexibility, reliability, marketing and strong emotional make-up.

When discussing their business, the pride with which they deliver the product was evident. This carried over into high quality service to the customer, for example, a kennel owner in Halifax who regularly takes his charges out for a daily jog. He notes that his competitors often keep the animals in cages providing a minimum of exercise. A graphic artist mentions in Toronto: "delivering the (product) is just a small part of part of the job that I do."

Other entrepreneurs note that they have increased flexibility to better serve their customers. They are required to work long hours, seven days a week and be on-call during the day and evenings. One entrepreneur notes: "[my customers] can count on me and I can be reached ... [it provides them] the extra bit of security."

Entrepreneurs and micro-business owners agree that one of the most important factors for success is marketing. Marketing does not take the form of proactive promotions or advertising as is the case for larger businesses. Opportunities are derived from promoting

a more personal and long-term relationship with clients resulting in referrals, repeat business, business by word of mouth and networking. Commentary from various entrepreneurs and micro-business owners include:

- "Word of mouth advertising is the best and the cheapest too."
- "There are a number of people out there who are interested in developing a relationship in which they can deal with people fairly."
- "I like my customers and they know I like them -- it makes them want to come back."
- "Because something goes out the door with my name on it -- that's important."

Associates are part of the networking process. "I use associates to make contacts and by choosing people that I find are good people to talk to within an association."

One important critical success factor was overtly mentioned by only a few entrepreneurs, but implied by many. That is, the emotional and mental make-up necessary to run a business and make it successful. Business volume peaks and valleys are the norm. One of the challenges many face is maintaining enthusiasm and persevering through down times. One entrepreneur notes: "[what concerns me] is what happens when the contract ends, what will I do until the next one comes ... it's riding the wave that's difficult."

2.4 Challenges

The biggest challenge facing entrepreneurs is business administration -- budgeting and bookkeeping. For most entrepreneurs, starting a business is the first time they have to be cognizant of this. One entrepreneur in Vancouver notes: "I had to start from the beginning with that ... getting the business is one thing but keeping track of it is one of the most important aspects."

Many entrepreneurs dislike administration. One comments: "I am a very creative person ... I find the administrative aspect of the business very difficult." Exceptions to this include those who had previous experience in bookkeeping or accounting.

For most entrepreneurs, understanding the administration of business is a significant task. Some take the time to learn, others hand this responsibility over to an accountant or

bookkeeper. Others do not wait for profit before hiring someone to do the business administration.

2.5 Growth Factors

Entrepreneurs and micro-business owners were asked what would be required for them to hire more employees. Entrepreneurs were evenly split as to whether they would consider expansion. Many are satisfied with the size of their current business.

Many entrepreneurs did not want to assume the responsibility of growing from a single person operator to a larger company. Sub-contracting becomes a realistic alternative.

Almost all micro-business owners said they would like to expand. They note, however, a number of disincentives. This includes the tax burden, poor qualifications and experience of applicants, concern about the dedication of new employees, questions about whether a potential employee might fit into the business culture as well as the costs of government compliance.

Entrepreneurs and micro-business owners generally agree that the cost of employees is high and is, therefore, a disincentive. One entrepreneur states: "employees are a pain, a worry on the shoulders."

2.6 Computerization

Most entrepreneurs and micro-business owners have some form of computerized operation; many find it indispensable.

Most entrepreneurs and micro-business owners admit they probably could not operate as efficiently without computers. Most see computerization becoming more significant in their businesses. A few feel they do not require computers.

Participants mention they have a fax capabilities; many have a photocopier. Software applications include word-processing, accounting packages and spreadsheets.

Although the telephone and fax are still relied upon for the bulk of their communications, a significant number use the Internet and e-mail services. About this trend, most agreed it was expanding.

3.0
ATTITUDES TOWARDS FINANCING, BANKING AND PAPERBURDEN

3.1 Financing

Personal ...

Almost every entrepreneur originally financed their business through personal savings, mortgaging of assets or through a loan from family or friends. One entrepreneur notes: "I think a lot of small business financing comes from the owners working for next to nothing. They work 40, 60, 70 hours a week and therefore they don't require a lot of money so they probably work for $20,000 a year until they get going, hoping that someday it will pay off."

Micro-business owners reflect similar attitudes. They do, however, have more access to financing using it reluctantly. Many entrepreneurs and micro-business owners strive to maintain their businesses as debt free as possible.

Government grants ...

Most entrepreneurs and micro-business owners feel that government should not give grants to business. Many of the Halifax participants relay anecdotes of businesses that accepted government funds and closed down soon after. One notes: "If you look just right and talk the right language you can get anything you want ... it's not a level playing field."

3.2 Relationship with banks

Difficulties ...

When entrepreneurs and micro-business owners were asked for reactions to their relationship with their banker, many were quite cynical, relaying personal negative experiences.

Banks are seen as impersonal. A Toronto micro-business owner who had difficulty with a bank said he had spoken with a senior bank manager who admitted that the bank considered his business just a number. Another micro-business owner notes: "bankers and small business don't talk the same language -- bankers were trained to be accountants ... there's a gap."

Entrepreneurs and micro-business owners criticize banks for having a bias against them. They feel that banks consider them too small to worry about. One micro-business owner comments: "small business is perceived as a cottage industry."

At the same time, many entrepreneurs and micro-business owners understand the perspective of the bank. They acknowledge that small business is often based on individual initiative and services and, consequently, there are no hard assets from which to borrow money. As a result, they are perceived as a higher risk.

However, participants agree that loans with higher margins minimize risk to banks. One micro-business owner in Halifax notes: "I get the impression if I'm in manufacturing I can get all the help I want but when you're in the service industry, you're on your own. The banks figure you have nothing to offer them. You are offering yourself basically and they are not interested in you. If you said you're going to make widgets, they'd give you $100,000 or $500,000 and not even question it."

Another states: "it is the same amount of paperwork for them if I was doing $2 million per year versus $10,000 per year ... there's just a few extra zeros added in." A third participant notes: "there seems to be an unwritten code of conduct for banks based on risk, like a chart, those who are on the fringes like small businesses are more vulnerable because they aren't as interested. That's not where the bank's money comes from."

Dispute Resolution ...

No participant is aware of a bank code of conduct or dispute resolution system. One participant comments: "as a customer I've never gotten any indication that there was mechanism in place to dispute a bank's decision."

Suggestions ...

Participants suggest that smaller financial institutions who were looking for business would be more creative and would support a healthier financial market for small business.

An alternative to banks mentioned by a few entrepreneurs and micro-business owners in Vancouver is the Peer Assisted Lending program. It is administered by a local credit union and targets micro-loans for smaller business. One entrepreneur commented: "it's geared towards people who don't have a lot of collateral or assets and perhaps even unemployed and need a loan. You have to have a viable business plan of course."

3.3 The Federal Business Development Bank

For entrepreneurs and micro-business owners, few experiences with the Federal Business Development Bank (FBDB) were satisfactory. They believe that the FBDB gears its loans policy to larger companies and especially those in manufacturing. Four typical anecdotal statements are shown below:

- "Years ago I tried to deal with the FBDB for a loan and it seemed many times really complicated just to fill it out and fulfill all the requirements to run a business and so I was discouraged."

- "I knew that when I walked in to do business with the FBDB that it wasn't going to go very far. Too many forms, meeting after meeting, and every time you meet with someone new you have to start from base one. So I said to hell with it - I'll do it on my own."

- "I went through the FBDB to have one of my flower shops assessed while in the mode of changing locations and they told me that I couldn't even afford a location let alone the new location I wanted and that I would definitely be a failure. Downright negative. But I did it and made more money than I ever made."

- "I went to the government agency, the small business agency and they thought I was a joke. They would have given me $3 million to open a mushroom farm but all I needed was $50,000 for some keyboards and computers, and I couldn't get that even."

3.4 Paperburden

Paperburden is an issue for many entrepreneurs and micro-business owners. Both governments and banks are implicated. For many participants the volume of paperburden is proof that government and banks do not seem to understand entrepreneurs. Much of

the focus of this is the cost of compliance with the GST. One Montreal micro-business owner notes: "(I spend) lots of time on paperwork, particularly the GST."

The frustration about paperburden experienced by entrepreneurs and micro-business owners is reflected in the following statements:

- "[I'm] always doing it an hour before it's due. I dread it."
- "Oh, it's something else ... I'll file it until I have the time to look at it."
- "I'm dying to become profitable and hire the thing out to be done."

For many participants, the underlying issue of paperburden is not the *amount* of paper required for compliance. Paper is simply the most visible manifestation of the problem. The real issue is the time expended in complying with the request for information.

Time is at a premium for entrepreneurs and micro-business owners. They believe they spend, what they consider to be, unreasonable amounts of time dealing with paperburden. Information requirements that are perceived as unnecessary, or language that is difficult to comprehend, are seen as the major culprits. An engineer entrepreneur notes that he had to have the skills of an accountant in order to fill out the forms.

In order to cope with paperburden, many participants are forced to assume the costs of an accountant. Others ask their accountant to educate them and continue the task themselves.

Entrepreneurs and micro-business owners recommend that governments reduce the number of mailings, eliminate duplication between departments and provide and forms and instructions in simpler language.

Notes ...

4.0
COMMUNICATION

4.1 Information

Sources ...

Entrepreneurs and micro-business owners were asked what kinds of information they required. Some participants note that "there is too much information out there; it becomes critical to know how to select the right information."

Many participants do not approach information collection on a systematic basis. Instead, their business lives are intertwined with their personal ones in a continual search for business opportunities. One Toronto micro-business owner mentions he was continuously asking himself: "is that something that could apply to my business?"

Many participants are keenly interested in local competitors. Their research consists primarily of anecdotal intelligence gathering. One restaurateur in Halifax notes: "when a new restaurant opens in the area, I check it out."

A standard source of information for many entrepreneurs and micro-business owners is talking with clients and colleagues. One entrepreneur comments that he is: "always reading and talking to people about what's new and what are they doing in my area. I try and stay on top of it and try and do better than what the rest of the industry is doing."

Publications and Associations ...

Trade magazines, marketing and computer magazines are favorite sources of information.

Most participants are members of an association. Although some are obliged join, others find them useful for contacts, networking and cost savings.

Associations serve a social purpose as well. As one entrepreneur said: "I need social interaction with other people who understand about the isolation and the exhaustion and juggling personal concerns. So associations for me are a really good social outlet - almost like a therapy."

4.2 Attitudes Towards Federal Government Information

In General ...

When asked about federal government information, entrepreneurs and micro-business owners offer two responses. First, they feel that the vast majority of information from the federal government is in the form of compliance. Second, most feel that the federal government does not speak small business language.

Some micro-business owners are satisfied with information they receive from the federal government. Statistics Canada and other policy-oriented departments are cited as positive resources of information. Others feel that there appears to be a large amount of small business material published by the federal government.

For many entrepreneurs and micro-business owners, effectively using federal government information poses three problems: the volume of information, how well it is written, and ease of access. Many entrepreneurs and micro-business owners had a favorite cynical anecdote about federal government information.

Volume ...

Some entrepreneurs and micro-business owners felt that federal government information is too voluminous and "dry." While they might be looking for something very specific, they are often provided with "huge tomes" of unrelated or irrelevant material. Others agree with the participant who reports that: "you have to get two or three publications to get the answer and then meld them all together."

Coherence ...

Many participants experience difficulty reading and understanding federal government compliance information. One person notes: "when we get anything from the government we have to pass it around the office so everyone can read it for about a day before we can understand what it says." Another comments: "it's more like reading a legal document than reading something simple."

Accessibility ...

Accessing federal government information is viewed as difficult. Many participants report having to speak to a variety of federal government personnel before reaching the right person.

Almost all participants express frustration, on both personal and business levels, with accessing government phone numbers. It requires too much time.

Access and readability problems are summarized by one micro-business owner who said: "the amount of 800 numbers I had to call to find out about copyright was unbelievable. They sent me stacks of stuff, paid with your tax money and on the most expensive paper in twelve colors and all full of gobbledygook which they don't even understand."

Suggestions ...

When asked how the federal government could more effectively communicate with them, many participants had no top of mind suggestions. When prompted, many entrepreneurs and micro-business owners recommend the Internet as a means of communication. They suggest that information be delivered in the form of clear and concise menus and using simple language.

Participants also readily endorse the government facilitating user groups of like-minded businesses within the Internet. The exception to both of these suggestions was the Montreal participants which had few on the Internet.

Notes ...

5.0
GOVERNMENT'S ROLE WITH RESPECT TO BUSINESS

5.1 Attitudes Towards the Federal Government

Attitudes exhibited by entrepreneurs and micro-business owners toward the role of the federal government in business reflect one of two forms. About one-half of all participants feel that the best thing the government can do is, as one participant comments, "to collect taxes and get out of the way." The other half feel that the federal government has some role to play, but there is no apparent consensus on what that role is.

Most participants felt that the federal government is not a help to micro-businesses especially in proportion to the latter's impact on the economy. Typical comments are as follows:

- "I would say that the federal government does nothing for me and I don't think they ever will."
- "They've never done anything for me - they give me extra work when they introduce something else that costs me.

5.2 Recommendations: What the Federal Government Should Do

Financial Climate ...

Most entrepreneurs and micro-business owners agree that, if the federal government is going to have a role in small business, it should be to encourage the climate in which small businesses can operate more efficiently. They recommend two main fronts for the federal government in this area: 1) reform the regulatory environment (participants were not specific as to which regulations needed reforming) and 2) reduce the tax burden.

Almost all entrepreneurs and micro-business owners recommend that the federal government encourage a competitive financing environment. Many believe banks tailor their lending to larger companies. Entrepreneurs and micro-business owners endorse the

government's influence in the banker-small business relationships. However, participants are not confident that they can do anything to help.

Paperburden ...

As mentioned earlier, paperburden is particularly problematic for entrepreneurs and micro-business owners. Many participants recommend reducing the number of forms sent to small businesses, simplifying compliance requirements and communicating in clear, concise language.

Industry-specific ...

In terms of accessing the federal government, participants note that most government people only know their specific program area. Entrepreneurs and micro-business owners would prefer to speak with people who know their particular business line as opposed to the departmental program. They suggest that the government tailor programs to be more industry-specific rather than program specific. This benefits business because they can then discuss different aspects of a business and tailor government programs to help. Faster access times are necessary.

Research and Development ...

The promotion of research and development as well as high technology development receives little support from entrepreneurs and micro-business owners. There is no perceived direct benefit to them.

Internet ...

As mentioned earlier, the federal government's use of the Internet is endorsed as a means of communication. However, there is concern about the degree and type of expertise that government would bring to the Net, that is, many participants feel that the private sector was better suited. They also caution that government involvement should be minimized, that they be aware of service duplication and be sensitive to the interests of industry associations.

Entrepreneurs and micro-business owners expect that information on the Internet is updated more quickly than the print version and that government would be on the leading edge of "what's out there." Also, government involvement "certifies" the accuracy of the information provided.

Trade ...

Participants do not see the benefits of government involvement in trade or trade missions. Micro-business owners note that international trade is a long term commitment, while they believe that none of the government trade efforts are long term. It is generally felt that trading missions help very few entrepreneurs and micro-business owners. One entrepreneur notes: "what is the likelihood that anyone of us would have any access to a trade mission ... it would be different if we had 100 employees."

Deficit Reduction and Interest Rates ...

There is a strong desire for reducing the deficit and keeping interest rates low. The former would help small business because it would allow for more disposable income. Many entrepreneurs feel that interest rates are already low. Emphasis should be placed on keeping them there.

Cost of Government ...

Although participants endorse a number of suggestions for the federal government, there was one major caveat associated with each one. The majority of participants do not want any further government involvement if it meant it would cost more money.

***Strategis* ...**

Strategis is an on-line service which will be made available to entrepreneurs and micro-business owners by Industry Canada in the near future.

Most participants were lukewarm to the overall concept because they do not see how *Strategis* will benefit them directly. Much of this attitude appears driven by the novelty of the concept to most participants.

After prompting participants with some of the services to be provided by *Strategis*, many participants like the on-line conferencing, experts on call and interacting with other business with similar interests. One entrepreneur comments that the system: "would have to be at the grassroots level to reach us."

While some participants indicate appreciation for the governments' initiative, many others feel it should be driven by the private sector. In other words, service should be provided by people who are experienced in the operation of small businesses who can relay more practical advice. Government employees are perceived as being too far

removed from the "real world." One micro-business notes: "who is going to do the better job, private folks or the government?"

Entrepreneurs and micro-business owners have concerns about duplication. One participant wonders: "why would the government provide this service free when in reality you are competing with the same advice you would pay to get in the private sector?" He cited as examples, the BlueBook of Canadian Companies and Scott's Directories.

The database of R & D organizations is of no interest to most participants, while the list of licensed technologies captures the interest of some entrepreneurs and micro-business owners. A few are interested in knowing more about international regulations and international market reports although more are interested in national and local reports.

Publishing government information on *Strategis* was not specifically probed. However, many participants welcome the concept as an easy and efficient manner of obtaining government documents.

Notes ...

7.0
CONCLUSION & RECOMMENDATIONS

1. There are few differences in attitudes by region, gender and language across Canada. Therefore, Industry Canada program delivery and communications does not have to take these factors into consideration.

2. Entrepreneurs and micro-business owners are constantly facing financial uncertainty. Earnings are cyclical and volatile. They tend to view their business as much from a personal perspective as a business one. As such, they are concerned that new government initiatives will cost money. Government initiatives should minimize expenditures. Using the private sector in a very visible fashion may be one way of alleviating concerns.

3. Entrepreneurs and micro-business owners differ from those who run small and medium-sized enterprises. The former rely on local markets and have very little interest in exporting (unless that is the business they are conducting).

4. Many entrepreneurs have absolutely no desire to expand because it poses a greater burden than they want to assume. Micro-business owners, however, would like to expand and prefer the flexibility of sub-contracting in lieu of assuming the costs of an employee.

5. Most entrepreneurs and micro-business owners take pride in their independence and sturdy emotional and mental make-up. The majority feel that the government is more of a hindrance than a help. They suggest that government minimize its involvement in their business lives. Industry Canada should be aware of this perspective and tailor their communications to be responsive to that philosophy.

6. If government is involved in helping small business, its role should be limited to fostering a small-business-friendly financial environment. Entrepreneurs and micro-business owners feel the best way to accomplish this would be: 1) creating an environment conducive to small business, 2) reducing taxes and 3) tackling the debt and deficit.

7. Because of their size, entrepreneurs and micro-business owners are required to fulfill many functions to make their business succeed. They must be marketers, managers, researchers, planners and administrators. Because owners assume multiple roles, their time is a scarce resource. Supporting government compliance

takes time. Entrepreneurs and micro-business owners strenuously object to the paperburden imposed on them by government. Industry Canada initiatives in this area are recommended.

8. When entrepreneurs and micro-business owners interface with government they prefer speaking with someone who knows their business and not just the government program being administered. They suggest that the government tailor its programs to be more industry-specific rather than program specific.

9. Entrepreneurs and micro-business owners were not able to suggest improved ways of communicating with them. Many (the exception being Montreal) communicate electronically (not necessarily with government) and find it simple and effective.

10. Many participants have difficulty articulating their thoughts on how they conduct business. Planning is not a large part of their milieu; they are much more action-oriented. This has implications for communications.

11. Publishing government information on *Strategis* is welcomed by many entrepreneurs and micro-business owners. They see it as an easy and efficient manner of obtaining government documents.

Notes ...

Notes ...

APPENDIX A

LOGISTICS

Facility	Recruiting firm	Dates	Time
Halifax Corporate Research Associates 2695 Dutch Village Road Suite 700 1-902-421-1336 1-902-421-1777 "Mary"	Same	March 18	4 p.m. 6 p.m.
Toronto Camelford Graham 2345 Yonge Street Suite 212 (Just north of Eglington) 1-416-440-1016 "Liane"	Consumer Vision 1-416-967-1596 "Joan Woodburn"	March 25	4 p.m. 6 p.m
Montreal Visions 845 St. Catherine Street West Suite M25 1-514-844-3331 "Liliane"	Same "Danielle Lambert"	March 20	4 p.m. 6 p.m. (this may change)
Vancouver Campbell Goodell Traynor 475 Howe Street Suite 500 1-604-681-0381 "Cameron"	JMP Marketing 1-604-294-3424 "Jan Peskitt"	March 20	4 p.m. 6 p.m (this may change)

APPENDIX B

RECRUITING SCREENER

INDUSTRY CANADA

FOCUS GROUPS SCREENER

ENTREPRENEURS AND MICRO-BUSINESS OWNERS

March 6, 1996

Binarius Research Group
(a division of Larry Johnson Communications Inc.)
3 Young's Pond Court, Kanata
613-836-6666
613-836-3648 (fax)
binarius@magi.com

Purpose

Obtain feedback from entrepreneurs and micro-business owners as to their attitudes towards their business, information requirements and expectations of government among other issues.

Targets

1. Entrepreneurs

These people are defined as currently operating a one-person business for their livelihood. The business may function as a corporation, sole proprietorship or the person may operate it as an individual.

They may work out of their home or at an office. However, other than their spouse, they may have no other full-time person working with or for them. They may have part-time personnel (defined as working less than 15 hours per week each).

The target must be involved in making all of the strategic decisions[5] of the business. They cannot be an absentee owner.

2. Micro-business owners and/or senior managers

These are defined as owners and or senior managers of business that have less than ten full-time employees. They must be involved in making all of the strategic decisions of the business.

Quota

Screened in:

- 10 participants for at least eight to show.
- No more than 3 participants per industry category.
- 2 participants should be from a rural setting.
- No other restriction on quotas (e.g., age, sex, length of tenure in business, etc.). There should be no prominence in any one category.

Screened out:

---

[5] "Strategic" decisions are defined as those decisions that affect the future growth or positioning of the business, e.g., makes the hiring decision, arranges for financing, approves a new product line, deals with government, etc.

- People in professional categories such as doctors, lawyers and accountants. Beyond the challenge of getting these people into a focus group, they often have access to, and can afford, professionals and associations that can facilitate government compliance.

Introduction

"Hello .... my name is _____ of (name of recruiting firm). May I speak to the President of (name of company)? We are currently doing a study on entrepreneurs, owners and senior managers of very small businesses. We are arranging a discussion group to study some of the business issues they face and how government can better meet their needs."

"We would like you to be part of this discussion. May we take a moment of your time to see if you meet the profile we are seeking?"

1. Are you the person responsible for making the strategic decisions within your company?

   YES (continue) NO (ask for the person who does)

2. Besides yourself, how many full-time employees does your company have?

   0 Potentially screen-in for Entrepreneur group
   2-9 Potentially screen-in for Micro-business group
   10+ Thank and discontinue

3. Which of the following categories best describes your business?

Marketing research	YES (thank and discontinue)
Doctor, lawyer, accountant	YES (thank and discontinue)
Manufacturing	YES (watch quotas)
Retail	YES (watch quotas)
Service	YES (watch quotas)
Financial	YES (watch quotas)
Consulting	YES (watch quotas)
Other	YES (watch quotas)

Thank you for this information. We would like to invite you to be part of this group discussion. It will be held on March ___, 1996 at:

____ p.m. for Entrepreneurs

____ p.m. for Micro-business owners

The session will last for only a few hours and you may meet others that share your interests. A light dinner will be served and you will receive an honorarium of $50. Would you be interested in attending?

Yes (CONTINUE)
No (Thank person for their time)

If you have a pen handy, please take down the following information:

Location:
Date: March ___, 1996
Time:

Recruiter: fill in the following information:

Name: _____

Company: _____

Position within company: _____

Industry Sector: _____

Telephone number: _____

Fax number: _____

E-mail (if applicable): _____

1. **Inform recruits that Larry Johnson, President Binarius Research Group will contact them via phone, fax or e-mail to thank them for their agreeing to participate and to answer any questions they may have about the research. They can also reach me by phoning my 1-800 number: 1-800-334-9529.**

2. **Recruiter, please fax me these sheets (or a summary of them).**

APPENDIX C

MODERATOR'S GUIDE

ENTREPRENEURS AND MICRO-BUSINESS

MODERATOR'S GUIDE

March 17, 1996

Larry Johnson
Binarius Research Group
(a division of Larry Johnson Communications Inc.)
3 Young's Pond Court, Kanata
613-836-6666
613-836-3648 (fax)
binarius@magi.com

A. INTRODUCTION

1. Welcome participants

2. The purpose of this discussion is to get your thoughts on issues facing entrepreneurs (or small business).

3. When people first enter a room like this they can feel a little intimidated with the mirror and the microphones.

4. The microphones are used to record our session so that I can review it later to write my report. However, my clients may also wish to listen to it.

5. As you might have guessed, my clients are behind the mirror and they are keenly interested in what you have to say. I will introduce you to them at the end of the session.

6. I would like to assure you of confidentiality. In my report, there will be no comments tied specifically to individuals. Instead, the report will say things like: "the group said this" or " most of the group felt that ..."

7. As you know, your participation in this discussion is voluntary.

8. Ground rules (open and honest discussion, no right or wrong answers, do not be afraid to speak up).

9. As I mentioned in the letter, this group should last less than two hours.

10. Introductions (first names, work/career, interests, etc.).

B. GENERAL DISCUSSION OF ISSUES

"Before we get into some involved discussion, I would like to get to know a bit more of the challenges you face running a small business."

1. What are the most important factors that dictate the success of your business -- the critical success factors?

2. Are there any other major influences or challenges facing your business? Why are they important?

   a. Probe, if necessary, for: financing, e.g., how is their business financed? (banks, friends, family, personal savings, venture capital, BDC (formerly the Federal Business Development Bank), SBLA

   b. How would you describe your relationship with your banker? (Probe: service, accessibility, etc.)

      - In what ways could this relationship be improved?

      - Can government influence this relationship? Should they?

      - Are you aware of the code of conduct/alternative dispute resolution systems with your bank? If yes, what has been your experience?

   c. Probe, if necessary, for paperburden e.g., what form does it take? Does it vary by level of government? In what ways could the paperburden be improved?

3. Do these challenges to your business have a cost? (Probe: lower profits, restricted growth, loss of business, loss of time, etc.) What factors promote growth.

4. Are these the same challenges you faced when you started up your business? (Probe how challenges may have changed over time)

C. INFORMATION FLOWS

1. What are the kinds of information you rely on to make business decisions? (For each point below, probe for its importance in the running of the business, source, ease of access, what its used for, satisfaction with information, improvements sought, etc.)

   Probe:

   - financing
   - competitor
   - pricing
   - upgrading knowledge base about your business
   - market information
   - general background
   - staff training information
   - business operations
   - business administration
   - available government programs
   - others

2. Are you a member of an association? Why or why not? Are they useful sources of information?

3. Do you currently get federal government information? Why, why not?

4. How do you like to get information from government? (Probe attitudes towards interfacing with government electronically.)

5. What role do you see the federal government having regarding business information?

D. ROLE OF GOVERNMENT

Have respondents fill-in the following sentence completion exercise:

a) I would increase my profit margin if ....

b) I would hire more people if ...

c) I would consider my business a success if/when ...

d) The federal government can best serve my business by ...

After participants have taken a few moments to respond, probe what they have written in questions 1 through 4.

1. Is government perceived as being a help or a hindrance. In what way?

2. In order to better help small business, what should the federal government be doing?

Use the flip chart to obtain comments on the following. Ask:

- encouraging a competitive financing environment.
- government influencing banker-small business relationship.
- tackling paperburden.
- promotion/encouragement of R&D and high technology development.
- encouraging access to the information highway.
- promoting trade or trade missions.
- getting the deficit down.
- lowering interest rates.
- reducing taxes.

3. Which government departments/agencies have you dealt with? (Probe: Halifax -- ACOA; Vancouver -- Western Diversification; Quebec -- FORDQUE). What has been your experience?

4. Did you hear anything about the 1996 federal government budget? Was there anything in the federal budget that would benefit your business? In what way?

E. COMPUTERIZATION

1. Do you have computerized operations? How important is it?

2. What kind of hardware do you have? (Probe: computer, fax, photocopier, etc.

3. What software do you use? (Probe: word-processing, spreadsheet, communications, etc.)

4. Do you use communicate electronically with your colleagues or clients? (Probe: access databases, transferring files, using e-mail, on the Internet?)

5. How important to your business is electronic information?

6. Are you concerned about how secure the information is?

7. I would like to get your reaction to a new government product called "Strategis." It would provide Internet access for the following information **(Use flip chart):**

   - market reports as well as domestic and international regulatory frameworks;
   - a listing of 33,000 licensable technologies from around the world;
   - a complete database of R&D organisations - listing their skills & resources;
   - over 50,000 company profiles; and
   - on-line access to services for incorporating your company, registering a patent, getting a radio licence and more.
   - on-line conferencing, experts on call, etc.

   (Probe: Use, what kind of information would you like to see?)

F. CLOSING

1. There have been many interesting findings in the group, but now I have to write a report.

2. Ask participants to collaborate among themselves as to what should be emphasized in the report. Appoint a scribe.

3. Confer with clients behind the mirror.

4. Ask participants for their summary.

5. Ask the client's supplementary questions.

6. Thank participants.

7. Inform participants how they may receive a copy of the report.

8. Introduce clients to participants.

INDUSTRY CANADA/INDUSTRIE CANADA
165830

QUEEN HD 2346 .C2 B5 1996
Binarius Research Group
Report on the issues facing

DATE DUE
DATE DE RETOUR

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