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Entrepreneurship

Canada 

NATIONAL FORUM ON ENTREPRENEURSHIP

PROCEEDINGS



PROMOTE AND SUPPORT CANADIAN ENTREPRENEURSHIP

This document is presented to Industry, Science and Technology Canada (ISTC) by the International Council for Small Business-Canada (ICSB), organizers of the National Forum on Entrepreneurship for the department. It is a compilation of the recommendations presented by delegates and a summary of the plenary session "Actions-Reactions". It also outlines the organization and includes keynote speeches and the list of participants.

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Introduction



The National Forum on Entrepreneurship – which was held in Québec City on June 20-21, 1989 – was an occasion for more than 200 participants from business world, government and education to exchange views on the important questions concerning the promotion of entrepreneurship in Canada.

This Canadian Government's initiative was a first. Although the idea of such a forum arose in the National Policy on Entrepreneurship, themes were selected and developed during thirteen regional forums held across Canada in March of 1989. While these regional sessions were sponsored by the Entrepreneurship and Small Business Office of Industry, Science and Technology Canada, participants were drawn from a wide range of interest groups. The proceedings of these forums are summarized in this document.

The Organizing Committee, formed by directors of the Entrepreneurship and Small Business Office and officials of the International Council for Small Business Canada (ICSB) which had been given responsibility for organizing the national forum, worked closely together. Following the provincial forums, an advisory committee comprised of entrepreneurs, bankers and academics met with the Organizing Committee in May to finalize the themes and program for the national forum.

This document also summarizes the discussions and recommendations of the eight workshops held simultaneously at the national forum as well as the "Actions-Reactions" plenary session. While this session elaborated on the recommendations of the workshops, it also focused on mechanisms for implementing them.

The establishment of the National Entrepreneurship Development Institute was also announced at the national forum. Its importance was emphasized by the prominence attached to it in the closing address by the Honourable Tom Hockin, which is also included in this document.

Canada's efforts to promote entrepreneurship gained a new perspective at the national forum as two eminent guests, Arnold C. Cooper from Purdue University in the United States and Allan Gibb from Durham University in England, described entrepreneurial initiatives in their native lands. These speeches are also included as part of this package.

The success of the National Forum on Entrepreneurship was due to the enthusiasm and quality of the participants and organizers, who all hold the cause of entrepreneurship in Canada close to their hearts. I would like to express my sincere thanks to all of you for making the event a success. You can be proud of the results.

Yvon Gasse, Chairman of the Organizing Committee

Executive Summary

Introduction

A National Forum on Entrepreneurship, initiated and sponsored by the Ministry of Industry, Science and Technology, Canada, was held in Québec City on June 20 and 21, 1989. It followed forums that had been organized in each province and in the Yukon. The first of its kind, the event provided an occasion for the field's many participants to meet and talk with entrepreneurs and to agree on a process for promoting entrepreneurship and improving its image. Small business, being the driving force of the economy, must reach its optimal development.

As was to be expected at such a large-scale event, because of the number of participants and the variety of interventions, it was necessary to filter the opinions and discussions which took place in the various workshops.

This summary of Forum recommendations is intended to provoke reflection. Rather than being a straightforward, factual report, it explains the issues and presents an integrated vision of the overall message. Its contents reflect what was understood of the message — or what could or should have been understood — and it calls for a reaction.

In fact, this Forum is only a beginning, the starting point for further dialogue and discussion, the first step in a process of collaboration and progress. An answer is expected from entrepreneurs and delegates who took part; from the private sector, which was questioned; from teachers, professors and specialists, who were taken to task; from financial and governmental agents, who were asked to provide better integration...

The Government is also expected to follow up on its Forum initiative. Like the others, it is invited to join the collective process. The Forum was a first step; it is up to all the people "involved", all those who work in the field of entrepreneurship, the small business sector or related areas, to take the steps that will — and must — follow.

This text intends to set out the priorities and put forward plans of action for building on the work of the Forum. Now it is your responsibility to sustain the momentum, support the directions taken, make your own plans, continue the process. Many mechanisms have yet to be devised, tested and set in motion...

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Promotion of Entrepreneurship

Promotion of entrepreneurship, an important topic of discussion for participants in all workshops, seems to be the main priority and the key to the development of the field. In spite of the progress made in recent years, mentalities have yet to change. A campaign to improve public appreciation of small business and the entrepreneur is needed. All Canadians should be made aware of the contribution of small firms to employment and the economy. A national strategy for promoting entrepreneurship is recommended, using the "Participation" campaign as a model. The entrepreneur himself, together with "models", should be key elements in the campaign. It should be aimed at the general public, but focus more particularly on potential and actual entrepreneurs and the various other people involved in the field of entrepreneurship and small business. Mass

media and the most effective specialized media should be used. If more entrepreneurs are to emerge, entrepreneurship has to be presented as a career option, a worthwhile profession, a way to self-fulfilment, a way of life. Also, bankruptcy, which, unfortunately, is a fact of life for many entrepreneurs who subsequently succeed, should be made less dramatic. The following suggestions are put forward:

- The setting-up of an "Entrepreneurship" campaign to heighten the appreciation of small business and the entrepreneur among the general public and communities related to small business.
- The establishment of a system to recognize and reward entrepreneurial efforts, as well as a system to promote a better appreciation and recognition of the action of the various people involved in small business.

Stimulation of Entrepreneurial Spirit

Participants insisted on the importance of investing in the use of role models to encourage entrepreneurship. An individual who gets to know the business world at an early stage is

more likely to become an entrepreneur. Accordingly, the family and school should begin to stimulate entrepreneurial spirit at a very early stage. Young people should have con-

tacts with entrepreneurs with whom they could identify and should become familiar with a lifestyle which they could opt for later. Teaching as a whole should also be geared towards learning creativity and autonomy and how to experiment, an entrepreneur's three main strengths. In that direction, the following recommendations are made:

- school programs at all levels should open up to entrepreneurial value and entrepreneurship teaching;
- teachers and professors should be encouraged to adopt a more entrepreneurial approach and to obtain training in entrepreneurship;
- specialists should develop teaching materials (and even games) to bring the entrepreneur and the business world to the classroom, as a support to entrepreneurship teaching;
- the program "Junior Achievement", a prac-

tical experience in launching and managing a small business, should be offered to all young people, the approach being adapted to the level of the students;

- tools for spotting entrepreneurial potential in young people should be prepared by specialists and distributed in schools and among the people concerned;
- schools should use a cooperative form of teaching, integrating entrepreneurs and business into the learning activities and bringing the school closer to the local business community;
- the National Entrepreneurship Development Institute (NEDI) should make an inventory of available tools, publicize them and make them available to interested organizations;
- the possibility of organizing a National Forum on the stimulation and teaching of entrepreneurship through education should be considered.

E^{ntrepreneurship Training}

School and university programs produce only a handful of entrepreneurs. It must be realized that increasing young people's awareness about entrepreneurship necessarily implies providing them with the means to achieve their entrepreneurial ambitions. As today's entrepreneurs have not received any specific training, they need some extra programs adapted to their particular situation. Thus, the number of business failures resulting from lack of management skills will be reduced. Expanding businesses need to hire adequately trained management personnel. It does not seem easy to bridge the gap between existing programs and small businesses. Also, middle management positions in small and medium-sized businesses are only moderately attractive to young graduates.

- Small business concentrations, including courses on small business management, should be offered to all college and university

students contemplating entrepreneurship or a career in the field of small and medium-sized business.

- The design of training tools such as courses on how to start up and manage a small business, presentations and studies of entrepreneurs and businesses, or guides to drafting business plans, should be encouraged.
- Business people should be encouraged to take part in the preparation of well-adapted pedagogical material.
- Workshops, seminars and training sessions on management, exporting and business expansion should be organized for interested entrepreneurs and offered to them through existing agencies or by using the networks.
- The establishment of pre-incubators, entrepreneurship centres and business start-up centres should be encouraged.
- Training entrepreneurship trainers should become a priority.

B^{usiness Support}

If it wants to progress, small business needs help in three main areas: technical and management support, easier financing and access to quality information.

Technical and Management Support

Entrepreneurs have already identified proven support mechanisms which they feel should be more widely used. Incubators help business start-ups and mentoring provides support from experienced people. However, small business is reluctant to adopt new techniques and, in many cases, is afraid of confronting Free Trade. Since Canadian small business can only become competitive through technol-

ogy and its access to world markets depends on skillful management, the following recommendations are put forward:

- to foster the establishment of all sorts of business incubators, especially self-financing units;
- to encourage support groups, counting on the experience they have acquired and extending their field of action to all entrepreneurs;
- to promote research and development in the private sector;
- to support the applications of research in the field of small business;
- to increase the number of technology centres, where small businesses can have ac-

- to foster the establishment and expansion of networks;
- to create opportunities for mixed meetings such as forums, conventions and seminars, on a national and regional scale, since events of this type provide occasions to take stock of the situation and are very beneficial to small business;
- to make existing agencies more dynamic, encouraging them to become involved in initiatives such as meetings and gatherings of business groups (e.g., the FBDB's CBI network).
- to subsidize the introduction of new technologies in small and medium-sized businesses;
- to facilitate expansion on world markets by providing strategic, privileged information;
- to encourage mentoring by increasing the opportunities for meetings between existing businesses and new entrepreneurs to help create relationships based on mutual interest;
- to study mechanisms to promote and recognize mentoring;

Financing

Small firms have difficulty gathering the capital required to start up a business and sustain its growth. Financial institutions apply rigid criteria which are hard for a small business to meet, if indeed it manages to obtain a loan with acceptable conditions. Banks do not seem sufficiently familiar with small business values and mechanisms, and small business potential should therefore be more widely promoted in the financial community. Other firms in the private sector could even be encouraged to bolster the efforts of small business through subcontracting or mutually profitable arrangements. In addition, the tax system seems to be a heavy burden and the policies for allocating government contracts give little chance to small firms. It was therefore suggested:

- to facilitate access to financing for small businesses by establishing more start-up and venture capital funds and by providing more guaranteed loans;
- to fix favourable interest rates for small business;
- to compensate the damaging effects on small business of interest hikes in the large centres, especially in regions which do not benefit from such increases and which are hardest hit by them;
- to encourage the private sector to finance small business by compensating the risk through tax exemptions;

- to reduce the tax burden on small businesses so as to enable them to invest in their growth;
- to encourage strategic associations and business networking;
- to make policies for awarding government contracts more flexible, thus favouring small business.

Information

Even more than financing, access to information seems to be primordial, both for new enterprises and for those that want to grow and survive. Paradoxically however, even though large amounts of information are circulated, entrepreneurs complain that access to quality information is difficult. The problem does not lie so much in the amount of data circulated (perceived as colossal) but rather in the processing needed. It is still difficult to extract strategic information at its source and to interpret it so as to make it usable. Counselling by experienced people is often much needed, if not indispensable. It is believed that:

- strategic information should be provided to entrepreneurs and its contents should be better adapted to the people for whom it is intended;
- mechanisms should be devised to reach entrepreneurs more effectively.

Eliminating Obstacles

Various factors which inhibit entrepreneurship need to be addressed. At the moment, bankruptcy seems to be part of the normal business learning process. But many entrepreneurs are able to overcome an initial bankruptcy and, having learned from their experiences, go on to succeed. The country should no longer be deprived of the potential that these people represent.

Subsidies do not seem to be unanimously popular with the private sector. It is argued that subsidies too often hinder the en-

trepreneur's autonomy, that they make the enterprise vulnerable to political shifts and that they distort free competition. Investment tax credits, for example, would be preferable to subsidies, as being more beneficial and having more long-term effects on business development. However, subsidies are recognized as the only solution yet found for reducing regional disparities.

It is also felt that program administration would become more effective if carried out locally. Finally, the NEDI is urged to study the

problems encountered by entrepreneurially disadvantaged regions and groups.

- Corporate legislation should be reconsidered so as to offer better protection to the entrepreneur against bankruptcy.
- Tax credits should be substituted as often as possible for subsidy programs.
- Excessive bureaucracy should be reduced and program administration should be made more effective by introducing local management.

- Obstacles that slow regional economies should be analyzed and suitable tools should be provided to community organizations and businesses, to encourage local people to assume responsibility for development.
- Factors that restrain entrepreneurial initiative among emerging groups and certain categories of entrepreneurs should be examined and corrected.

C onclusion

The Federal Government convened this National Forum on Entrepreneurship to hear what entrepreneurs and those involved in the field of entrepreneurship and small business had to say. Through its initiative, a dialogue

has opened up and a first step has been taken. The forum participants called upon all organizations involved in entrepreneurship to commit themselves to action. This is the next step.

Opening Speech of the Minister of State (Small Businesses and Tourism)



I would like to begin by welcoming all of you most sincerely to the National Forum on Entrepreneurship. I especially appreciate that so many of you have taken these days away from your businesses, or your academic life, or from government, to be with us.

I have to say that this morning and last night, I felt a real keenness and energy and expectancy in the air. It's a great feeling that bodes well for a very, very successful conference.

The Prime Minister has asked me to extend his greetings and sincere best wishes to all those attending this forum.

As you know, the Speech from the Throne emphasized the role played by small and medium-sized businesses as part of the government's fundamental strategy to build a strong economy. The Prime Minister and the government in fact have been strong supporters of this forum as a means of identifying the issues that will help develop public policy affecting entrepreneurship in the coming years.

I would like to take this opportunity to thank Professor Yvon Gasse and the International Council for Small Business for their assistance in organizing this forum. As most of you are aware, the Thirty-fourth Annual World Congress of the ICSB will commence here right after we conclude our forum on Wednesday. This will be the fourth time the ICSB has met in Canada. This year also marks the tenth anniversary of the establishment of the Canadian chapter of the ICSB.

The forum that we begin today was first proposed, as most of you know, in the National Policy on Entrepreneurship that the government introduced in August of 1988.

This forum, then, will look at the roles of the private sector, training institutions, and the government in promoting entrepreneurship. We will discuss the place that the entrepreneur holds in Canadian society and ways to encourage innovation and risk-taking.

Many words, I'm sure, will be used again and again in the course of the next few days. Words like "confidence," "self-reliance," and "initiative." Words like "drive," "risk-taking," and "entrepreneurial spirit."

Our task, as much as anything else, is to explore ways to ensure that these words become part of the standard vocabulary of Canadians.

If our work now and in the future is successful, this lexicon will be as commonplace for the average Canadian as it is for men and women in business.

Our prime task today is to implant the

spirit of entrepreneurship into our culture in order that our society may welcome and support vision, risk-taking and success.

We want to instill a new spirit throughout Canada which will favour daring and initiative—a spirit leading to a fundamental change in our behaviour and outlook.

Instead of hearing: "You'll never make it," our entrepreneurs need to hear: "So, how are you going to do it?"

Not "You have no track record." But instead, "So, what do you need to get started?"

Not "I knew you would fail." But: "What did you learn that will be useful next time?"

All of this is what we hope the country will be saying in a very short order.

Successful entrepreneurs know when to seize opportunities by carefully calibrating the risk involved and pursuing their strategy with persistence and careful attention to details such as sales and services.

Last March, many of you participated in the provincial forums and made recommendations that will be discussed here. As representatives from the business, financial, and academic communities and associations, you met in each region of Canada. Your reports on the ways to promote and support entrepreneurship and your assessment of regional priorities will provide a solid basis for the discussions here in the next two days.

Some may wonder why we have brought representatives from so many diverse professions here for this meeting. Would it not have been better to let the real people, so to speak (entrepreneurs), talk to entrepreneurs?

I want to give you my answer to that.

By bringing together those from academic life, government life, and financial institutions, as well as those from world of entrepreneurship and business, this is not just another conference in which business people can swap tips and meet new clients and suppliers. This forum, if it were to be for business talking only to business, or academics talking to other academics or only government officials talking to government officials, would be ineffective in accomplishing our purpose. It would amount in a way, to a dialogue of the deaf. What we need in this country, and this forum does this week, is to provide an opportunity for all opinion leaders to be imbued with the spirit of entrepreneurship, to bring them together and promote the spirit together.

We are all important partners here. It

is my hope that we will be able, through our combined efforts, to develop and promote an action plan.

Therefore, this is not just another consultation about what government should be doing. It is a forum in which all of us will be discussing what it is we have to do together.

We are all, entrepreneurs and non-entrepreneurs, important partners in this en-

deavour. It is my hope that after collaborating on an action plan, we will all work together to promote it.

I hope you share my enthusiasm, my sense of expectancy for the potential this forum holds not just for the people in this room, but quite frankly for all of Canada. I am anxious to listen, to learn, and participate with you.

Thank you for being here.



Tom Hockin



Honorary Chairperson



It is a great honour, as well as a great responsibility, to be asked to act as cochairperson of the National Forum on Entrepreneurship with Mr. Ben Webster. It is a great responsibility because this distinction means that I am being called upon to represent all Canadian entrepreneurs.

I have become, as it were, the spokesperson for all those who own a business in Canada. On the other hand, I remain one entrepreneur among many: Lise Watier, the owner of a business, who is passionately living her dream. In my opinion, the decision to create a business is also a decision to make a dream come true. I firmly believe that all entrepreneurs, myself included, are passionately committed people.

Canadian entrepreneurs work hard. Those who are personally acquainted with entrepreneurs know this. Our families and our close friends know and understand why we work so hard. Making a dream come true is an intoxicating experience. We don't notice the hours flying by. We draw our energy from our work. Every little step forward is a small victory, and together these successes allow us, ultimately, to reach our goals. Small businesses are made up of teams of entrepreneurs. This growing trend is what makes small businesses so dynamic and what will make them strong in the future.

Entrepreneurs take risks in order to turn their projects into reality, to keep their businesses alive and to make them grow. They also take on the responsibility of creating jobs and of feeling bound to those people who support them. But, mainly, entrepreneurs and their businesses form the underlying fabric of the economic development of Canada. Owning a business is not easy, but it can be very rewarding. Business owners are vital members of society. Their employees depend on them for their salaries and for their well-being. But it isn't just a question of wages. There are enormous expectations. To all those people who work for us, we have a duty to succeed. At the same time, we owe part of our success to them.

As cochairperson of the National Forum on Entrepreneurship, and on behalf of all the entrepreneurs I represent, I ask all Canadians to recognize the efforts of entrepreneurs who are already in business and to provide strong support to those who want to start up new businesses.

The small business sector has proven its importance to the economy. Small and medium-sized businesses innovate, create new products and offer services that are often better adapted to customer needs. Small business contributes both to economic development and to raising the standard of living.

Small business has demonstrated that it can produce economic growth and create jobs, however, not enough Canadians recognize this fact. Many people and institutions must be made aware of the contribution made by small business. If this National Forum on Entrepreneurship succeeds in drawing public attention to the importance of small and medium-sized business, a first step will have been taken.

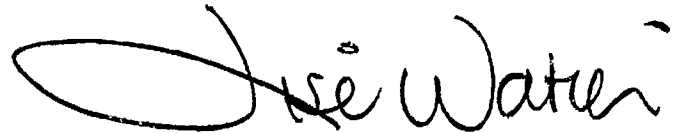
Canada's various communities must become more attuned to entrepreneurship, and the development of entrepreneurial talent must be promoted. Entrepreneurial qualities – creativity, autonomy, determination – must be nurtured and developed. Families and educational institutions must be convinced of the value of entrepreneurship in order to stimulate its development in our children. Government, infrastructures and the business community at large must recognize the vigour of the small business sector in order to promote it and sustain its development.

A small or medium-sized business is not just a business; it is also, and primarily, the entrepreneur who stands behind it. If

entrepreneurship is promoted as a viable career option, more young people will consider it. If more help is given to potential entrepreneurs, more businesses will be created. Finally, if more support is given to owners of small businesses, these small businesses will have more of a chance to grow and produce.

Entrepreneurship is good for the regions where it flourishes, and it is good for the country as a whole. All Canadians must be made aware of this.

Canada is faced with the need to make its economy more dynamic and more energetic in international markets. The time is therefore ripe for all Canadians to develop and embrace a true entrepreneurial culture.

A handwritten signature in black ink, reading "Lise Watier". The signature is fluid and cursive, with a large loop at the beginning of the first name.

Lise Watier

Honorary Chairperson



How is wealth created? Why are some nations more prosperous than others? And how does this prosperity occur? There is a very simple set of economic equations which deal with the root cause of the wealth of nations. They are very simple and it is perhaps their simplicity which has caused us to ignore them.

It has taken a visiting Japanese, Akio Morita, one of the founders of Sony, to bring them to our attention. Last month he spoke in Ottawa to a group of government and business people and told them how disturbed he was about the trend in the United States, Canada and Europe to move away from goods-producing businesses to non-goods-producing services; he said such a trend "is not the natural growth pattern of a maturing economy and far from something to be encouraged. This trend, furthermore, is destructive, for in the long run an economy which has lost its manufacturing base has lost its vital centre. A service-based economy has no engine to drive it." Mr. Morita went on to say "it is only manufacturing which creates something new, which takes raw materials and fashions them into products which are of more value than the raw materials they are made from (that is, value added!). If Canadians ignore manufacturing while thinking of themselves as information technicians in a service-based economy, they might find themselves on the sidelines of international business."

The simple equation that I want to talk about today, and which Mr. Morita has spelled out for us, is that a strong manufacturing industry, along with a strong service industry which exports (that is services such as engineering, computer software, consulting of all types) leads to a stronger economy which leads to lower taxes and a higher degree of cultural and human achievement.

In the 18th and 19th centuries, the British Empire's predominance was based on this simple equation. It was its industrial depth, fuelled by technological achievements and protected and assisted by naval power, which characterized that dominance. The steam engine, the mechanical loom and the early machine tools were at the heart of the system, but controlled overseas markets fed the factories, and ensured full development of the technologies. The overseas political control which was exercised by England through a combination of gunboat diplomacy, self-willed and unselfish career administrators along with British law and customs, ensured that the vast stretches of the empire would purchase their manufactured and consumer

goods from the home country in return for raw materials shipped back for processing. This enabled England to rise to its immense pinnacle of world power. Today, Japan and Germany are striving for an international lock-up on consumer goods and capital goods and they understand that a semi-world monopoly on manufactured items can create immense prosperity at home. However, they are not using the political sovereignty route as Britain did (they both tried that route and failed; with the invasion of Manchuria and the Nazi-fication of Europe). Instead, they are utilizing three other methods to gain the confidence of the consumer in this modern era of relatively free markets. Initially, their thrust was price; "If it's cheaper let's buy it." This was closely followed by quality. I still remember how at first we were amazed at the quality of Japanese products and a thriving city in Japan was named "USA" so that goods could be labelled made in USA! We are now in the third phase which is a Madison Avenue phase: where price and quality are yoked together with intensive advertising and image creation.

Since 1945, the United States' percentage of the world GNP has dropped from 45% to 18%. Of more concern, in North America we are seeing our industrial base continually erode. The key exports of Canada and the US are raw materials, semi-finished goods and food while the main imports are semi-finished and fully-manufactured products. The simple equation is eluding us.

One of the reasons we have not grasped this simple equation is perhaps because it is too simple. The legalistic side of North American life has grown at a phenomenal rate. Now, 90% of the world's civil law suits take place in North America. At least one-third of our MPs in Ottawa are lawyers and there is a whole legalistic style in the way the Canadian Government and, in fact, Canada seems to be run. Central planning is not as heavily in vogue as it was, but we are in a financial pickle today due to the efforts of the past administrations to encumber Canada with a magnificent bureaucracy and far-reaching welfare state. One-third of our taxes go toward interest on debt from the past! It is a fact of life that people who are legally inclined and legally trained, thrive on words such as "heretofore," "party of the fourth part" and more recently we even have the wonderful word "notwithstanding!" If it is not complex they intuitively do not like it — they cannot recognize a simple equation. Simplicity does not make money for lawyers.

Now the equation that is very simple

is this: If we can increase our manufacturing sector, that is, the percentage of people in Canada involved in the manufacturing and tradable service sectors, then we can slow down imports, increase our technology base, increase exports and thus increase foreign exchange levels. This will then result in more confidence in being Canadians, in having a greater say in our own affairs and in having the freedom of not being taxed to death. With a vital industrial sector we will naturally have to update technology and world-class research development.

It may come as a surprise but R&D only functions in the manufacturing or tradable service sectors. There is no R&D done in the other vast areas of Canadian enterprise; retailing, fast-food restaurants, real estate, banking, entertainment and only tiny amounts done in the mining and resource industry. Thus, all the hue and cry about R&D, is really hue and cry about a stronger industrial base, a stronger manufacturing base, where there are the people who can exploit the research and turn it into something useful. It is not that we have to jazz up the universities and government labs to do R&D, we have to encourage the industrial base, which if strong, will undertake research and development and will make use of it and exploit it and turn it into something valuable on a worldwide scale. This will then stimulate more research in industry and go on to generate university research.

The idea that research and development is something that can be dealt with on its own, as a separate entity, isolated and immune from the rest of the economy is just not true. So often public statements decrying Canada's lack lustre R&D as a percent of GNP compared to Japan or Germany leads to breast beatings and self-recriminations that we are behind in the R&D race, we are not doing enough and how can this possibly be happening? What has been neglected in such statements is of course that our research activity has to be lower as our industrial base is much smaller and R&D can only be performed in industrial sector. Nevertheless, this concern about R&D has nurtured and stimulated people who can be called the "R&D carpetbaggers." These are the think-tanks and the scientific councils and the people that beat the gong for more R&D quoting percentages, anecdotal stories and scientific jargon that tend to confuse us all. In fact it confused the Federal Government so much in the past regime that they legislated the infamous programme known as the SRTC which conservatively has lost the Canadian tax payers over \$2 billion.

I think we have to be aware that R&D can't be force funded or legislated as an activity on its own. It has to be coupled and integrated with a strong manufacturing sector. The R&D acolytes and proselytizers have made the mistake of putting their cartloads of R&D before the horsemanship of the entrepreneur.

Now, the real reason for my speech today is that it does appear that Canada is steadily but surely losing its preeminence in world affairs which it has held in the past, and which peaked somewhere between the battle of Vimy Ridge in 1917 and the convoys from the St. Lawrence in the early 1940s. We are being eclipsed due to industrial development in other countries who have been blessed with an era of peace and tranquility, even though it has been, for Canada, an era of reasonable growth, and an era when we have been able to attract talented and skilled people from overseas. I am afraid that while we are using imported VCRs, imported TV sets, imported cars, imported clothing, imported machine tools, imported equipment of all types, we may even go to our deaths in imported caskets and eventually we may run out of forests, minerals and wheat to pay for these imports and we will have to sell off our land and assets to keep paying for them.

Now, what do we do about all this? I think having a conference to discuss entrepreneurship is worthwhile and certainly shines a bright light on the matter of job formation. Entrepreneurship is the freedom from the structure of large corporations, it is the freedom from one kind of regimentation to another of a more personal nature. However, all entrepreneurs are not equal. Entrepreneurs who run small retail shops, or even large retail chains, who run franchise enterprises, who work in the non-industrial side of the economy, the non-exportable side, or the side of the economy which cannot restrict imports by filling local demand are not really part of the industrial base, and are not really assisting the country in a fundamental way. They are not the cavalry or even the infantry; they are merely camp followers. However, the entrepreneurs who ply their trade to the critical needs of the country, that is, who work in manufacturing and are part of the industrial base, are the ones who deserve the most acclaim, not only because they provide foreign exchange, support R&D as well as jobs, but also because they have the most demanding and difficult types of jobs.

It is far more difficult for an exporter to build a plant, do his R&D, hire scientists, learn foreign languages, develop overseas offices, keep up to date with what is going on worldwide, as well as selling his goods locally, than it is for an importer who makes a single agreement with a large foreign exporter. All the importer has to do is buy a few desks, call the Bell Telephone Company to install, hire salesmen, travel inside Canada, do no R&D, a minor amount of manufacturing or even no assembly, very few labour problems and intricacies yet his profits are often identical, and strangely he is taxed in the same manner, and at the same rates, as the manufacturer who does so much more for the country.

There is something wobbly in our thinking when we reward the individuals who do not help our industrial base or even drag it

down, to the same degree as those who really strengthen the country and strengthen our competitiveness. It is one of the great conundrums of modern industrial policy, and I have thought about it for 20 years, and have come to the conclusion that the equation is too simple, it is not complicated enough! The great contributions of the thousand of small manufacturers have been obliterated by the armies of consultants, price marketing boards, crown corporations, accountants, investment bankers, people with grand schemes. We have taken the manufacturing or industry sector for granted and have concentrated on ornamenting our society with a vast panoply of service industries which do not contribute nearly as much to the nation's welfare.

I have been helped in coming to this conclusion while sitting on the Premier's Council of Ontario, organized and attended monthly by Premier of Ontario, David Peterson. The Council, while initiated as a technology council, has metamorphosed into a policy group and a body advocating greater attention and emphasis on our industrial base. It has published some excellent reports, the ideas from which are being embedded in the province's industrial policy.


A foreign manufacturing company, or branch plant, even when the market is limited to territorial Canada, does help Canada. But those foreign companies located in Canada, which serve a world market, have done a great deal more. Some of the largest who do this are IBM, CGE, Pratt and Whitney and Dupont and have made major contributions. However, very often transfer pricing on imported components is done in such a manner (due to the higher corporate taxes here) that profits are adjusted downwards in Canada which can in turn lead to a lower level of R&D in the Canadian subsidiary compared to the parent. I am not against foreign companies as they have brought Canada into the modern age. It is just a relative question; locally-owned and locally-operated manufacturers are that much more useful. A manufacturing infrastructure that can export worldwide is more valuable than one that is confined to the Canadian market. This is what the enlightened foreign-owned companies usually do. I still think the foreign companies must be encouraged and welcomed as we hope to be ourselves welcomed in foreign lands, but they are not as essential for Canada as a locally-owned group.

It is all a question of emphasis. We

must strive for targeted entrepreneurship. That is, entrepreneurship and entrepreneurs that are targeted to the essential needs of Canada, that is targeted to the manufacturing sector, the value-added sector. Eventually the government must move toward skewing and shading the laws to encourage this. At the moment there is the reduced tax on the manufacturer which is a small incentive, but it does not go far enough. The big money in Canada is made in real estate, in fact the real fortunes in North America are made in real estate. If you work it right, the taxes paid are negligible, as in fact the taxes can be deferred for years through depreciation, mortgage financing and various ingenious legal structures. In Japan and Germany, who have vital industrial sectors, there are enormous taxes on real estate transactions. In Japan, if a transaction takes place within a four-year span, the taxes can go up to 96% from the normal 80%! There is a very good case to be made that real estate gains belong to society as they are a product of over-crowding, municipal rezoning and inflation, something which is inherent in the partnership of society as a whole. Japan and Germany have already recognized that certain sectors do not pay as much as others and thus have legislated a very selective tax system to direct and motivate the entrepreneurs and individuals in their countries to work in the areas that are of most benefit to the country, not of the least benefit. The various levels of Canadian Government have not understood this yet.

Both in Japan and Germany, it is the manufacturing Moguls who are encouraged and welcomed by government into the corridors of power. Governments understand their usefulness in shaping policy. In fact, the "Recruit" scandal in Japan was all about a non-industrial businessman trying to buy his way into the industrial fraternity. He had to pay a much larger price than normal, this attracted attention and someone blew the whistle. We should study Germany and Japan in detail to learn and not reinvent the wheel of industrial enterprise policy.

What I am essentially saying is making a plea for targeted entrepreneurship, targeted to the manufacturing sector along with an enlightened legislation of the rules of the game that allow this to happen on a large scale; then we will have the best of all possible worlds, entrepreneurs who are the vital and underlying strength in the economy, working in sectors which in turn are the vital and underlying strength of the economy.



Donald C. Webster

Description of Workshops

The Promotion of Entrepreneurship and the Development of an Entrepreneurial Culture

Workshop 1

Promoting Entrepreneurship and Enhancing and Recognizing Small Business and Entrepreneurial Activities

It is necessary to understand what motivates entrepreneurs, what makes them decide to start up and manage a business, in order to effectively nurture a spirit of entrepreneurship among Canadians. What role could research and educational institutions, for instance, play in disseminating and, in particular, developing expertise in the area of entrepreneurship.

It is already acknowledged that social recognition and positive attitudes and openness on the part of the commu-

nity are important. How can we make people and institutions realize that the entrepreneur plays an important role in economic development? How can we ensure that small businesses are recognized as creators of prosperity and jobs? In other words, how can we promote an entrepreneurial environment conducive to the emergence of new entrepreneurs and to the growth of small businesses?

Workshop 2

Promoting Entrepreneurship as a Way of Creating One's Own Job or as a Second Career

Entrepreneurship is a valid career option. Is it not true that more Canadians should be able to get started in business, run a small business or become employers?

How can more young graduates be encouraged to start up their own businesses? Could entrepreneurship be presented as a way of giving yourself a highly satisfying job?

Could workers, employees and managers be persuaded to make a career change and try their hand at starting up a small business?

Workshop 3

Facilitating and Inhibiting Elements for the Creation and Development of Small and Medium-Sized Businesses

An entrepreneurial environment encourages the emergence of new entrepreneurs and the growth of small and medium-sized businesses. What facilitating elements should be found in this environment: business networks, information center, management consultants, business opportunity banks, capital for starting and expanding busi-

nesses... What inhibiting factors could be eliminated? Do fiscal policy, laws and regulations slow down the creation and growth of small and medium-sized businesses? Could financial institutions adapt their approach more towards entrepreneurs? Could qualified labour shortages in certain areas be overcome?

The Support of Entrepreneurship

Workshop 4

Role of Governments, Training Institutions, and the Private Sector with Respect to New Entrepreneurs and New Businesses

Starting up a business is a demanding and often difficult process, even for the most enthusiastic entrepreneur. New entrepreneurs are expressing a need for support, training and information.

How might governments, training institutions and the private sector help a business start up?

New businesses are also more vulnerable to precarious situations. What interventions could see small businesses through the difficult times and increase their success rate?

Workshop 5

Role of Governments, the Private Sector, and Local Institutions in Supporting Regional Entrepreneurship Initiatives

It would be idealistic to believe that the same measures could be used to support entrepreneurship throughout Canada, since small businesses located in different environments do not develop in the same manner.

Thus, in order to increase the efficiency of a general entrepreneurship policy, regional characteristics and location possibilities and assets must be taken into consideration.

How might governments, local institutions and the private sector more fully support regional initiatives? What role might they play in ensuring the development of a regional economy that is dynamic in its own right?

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Workshop 6

Specific Methods of Supporting Entrepreneurship Among Target Groups

In some segments of the population, entrepreneurship is growing rapidly. Perhaps because new openings are being created or perhaps because there are more constraints. What are the groups that we should encourage particularly?

How might organizations and institutions support the efforts of these new entrepreneurs? Should certain adopted methods of intervention be favoured over other ones and put into practice?

Workshop 7

Encouraging Small Businesses to Focus on Growth, Benefit from the Opportunities Created by Free Trade and be Open to foreign Markets

Is it possible that canadian small businesses are insufficiently oriented toward the development of their own activities? Do owner-managers too often fail to adopt a vision focussed on growth?

How might we change attitudes? How might small businesses be encouraged to consider a more long-term view? Free Trade between Canada and the United States is opening new avenues that must be explored, creating new opportunities

and making it necessary to develop strategies for accessing markets. More and more, the vitality of canadian small businesses is linked to their dynamism and their ability to reach foreign markets. What growth incentives might be provided?

Workshop 8

Incentives to Increase the Competitiveness of Small Business and the Utilization of New Technologies

Canadian small businesses should be encouraged to develop greater regional, national and international competitiveness. This could be done by facilitating access to technology and fostering technology transfers, strategic associations and partnerships.

Which methods should be favoured? Which methods of intervention could be adopted without restricting the entrepreneurial spirit and decreasing initiatives?

Workshop Reports

Workshop 1

Moderator: Joël Young

Promoting Entrepreneurship and Enhancing and Recognizing Small Business and Entrepreneurial Activities

The participants were asked to explore the terms entrepreneurship, entrepreneur and small business in order to determine an appropriate frame of reference for investigating means of promoting and developing entrepreneurial activities. After acknowledging the wide range of possible definitions and interpretations, discussion was launched on the following two major themes:

- How to increase acceptability and desirability of entrepreneurship through promotion and awareness activities?
- How to increase the feasibility of entrepreneurial activities through promotion and awareness activities?

Considering that other forum workshops were concentrating on the vertical elements of entrepreneurship in Canada, the participants agreed to a discussion on broader issues.

Recommendations

It was generally agreed that a national promotion strategy with an appropriate implementation schedule would be a tangible way to encourage and foster entrepreneurship in Canada.

The objectives of a national promotion campaign should include those outlined in the National Policy on Entrepreneurship made public in 1988 by the Federal Government; that is, to increase the awareness of the population about entrepreneurship and its economic and social benefits for the country and to ensure that all Canadians are aware of the entrepreneurial career option.

The target audience for a promotional strategy should include local, regional and national subgroups. Consideration should be

given to sociocultural categories based on criteria such as age, sex, education and ethnic origin, resulting in subgroups such as women, youth, handicapped people, natives, professional communities, employees of large and small businesses, educational institutions and the various levels of government.

The following elements should be taken into account when drafting a promotional strategy:

- publicizing models of entrepreneurship in the local, regional and national media under the sponsorship of various organizations;
- using all mass communication channels to increase public awareness;
- linking the National Entrepreneurship Development Institute to a data bank on programs and activities related to entrepreneurship;
- establishing entrepreneurial training centres and business incubators;
- instituting "mentor" programs;
- creating a network bringing together businesses and the banking community so as to share information on financing facilities and business opportunities;
- strengthening business organizations such as the chambers of commerce;
- encouraging the evolution of the education system across Canada;
- utilizing organizations such as the Junior Achievement, the Association of Collegiate Entrepreneurs (ACE) and the Young Entrepreneurs Association (YEA).

The workshop group also felt that it was imperative to implement the awareness program without delay to demonstrate the sincere commitment of the government and achieve the objectives of the National Policy on Entrepreneurship as quickly and effectively as possible.

Workshop 2

Moderator: Randy Vandermark

Promoting Entrepreneurship as a Way of Creating One's Own Job or as a Second Career

The theme of the discussions in Workshop 2 was promoting entrepreneurship as a way of creating one's own job or as a second career. A change of mentality will be necessary. What can be done to encourage the potential new entrepreneurs and employers of tomorrow? What are the ingredients to be included in an "Entreprenaction" program?

So this workshop report will give an account of our discussions about the promotion of entrepreneurship and the development of an entrepreneurial culture in the school setting as well as the support that can be offered to the various target groups.

Considering the presence of participants from all the provinces and regions of Canada, the ideas proposed should be appropriate for Canadians coming from all social walks of life. The recommendations focused on two questions:

- How to stimulate a more positive perception of entrepreneurship by all Canadians in order to foster its promotion?
- What can be done to promote entrepreneurship in a way that would touch individual Canadians, and who should take the responsibility?

It is necessary to create an early awareness of entrepreneurship, whether in the home or in various other areas of activity and involvement, in order to favor the development of an entrepreneurial personality. This supposes an open mind on the part of all those involved in the field of entrepreneurship, so that they are ready to promote an awareness of the importance of an autonomous and creative spirit.

What is proposed in this workshop is not the teaching of a method, or of entrepreneurial techniques, but suggesting ways and means for changing the attitudes of people and for ensuring a supply of good entrepreneurs. To do so, the participants have agreed to approach the theme from two different points of view, the first one being the promotion of entrepreneurship as a career option for people with a formal education.

It means promoting the recruitment of future entrepreneurs directly from the educational system.

Recommendations

A teacher is more important than the

course content because he or she must understand the process. To prepare for entrepreneurship, it is essential to emphasize innovation and creativity. In order to do this, you have to provide a much wider range of courses in the areas related to entrepreneurship, and the courses have to be given by better trained and more competent teachers. Teachers will be able to develop their entrepreneurial competence by:

- taking courses in entrepreneurship for credit;
- participating in creativity workshops;
- making use of experiential learning techniques;
- every school district should be willing to approve sabbaticals for teachers wishing to launch a business.

On several occasions during the discussions there were attempts to try to define the personality of an effective entrepreneur, which cannot be developed by reading books or following prescribed methods, but rather by experiencing various situations and various types of environments. The school programs could be improved by:

- incorporating business training in the work place into existing courses;
- establishing executive-in-residence programs in post-secondary institutions;
- experiential learning activities and exercises;
- offering all interested students the opportunity of benefitting from the best entrepreneurship programs (promoting the expansion and development of Junior Achievement programs);
- providing opportunities for a cooperative education involving the business community;
- developing role models through school visits by entrepreneurs (to promote a greater presence of entrepreneurs in the education environment);
- a higher flexibility of the school programs;
- coordinating the existing resources in the whole school system.

Certain enterprises could contribute to the teaching process and to the training of entrepreneurs by actively participating in courses, seminars and conferences. Moreover, these enterprises could also contribute to research financing and the preparation of didactic materials by:

- making investigations to increase understanding of the entrepreneurial process (result and process);
- introducing business-oriented education into both technical and nontechnical teaching subjects.

Many other measures should be proposed. The most relevant would be to succeed in involving experienced entrepreneurs in the promotion of entrepreneurship, people in touch with the environment and with the needs of those who are interested in entrepreneurial initiatives. Finally, the participants agreed on the need to introduce students to the concept of entrepreneurship well before the high school level, and on the importance of developing a dynamic approach in the teaching of entrepreneurship.

Secondly, the participants discussed the promotion of entrepreneurship as a career change option for other segments of the population, such as workers who have been laid off or who need to take new training courses, including the social assistance sector and those seeking a second career. In the preceding provincial forums, participants reacted to several major points and two major needs:

- the need to create centres for entrepreneurship in each of the provinces, as well as a national centre, where local or community organizations would be used as assets;
- the need to develop a national social marketing policy based on the creation of entrepreneurial profiles with the aim of promoting programs that are adapted for each of the target groups (youth, women, natives, immigrants, the handicapped, the unemployed, the retired, etc.).

Recommendations

People have to be more strongly motivated to contribute to the economic development of the country. The following is a list of concrete actions that were proposed in order to permit the interaction of experienced entrepreneurs with those who aspire to become future entrepreneurs in various fields:

- develop local networks to induce the business communities to provide counselling services;
- encourage the establishment of business incubators through the dissemination of information and by lobbying in the business environment to create such facilities;
- approach the Federation of Canadian Municipalities to reexamine their zoning and other regulations with the aim of being more supportive of entrepreneurial initiatives;
- consolidate information and counselling services in one community-based centre and include the business community in these services;

- provide incentives to facilitate the transition to an entrepreneurial role by:
 - access to RRSP;
 - registered business investment funds (community funds);
 - examining the Québec Stock Savings Plan as a transferable model;
 - provide exposure to role models as a non-monetary incentive;
 - allow share ownership by employees as a means of becoming accustomed to ownership;
 - improve the dissemination of information on available programs and services in order to increase their public visibility;
 - review the decision by the Federal Business Development Bank to abolish the AIM (Automated Information for Management) program, considering the future benefits to be derived from that program;
 - set up a national network to provide high-quality strategic information.

One idea which arises from these recommendations is that entrepreneurship requires both risk taking and good planning. "Some people expect too much from their enterprise... there is no open road teaching you how to start a business!"

For the target groups, it is the active entrepreneurs who must get involved by trying to share their experience and the necessary information in order to promote entrepreneurship as a career option. But in the end, it is the attitude of the general population toward entrepreneurship that will have to be modified.

Our mental and cultural attitudes have to be reoriented, starting with the individual who wants to become an entrepreneur, with his family and immediate environment, on up to government regulations...

When analyzing and evaluating the recommendations to be implemented, the advantages, inconveniences and consequences of each option will have to be questioned and studied. The role and mandate of the National Entrepreneurial Development Institute will be of capital importance for the promotion of entrepreneurship.

This national forum has made possible a meeting of several Canadian entrepreneurs. This was also an opportunity to raise the consciousness of quite a number of people about the entrepreneurial ideology. Taking into consideration all the recommendations and documents that were worked out during a previous series of vast regional consultations, the National Forum on Entrepreneurship does not really bring forward many new solutions apart from a few suggestions for actions that should be investigated in order to develop entrepreneurship. We are now in a position to suggest organizational and institutional projects in order to break new ground and to make the public more sensitive to an entrepreneurial culture.

Workshop 3

Moderator: Gar Pynn

Facilitating and Inhibiting Elements for the Creation and Development of Small and Medium-Sized Businesses

The aim of this document is to set out in the clearest and most concise manner possible, the discussions that took place in Workshop 3. The emphasis will be placed on the precise suggestions that were put forward. We will also try to show what gave rise to each recommendation.

The Workshop started with a short presentation by each of the participants including where the participants came from as well as their principal interests. The moderator briefly outlined the overall theme of the workshop and the discussion immediately got under way.

Recommendations

The first theme discussed was government aid to entrepreneurship through subsidies for the creation of businesses. It was noted that the Community Future Program administered by Employment and Immigration seemed to be working adequately. The success of this program was attributed to its regional management, which resulted in minimizing the "political" effect of the decisions. This program is administered by local communities and is aimed at so-called depressed areas.

Business Development Centres have emerged from this program and seem to give highly satisfactory results. Granting guaranteed loans to new businesses is a preferred strategy of these centres. The centres also promote job training, helping people on welfare, the creation of business incubators, etc. It was suggested that much more funding be allocated to this program.

- The funding of programs administered by local communities (such as the Community Future Program) should be promoted.

It was generally noted that such programs should be in closer contact with the reality of small and medium-sized business. This led to the following global suggestion:

- The entrepreneurial support groups should be promoted, considering their appropriateness to the reality of newly created small and medium-sized businesses (*e.g.* relatively low fees).

The next part of the discussions touched on the financing of small and medium-sized businesses. It was observed that most small and medium-sized

businesses had trouble finding funds. Several sources of funding were mentioned, such as the informal market and pension funds.

In order to facilitate the finding of funds, the idea of a national Canadian stock savings plan was put forward. This was, however, rejected after a few negative comments. Pension funds were also mentioned as a potential source of funding that could be accessible to small and medium-sized business.

However, following discussions about investors of venture capital, it was suggested that:

- programs encouraging contact between investors of venture capital and entrepreneurs be promoted.

In a more general way, to respond to the problem of financing small and medium-sized business, it was suggested that:

- government encourage (under whatever form it takes) the financing of small and medium-sized business assets.

Regarding government involvement, it was also noted that obtaining government contracts was rather difficult for small and medium-sized business, but not so for large corporations. It was, therefore, suggested that:

- a coherent policy concerning the allocation of government contracts (at every level of government) be developed that favors small and medium-sized Canadian businesses at the very beginning of the contracting process, *i.e.* at the level of the selection criteria (especially for large contracts).

To help the entrepreneur find his way through the maze of governmental bureaucracy, it was suggested that:

- income tax returns be simplified (especially as regards the large number of vouchers required).

Concerning international exchanges, it was observed that, although Free Trade might be an interesting opportunity, inter-provincial exchanges still have to be made easier. It was therefore suggested that:

- the Federal Government should see to it that inter-provincial exchanges, whether commercial exchanges or exchanges involving the free movement of labour, take

place in a favourable environment.

On a legal level, two points were raised. The first concerned the laws governing corporations. It was noted that Canadian anti-trust legislation was not, or rarely, applied. Large corporations seem to be protected from all lawsuits. Following this observation, it was suggested that:

- the laws concerning Canadian corporations be applied without discrimination.

The second point raised concerned the Bankruptcy Act. It was suggested that it was not at all adapted to the reality of small and medium-sized business. It was therefore suggested that:

- the Bankruptcy Act be amended to take into account the unique reality of small and medium-sized business (e.g., give more "room to manoeuvre" when a business encounters temporary difficulties).

The national interest rate policy was also singled out for criticism. Other regions of Canada must often brake the inflation coming out of Toronto's economy. To get around this imbalance, it was suggested that:

- the effect of the interest rates fixed by the Bank of Canada be compensated (by fiscal policies) to take regional differences into account.

It was also noted that bankruptcy often had a negative connotation. This tends to make new entrepreneurs feel guilty. To get around this problem, it was suggested that:

- the bankruptcy of an entrepreneur no longer be perceived or presented as having a negative connotation.

Finally, there was a long discussion about the validity of subsidies versus general fiscal policies. Should we "help the winners" or subsidize the special few? These discussions resulted in taking the following stand:

- panCanadian policies (such as tax investment credits) are preferable to one-time subsidies given by various granting agencies.

This summarizes the discussions that took place in Workshop 3 on factors that may facilitate or inhibit the development of small and medium-sized businesses. It was not our task to correct the inconsistencies between certain of the recommendations.

Workshop 4

Moderator: Lois Stevenson

Role of Governments, Training Institutions, and the Private Sector with Respect to New Entrepreneurs and New Businesses

Before considering the means that could be employed to support newly created businesses, the participants in this workshop felt the need of discussing at length the promotion of entrepreneurship and the necessity of making young people more aware of the business world. The prime role of government in this respect and the obligatory participation of the private sector to enhance the credibility of any intervention were both mentioned. It was hoped that school programs would include introductory courses on entrepreneurship at all levels and that teachers would adopt a more entrepreneurial mind-set.

In spite of eventual duplication of the first three workshops, some ideas are mentioned because of their originality or possible use.

The needs of the entrepreneur and of the newly created business were then discussed and related with the following areas: information, financing, training, marketing and technology.

Recommendations

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

Entrepreneurship centres should give access to quality information in well-defined areas. When the information is obtained, it must be well-understood and correctly interpreted to be used properly. Counsellors that are both competent and aware of the realities of small business should be available for consultation before deciding on a plan of attack. Several organizations offering plenty of information already exist, but the means to deal with the available information are perhaps lacking. So, the participants suggest:

- that the National Entrepreneurship Development Institute should be seconded by private satellite centres, which would be

generally closer to businesses and to entrepreneurs.

Incubation centres provide an appreciable level of support. The incubation period, which is already short, should not exclude later recourse to a counsellor for the preparation of financial statements, for example, or for obtaining the advice of a specialist. Departure from the incubator could be accompanied, if needed, by facilitating the installation of the business in an industrial park, where there is generally a greater technological preoccupation:

- While promoting the creation of business incubators, it was suggested that government should emphasize the development of their internal synergy and give preference to self-financing incubators.

Mentoring is an excellent way of helping the new entrepreneur and giving him access to high-quality information and advice. How should the private sector be encouraged to assume this role of mentor for which it is the best suited?

Although access to information is the first important requirement, obtaining start-up capital is still a key factor in the decision to venture or not into a business. Those who lend the money hold some measure of control over the creation of new businesses.

The loan market has some deficiencies in so far as small business is concerned. Banks do not seem to find it profitable to grant smaller loans and the risks inherent in the launching of a small business generally appear too great. Entrepreneurs complain about the rigidity of the criteria of the banks and their extreme prudence. Bankers should be more aware of the needs of small business by increasing their presence in the appropriate organizations and networks. The small and medium-sized business loan market could be expanded by focusing on competition between banks.

The following collateral measures to help in the financing of small business were suggested:

- increase available capital for small business;
- offer more guaranteed loans and compensate this by a reduction in the number of subsidies and grants (such subsidies and grants distort competition and suppose the imposition of all sorts of business taxes);
- allow the FBDB, for example, to assume more start-up loans;
- lower interest rates which are too high for small business;
- reduce taxes which put a strain on the budgets of small businesses;
- grant more income tax exemptions to new businesses, over a longer term;
- encourage entrepreneurs to reinvest in their own business and share the risk through reductions in income taxes;
- allow a business to finance itself by using part of its pension fund.

It already appears more attractive for small businesses to set up in the United States rather than in Canada; the Free Trade will not make things any better.

In the present state of affairs, the educational system prepares very few entrepreneurs for starting and running a small business. New entrepreneurs certainly need the training, and existing entrepreneurs also demand it.

Many training programs conceived for potential entrepreneurs have already been set up, by the FBDB among others.

It is obvious that entrepreneurs may need training in management skills, but technical know-how is also very important. Finally, it was felt that very little is known about the learning process of entrepreneurs.

In order to induce teachers to modify their general attitude with respect to entrepreneurship and so to better prepare young people for business careers, it was suggested that:

- credits be given for training in the teaching of entrepreneurship;
- teachers be allowed to take practical training in the work place;
- materials for teaching entrepreneurship be offered;
- tools for the early detection of entrepreneurial aptitudes be provided.

It was also emphasized that the school system must provide an education that, at the very least, takes into account an eventual orientation toward entrepreneurship. The engineering departments for example – and the other departments as well – should open up an optional curriculum in business launching.

With growing competition, it is going to become more and more difficult to start up a new business and to keep it operating. Small business will have to adjust to Free Trade and to be more concerned about the internationalization of markets. It will have to develop a sense of competition, count on the quality of its products and adopt a longer-term outlook.

It was suggested that:

- expansion should be promoted;
- export programs should be offered;
- entrepreneurs should be better informed about market opportunities;
- strategic partnerships should be encouraged.

Government efforts should be mainly focused on those areas of the economy which are the most profitable for the country as a whole, namely the service and manufacturing sectors.

It appears that, with the present state of the economy, we must develop the research and development sector to the maximum. Canada cannot afford to ignore the technological revolution.

Canada should endeavor to develop a technology of its own and to preserve it in

order to sell it later. This could also make existing technologies more profitable. The active involvement of the private sector must increase: industry also has its decisions to make.

Centres for the promotion of innovative concepts should be created to help new

businesses find their place in the market. Government could provide financial assistance for the introduction of new technology in small businesses; government could also encourage technological partnerships. Specialized information banks would also facilitate the introduction of new technology.

Workshop 5

Moderator: Wayne Long

Role of Governments, the Private Sector and Local Institutions in Supporting Regional Entrepreneurship Initiatives

The session consisted of a wide-ranging discussion which touched on questions related to the definition of regions as well as issues considered by participants as important concerns for entrepreneurs.

A number of specific directions were put forward, and some of which met with general approval while others provoked controversy.

The purpose of the workshop was to examine "the role of governments, the private sector and local institutions in supporting regional entrepreneurship initiatives." As one participant observed, this necessarily implies a strong focus on identifying regional disparities and their impact on the development of local entrepreneurship. Although specific differences were not systematically delineated, several general recommendations emerged.

Recommendations

The participants stressed the importance of minimizing regional disparities and the phenomenon of one-industry towns, districts or regions. The issue is so complex that it cannot possibly be solved by a single recommendation. A number of comments were made about reviving grant programs, establishing tax incentives that will attract investment from economically strong regions, while others recommended simply improving the flow of information so that individuals can more easily decide on the places and opportunities that best suit them. The participants then suggested that:

- programs and initiatives designed to facilitate entrepreneurship in a region should be tailored to the needs of the particular region;
- programs for peripheral areas should support entrepreneurial self-development as opposed to programs providing compensation;

- peripheral areas should be encouraged to develop more non-resource-based industries which should be supported by specific grant programs.

The Federal Government should re-define the regions in a significant way since it became apparent that a single definition of regions does not give sufficient operational guidance. The definition parameters could be the following:

- rural, urban or isolated?
- outside or inside the main transportation/population corridor?
- single-industry or multi-industry town, area?

Another approach would be to examine differences in operational characteristics:

- access to information;
- access to skills;
- access to knowledge;
- access to programs (education, government, etc.);
- access to financial and other resources;
- access to good, useful contacts;
- access to associations, etc.;
- access to other possibilities.

The objectives and implementation of the programs must be adjusted to regional needs in practical terms. For example, an electronic media campaign advertising the availability of a program will miss many potential users in more isolated regions:

- A task force, which would be established by the National Entrepreneurship Development Institute (NEDI), should be charged with reviewing the issue of regions, ensuring a more effective access to business opportunities, and developing recommendations for the Federal and Provincial Governments and other appropriate bodies such as banking and professional associations.

The first four recommendations should be considered as part of all the recommendations that follow. For example, programs designed to increase the perception of entrepreneurship as a viable career option will have to take into account cultural differences from region to region.

The participants have addressed the following recommendations to the Federal Government:

- That the Federal Government identify what our competitive advantages are and inform the entrepreneurial community across Canada.
- Design and implementation of programs should take place at the appropriate level, whether local, regional or provincial, by those who will be directly affected, and are more intimately familiar with local needs, markets, and competencies. Programs should have longer time horizons to provide entrepreneurs with greater predictability.
- All government programs should be rationalized and consolidated to reduce overlap and waste.
- Some of the funds (for example some grant programs) which are targeted toward businesses should be reserved for equity investment or venture loans for those needing seed or launch capital.
- Tax incentives should vary according to regional disparities.
- All funding decisions should be made at the appropriate local level by experts from the private sector.
- The establishment of a national network of mentors and experts with an understanding for the problem of small businesses as well as a knowledge of government programs and particular regional strengths and weaknesses should be facilitated.
- It should be ensured that entrepreneurs have access to ongoing education and training.
- An "Entrepreneurship" program similar to Participation should be launched, dealing with attitudes toward entrepreneurship and risk taking. This program would be directed to all ages, but perhaps especially to young people.
- A way of diverting some pension funds into new venture capital should be found. This is similar to RSP but the individual would decide himself where his money is invested.
- Better methods must be devised for providing information to business people at all levels. One suggestion was made to promote and advertise. Remember, in doing so, that not all areas have equal access to the media.
- Entrepreneurs should be informed about national and international opportunities.
- Tax benefits granted to small businesses should be extended to certain ventures spun-off from medium-sized companies. This should also include certain joint-venture partners of a large firm.
- The regional development programs should be not eliminated but reexamined according to a better understanding of regional skills and needs. Regional development programs must not be politically motivated.
- The limit for business improvement loans (BIL) should be increased and a working capital component should be provided.
- Bring back the Small Business Development Bond Program and make it available more than once to qualified applicants.
- The Community Venture Capital Corporations (by charter), whose investment is restricted to local and regional investment, should be considered by all levels of government.
- There should be greater stability of programs to provide greater predictability to entrepreneurs, that is, the length of time a program exists should be increased.

The participants also addressed the following recommendations to the provincial governments:

- Link provincial investment programs providing equal access to non-residents as well as residents.
- Rationalize and consolidate programs to avoid duplication and waste.
- Educational institutions should be encouraged to offer courses in entrepreneurship to their students and to practicing entrepreneurs. Early schooling should include programs designed to develop personal initiative, responsibility for directing one's life and a willingness to accept calculated risk.

Certain recommendations were specially intended for local administrations:

- Use a portion of local business taxes to fund local initiatives.
- Foster more contacts between communities through existing organizations (for example the chambers of commerce) in order to launch joint initiatives and share business opportunities.
- Support and encourage education about entrepreneurship at all levels including primary through post-secondary. Also offer ongoing education for practicing entrepreneurs.
- Facilitate the sharing of expertise and information between towns, cities, etc. For example towns "A" and "B" cannot support a professional accounting firm, but combined with "C" they could.
- Create local task groups to examine local economic development needs and potential opportunities. The Community Future programs may be a focal point for ensuring follow-through for this task.

All programs should be more flexible to allow for customizing to local and regional conditions. The preceding recommendations evolved from discussion of a large number of general issues. These issues are now presented in order to give some background to the recommendations:

- We, as a nation, need to change people's

attitudes about the perceived risk attached to starting a business "yourself".

- Improve information transfer to more broadly/effectively disseminate information.
- Develop and widely deliver programs that explain the stages of development of a business to business owners. Ongoing education programs for entrepreneurs are required.
- Educate the infrastructure by increasing knowledge about venture creation and development among:
 - bankers;
 - consultants;
 - educators;
 - government support agencies;
 - community economic development groups.

These programs could be delivered by professional associations, *e.g.*, Canadian

Bankers Association, Financial Managers Association, CA Associations, etc.

- There should be better access to all resources including capital – considering especially the unique characteristics of rural and isolated areas. There was strong support for the BDCs (Business Development Centres) of the Community Future Program.
- Programs and funding mechanisms should be developed according to "user" needs. For example the Northwest Territories loan fund which is administered locally by the private sector. Greater responsibility for the administration of government programs should be placed in the hands of local participants. At the same time, it should be ensured that qualified local expertise is available.
- Tax incentives should be tied to performance.

Workshop 6

Moderator: Dina Lavoie

Specific Methods of Supporting Entrepreneurship Among Target Groups

The goal of the workshop dealing with specific methods for supporting entrepreneurship among target groups was to find ways of backing the efforts of new entrepreneurs or those encountering specific difficulties. The discussions sought to delineate the type of interventions that should be favored and to find tangible solutions that could be applied across the country.

Certain groups of entrepreneurs are at a disadvantage. Young entrepreneurs have no work experience or business connections; women still have to be endorsed by their family or husband in order to obtain a loan; certain entrepreneurs, such as Amerindians, live in regions where the support infrastructure is almost nonexistent; others, due to a lack of adequate access to information, are not aware of the existence of specific programs; linguistic and cultural differences create barriers, etc.

It is important to clearly identify the difficulties encountered by certain groups of entrepreneurs in order to be able to determine their specific needs. All those who wish to see their entrepreneurial dream come true must have the same opportunities and must be treated equally. Is it possible to come up with the type of intervention which would eliminate the obstacles encountered by certain groups of entrepreneurs, without, however, encouraging the formation of ghettos? Can we

establish programs without bureaucratic prejudices against certain groups?

Recommendations

First and foremost, we have to promote an "entrepreneurship that is accessible to all:"

- the media must be involved, we have to inform, convince and use them;
- publicity material has to be prepared: written documents, videos, etc;
- publications for women and young people for example, and the student, native or ethnic press could be used, as well as municipal newspapers, regional weekly newspapers, and publications of various associations and organizations;
- the private sector could be more involved in order to expand the promotion effort and to better reach the target groups;
- it is important to make all those involved more aware of the specific needs of certain groups of entrepreneurs;
- the promotion of entrepreneurship must be carried out in the schools, with the appropriate tools and by teachers who are sensitive to the importance of entrepreneurship and are aware of the particular problems of entrepreneurs.

Much information still has to be gathered among the target groups to build up an exact picture of their needs:

- longitudinal studies must be carried out with new entrepreneurs and the quality of data and statistics must be greatly improved;
- the FBDB could play a major role in outlining the needs of the various community organizations and target groups;
- the NEDI could establish a documentation centre that is in touch with the specific needs and problems of the various groups in order to be able to establish priorities.

The needs of the target groups must become more widely known:

- a strategy must be developed to sensitize the private sector, institutions and all others who are involved, to the specific needs of certain entrepreneurs, their language and their differences;
- the barriers present in already existing programs must be brought to light;
- the focus of government services must be rethought, coherent policies must be developed for specific needs, and adequate information on existing programs must be made available;
- the level of government involvement must be determined as much by the need for differentiation as by the need for integration.

Tools and material must be developed for growing enterprises:

- professors from the universities and colleges, as well as consultants from the FBDB and the banks could be called upon to share their knowledge and experience, with the active involvement of the targeted entrepreneurs;
- the NEDI could centralize the available tools, and organize exchanges of models and structures;
- the FBDB could share its resources with the chambers of commerce and the banks should put their material at the disposal of entrepreneurs;
- repertories of entrepreneurs, training professionals, "material and tools," etc. should be set up and shared.

Above all it is necessary to encourage the formation of networks, to bring associa-

tions together, to encourage mentoring by experienced entrepreneurs and to stimulate partnerships with solidly established enterprises:

- entrepreneurs across the country should be joined in a national network;
- chambers of commerce could be more active;
- exchange meetings could be organized with target groups;
- the Canadian Federation of Independent Business could become involved;
- target groups should be encouraged to be active in their own context; to form strategic groups in order to better integrate and form a larger coherent force.

Finally, the financial problems felt with more acuteness by certain groups could be offset:

- by the creation of a special venture capital fund;
- by income tax exemptions on venture capital;
- by encouraging family investment;
- by tax credits, notably for job creation, etc.

Finally, the help to be given to the target groups will largely depend upon the information that will come from the target groups themselves:

- entrepreneurs would like to be consulted for the development of programs that concern them, they would also like to be able to have some say in the administration of the programs;
- targeted clients have to be consulted to discover the perceived barriers in the existing programs, so as to adapt the training material and the information tools to the target groups.

A large part of the answer to the question of determining what type of help should be furnished to the target groups must come from the entrepreneurs themselves; much research still has to be carried out in order to determine the exact needs and the appropriate solutions; consultation mechanisms must be put into place in the various groups. Furthermore, institutions and officials must be sensitized to the needs and also to the potential of the target groups.

Workshop 7

Moderator: Rein Peterson

Encouraging Small Businesses to Focus on Growth, Benefit from the Opportunities Created by Free Trade and Be Open to Foreign Markets

Untapped potential for Canadian small business growth has been created by Free Trade and the opening of foreign markets. Recommendations for growth and export incentives were put forward by the participants in this workshop.

Recommendations

Many participants pointed out that the Government should generate an environment which rewards those firms that succeed. Current government incentives and grants do not reward growth and success. The tax system is overly complex. It was noted that entrepreneurs can only invest the money that is left after they have paid the heavy burden of taxes. Therefore, it was suggested that:

- the Government should simplify the tax system, especially for small businesses with growth potential;
- capital accumulation to fund growth should be encouraged by allowing pre-tax profit to be reinvested in the firm's growth.

A major problem for growing firms is finding workers (qualified or unqualified), a situation created largely by Unemployment Insurance benefits:

- There is a need to re-establish the work ethic in Canada.
- The benefits of working must outstrip UIC support.
- UIC has become another tax on growing firms and it must be reduced.

Growing small firms have a need for middle-management personnel. Entrepreneurs are often reluctant to delegate responsibility. However, when they make the decision to hire a middle manager, they find it takes a long time to find the right person and the time required to train the new manager is difficult to find while the firm is growing. Young business school graduates consider becoming middle managers in growing smaller businesses only after reviewing employment opportunities in larger firms or the public sector:

- Universities should be given resources to train middle managers for growing smaller businesses.
- Cooperative programs offered at university business schools should be supported to break down barriers of entry to growing

small businesses.

- Government should subsidize part of a management trainee's salary during the first year of work within a growing small business (e.g., employment tax credit).
- The pool of middle managers should be enlarged by awarding points to immigrants showing an interest in a middle management career with a small business.

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

- We should re-evaluate government technology support programs that have become overly bureaucratic.
- The commercialization of technology developed at universities and scientific research centres should be encouraged.

In Canada, business failures are perceived in a very negative way. Failure of a business idea should be seen more as a learning process and entrepreneurs who have overcome failure should be recognized for having learned from their mistakes. Canadians should eliminate their fear of bankruptcy and understand the difference between business discontinuance and business failure:

- Role models of entrepreneurs who have succeeded after one or more business failures could be portrayed in a positive way by the media.

Export and growth-oriented firms welcome government support. However, there are too many programs and many, that were first implemented several years ago need to be re-evaluated. Participants made the following recommendations:

- A permanent, private-sector oriented, regionally-based consultative committee should be created to screen newly proposed programs; the membership of the committee should be equally divided between the private and public sectors.
- The administration of the programs could be made more effective if government officials could spend time on interchange programs, in entrepreneurial, private sector companies, to become familiar with the values, problems and priorities of business firms.

It was agreed that many growing, entrepreneurial Canadian firms are capable of competing with others on international mar-

Incentives to Increase the Competitiveness of Small Business and the Utilization of New Technologies

kets and that the domestic market is not necessarily always too small. The insignificant difference between building world-class plants and minimal/optimal scale plants is often not a great impediment. It is important to dispel the myth that Canada will never be competitive internationally because of its small market and the lack of entrepreneurial spirit among Canadians.

It was also noted that not all Canadian small businesses are ready to compete in open markets. Free Trade and foreign trade will help to increase their awareness of the importance of quality and improve their ability to play by international rules. International trade involves government support for exporting firms, therefore:

- there is a need to monitor the role of foreign governments which may be inhibiting our

ability to sell internationally through non-tariff barriers.

In order to encourage and support the export activities of growing smaller companies, Government should:

- improve export financing programs for small businesses;
- grant trade credits to foreign customers similar to the Canadian International Development Agency's (CIDA) policy for developing countries.

It is clear that growth must be rewarded. Growing firms owned by entrepreneurs create jobs. Growth should be supported by governments through the tax system so that firms can reach the size that allows them to expand, develop and exploit new technologies, and export.

Workshop 8

Moderator: Gaétan Roy

This document outlines the recommendations which received the general approval of the participants in Workshop 8 of the National Forum on Entrepreneurship.

The workshop dealt with means for increasing the competitiveness of small businesses and for allowing them to take advantage of developments in high technology.

Recommendations

Financing is considered to be a central problem for small business. The successful launching and expansion of a business are highly dependent upon its financial resources:

- Large amounts of capital are left idle in pension funds and could provide part of the funds needed for the financing of small business. This diverted capital would be exempt from income tax; all the resulting revenues would be reinvested in the pension fund. Two types of participation are suggested:
 - allow the entrepreneur and close family members to invest up to 50 % of their RRSP;
 - allow individuals to invest part of their RRSP in small businesses. A much smaller percentage than in the preceding case would be authorized in order to protect

the investors against the high risks generally associated with small business:

- Public pension funds could also be used. The Government could encourage investment by adopting tax measures that would be advantageous to investors so as to counterbalance the high risks associated with small business.
- Allow individuals to use their retirement bonuses, through income tax exemptions, to set up their own businesses rather than falling back on unemployment insurance.
- We consider it essential for a small business to establish strategic alliances with larger companies so that it can grow and be more competitive in an increasingly complex marketplace. Certain tax benefits could be granted to large companies that invest in small business.

Owners of small businesses often try to play the role of a one-man orchestra and are reluctant to enter into a partnership with a business that is similar to their own, for fear of losing their place in the market. We consider it essential, however, for a small business to establish strategic alliances in order to ensure its growth in an economy which is more and more on a planetary scale.

In order to achieve these objectives, several recommendations were put forward:

- In the past, the Government has played an important role in counselling small busi-

ness, especially in the areas of management and product marketing. It would be appropriate now for large or wealthy companies to take over this role. This would encourage cooperation between businesses as well as the creation of strategic alliances.

- The Government should deal more often with business associations, which would encourage cooperation between businesses.
- The development of private support groups such as the Groupement québécois d'entreprises should be encouraged.

We recommend several means by which the Government could improve its services for small business or simplify its relations with small business:

- reduce the complexity of investment tax credits for small business;
- set up a free telephone line to provide information on available government programmes and services (municipal, provincial, federal, international);
- open up government laboratories in order to make high-tech materials more accessible;
- encourage small business by new purchasing policies;

- eliminate interprovincial commercial barriers.

The business spirit must become more acceptable to the Canadian people if it is to continue its growth. In order to achieve this, several recommendations are suggested:

- introduce science students to business administration and not science to business administration students;
- sensitize teachers to the problems currently facing entrepreneurs by way of summer seminars;
- set up more programs similar to "Shad Valley";
- keep business owners informed about new technological developments and how they can benefit from them. Business owners are frequently not even aware of new developments that could improve their company's performance;
- set up a media promotion campaign similar to Participation in order to provide more professional role models. This could consist in presenting entrepreneurs on television explaining what they have accomplished and how they went about it. The program could be called "Entrepreneurship".

Plenary Session Report : "Actions-Reactions"

Introduction

The National Forum on Entrepreneurship ended with a Plenary Session on Wednesday, June 21, 1989, where a synthesis of the work accomplished the previous day in the various workshops was presented. The participants were given the possibility of commenting on the recommendations that were put forward and on the priorities that must be set for establishing a national strategy on entrepreneurship.

Comments on the preliminary reports which had been written the previous night

were presented and the audience was then called upon to take the floor. The purpose of this "Actions-Reactions" Plenary Session was to give Canadian delegates an overall view of what had occurred in the eight workshops which had taken place simultaneously. It also provided an opportunity to react to the propositions that had been presented and to discuss the concerns of the participants. Many interventions from entrepreneurs and from business specialists thus punctuated the morning session.

Synthesis of the workshops

Promoting the notion of entrepreneurship was the general theme of the first three workshops and the recommendations put forward, as much on the regional and national levels, operate along three main avenues: the idea of promotion, institutional action and

factors that facilitate the establishment of enterprises. The necessity of promoting entrepreneurship appeared to be so well-recognized that no need was felt to specify to what extent such a promotion is important.

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Workshop 1

Four principal propositions were taken from Workshop 1.

- Setting up a national "Entreprenaction" campaign which would celebrate the entrepreneur and ensure the promotion of entrepreneurial activity;
- establishing a national information program on entrepreneurship, which is of great importance for the success of the entire process;
- making a massive use of the media for the dissemination of entrepreneurial models, among other things;
- developing a system of recognize and reward entrepreneurial success.

This promotion effort will help to reassert the value of the entrepreneur and en-

trepreneurship, and ensure the dissemination of a wealth of information on entrepreneurship as well as furnishing a favourable environment for the rise of new entrepreneurs. However, the prime objective is a change in perceptions.

The profitability of the promotion effort will depend on the institutions: the emergence of new entrepreneurs is directly related to the support the individuals will receive. It is no longer a question of convincing the Government to do something... To stimulate an increase in the number of entrepreneurs, we will have to reinforce and modify existing institutions, rather than create new ones.

Workshop 2

Four points arose from the discussions in Workshop 2:

- Entrepreneurship should become part of the school programs and the emphasis should be on creativity and experiential learning; the same deficiencies are present at the high-school and university levels. The integration of entrepreneurship into the

programs cannot be accomplished from the outside. We have to count on the entrepreneurial spirit of teachers and professors;

- cooperative education should be a goal. In order to change our schools and teachers and make them more qualified to deal with entrepreneurial values, the business and

teaching worlds have to be brought together;

- local networks should be developed and reinforced. The national, provincial or even regional networks are not the first people new entrepreneurs will resort to; only local networks are in immediate contact with new entrepreneurs. Very often these networks already exist, and they simply need some

support to become more efficient;

- policies have to be planned for the development of incubation services.

In every case, it is advisable to start with existing institutions and to work on a local scale. First, existing programs should be used to their full capacity by providing the maximum number of inputs at the local level. Adapting to regional realities should be a priority.

Workshop 3

Workshop 3 concentrated on the factors that facilitate the development of entrepreneurship. The workshop concluded that it is not sufficient to be more entrepreneurial and to establish better institutional foundations. The factors that inhibit the emergence of entrepreneurs must also be eliminated and the transition to entrepreneurship must be facilitated by introducing elements that will benefit the entrepreneur into the system:

- Administrative paperwork must be reduced: entrepreneurs are faced with mountains of paper.
- information on available services and programs must be increased. Not knowing about a program often makes the difference between starting up a business or deciding to abstain;
- tax credits to encourage certain target groups should become widely used;
- the whole question of bankruptcy has to be reexamined. How do we, socially as well as legally, perceive bankruptcy? Do we want to protect the entrepreneur or punish him? Mentalities, as well as the legal approach, have to be changed;
- government purchasing policies should be extended to small and medium-sized businesses. This would create a market with rules that open up opportunities and eliminate certain difficulties for the new entrepreneur.

All the recommendations of the first three workshops are part of a long term op-

eration to promote entrepreneurship and to facilitate its development. The profound changes that are needed do not rest solely in the hands of public agencies; they will come mainly from the rethinking of underlying values, leading to a modification of our sociocultural foundations.

Then came the five workshops dealing with support to entrepreneurship. Some general recommendations emerged.

- Incentives should be provided for investment in small business, by establishing tax deduction programs to offset the risk;
- the use of pension funds as a source of financing for small business should be permitted;
- the requests for loans by small businesses should be facilitated by resorting to the networks of the FBDB or COIN, for example, in order to match regional requirements with capital coming from other parts of the country;
- fairness in the granting of loans should be a goal, even though banks do not invest risk capital;
- more risk capital should be put at the disposal of small businesses – lawyers and accountants, because of their practical knowledge in the field, could help unearth venture capital required by a small business;
- small businesses with plans for international expansion should receive priority support.

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Workshop 4

In Workshop 4, the participants discussed at length the promotion of entrepreneurship and how it should be implemented in the education system.

Workshop 5

The priority of Workshop 5 was access to information: programs must become more accessible and easier to understand by the entrepreneurs who use them. It is not

enough to deliver "masses of information", exchanges must be facilitated and become more satisfactory! Existing programs should also be consolidated and rationalized.

As for subsidies, no clear-cut solutions were put forward. Even though their first priority is not to run after subsidies, entrepreneurs like to take advantage of them as long as they are there; on the other hand, subsidies appear to be indispensable for certain regions. Reform of the taxation system seems to be imperative both to compensate for the lack of funds and to encourage investment. Tax credits still exist in a few provinces and such programs should be extended to other provinces so as to encourage the

growth of existing enterprises and the launching of new ones.

It was also mentioned that technology must become a priority for small business as well as for government. Canada should develop its technology if it wants to be recognized internationally. According to some, the Industry, Science and Technology Department of Canada should consider investment in technology, technological information, advanced equipment and development of new products as a priority.

Workshop 6

In Workshop 6, it was suggested that some provinces might not recognize the need to give priority support to certain target groups, a fact that was hinted at in the sum-

mary of the provincial forums. So it was recommended that the barriers encountered by certain groups be eliminated and that serious studies be made among such groups.

Workshop 7

The crucial problem that was recognized in Workshop 7 relates to the difficulties encountered by growing small businesses in the recruitment of talented middle-management people. Small businesses do not have the same prestige as large companies and an entrepreneur can hardly find the time required for training the management personnel he hires during a period of rapid growth.

It is necessary to ease the passage or reduce the gap between university and small business. Perhaps the National Entrepreneur-

ship Development Institute could study ways to fill this gap with special training programs or by resorting to immigration. Or perhaps the universities could think of better ways of doing their job...

There is a real lack in Canada of talented managers, particularly of adequately trained middle managers. This is slowing the growth of our small business and is putting a strain on its competitiveness.

Workshop 8

In Workshop 8, which dealt with competitiveness and technology, the discussions brought out the importance for entrepreneurs of preparing for a global economy, for international competition. The dynamic, creative, original enterprise will have to take advantage

of strategic association with other small firms as well as with larger companies. So the key proposition coming out of Workshop 8 would be that entrepreneurs must put together strategic networks.

Other Issues

In addition to comments on the workshops themselves, various other interventions were made, particularly on the National Entrepreneurship Development Institute (NEDI). It was reported that the Institute had been the subject of a great deal of comments during most workshop discussions, since several delegates were unaware of its existence until the official announcement of its creation on June 19.

A number of entrepreneurs expressed concern that they did not know about the

NEDI and would like to have more information about its objectives, philosophy, mandate and on what premises it would base its action.

It was recommended that the structure of the Institute should enable it to represent entrepreneurs. One of the commitments of the NEDI should also be to reflect the thinking of entrepreneurs. A formula will have to be found to reach that objective, for example: being open and alert to the needs of all sec-

tors. The NEDI will have to win the confidence of entrepreneurs all across Canada.

There was also some discussion of what the NEDI should do. It could become an agency to disseminate knowledge and information to the regions and municipalities, and it could also be used to learn about what is happening in the various communities. The essential thing is to find a mechanism so that entrepreneurs, specialists, university professors and government officials all work together in developing the NEDI. It could become a vast national network and allow Canadian entrepreneurship to grow and flourish.

There was also a long intervention to defend the AIM program, a computerized data bank created for entrepreneurs by the FBDB. The system was said to offer compre-

hensive information on government programs, management of small business, etc. It was deplored that, despite the clearly expressed need for access to information, a need that was mentioned in all workshops, the program only worked at half capacity due to an insufficient budget.

The last interventions added that, in the final analysis, the Forum had been a magnificent opportunity for meeting with and learning from one another. A journalist went even further by deploring the insufficient media coverage for an event of such interest.

It was also remarked that the closing session of the Forum was in fact a beginning, since the Forum had opened the door for exchanges and the rest of the process remained to be carried out.

Closing Speech of the Minister of State (Small Businesses and Tourism)

Mr. Chairman, Ladies and Gentlemen, I am very pleased to have this opportunity to address the closing luncheon of the National Forum on Entrepreneurship and to welcome another group, those who have come to attend the 34th Annual World Conference of the International Council for Small Business.

A word about the first group. We have spent three days together and I want to tell you this has been a bit of a dream come true for me because having been an entrepreneur, a professor of business, a public servant at one time, have often dreamed of being able to see those three great estates of our society in the same room, discussing enterprise and entrepreneurship – and it has happened. It has been a great success and I stand here hardly believing my good fortune in being able to be the Minister when this happened.

I know that the Prime Minister of Canada is very interested in the outcome of this forum that has just ended and I look forward to informing him of the action plan that we have put together here. I know that he would join me in thanking Yvon Gasse, Raymond Kao, Lise Watier, Ben Webster, Russell Knight and Gilles Paquet and others for their great contribution to this very, very successful forum.

I told the Prime Minister when I was coming here that I was going to stay for three days even though the piece of legislation establishing our Department is before the House of Commons and being debated. He felt into an informal reaction. He said, "You know, too often ministers go to conferences of vital importance to them, give the opening speech and go home. It's good that you're staying." And in fact, I wanted to hear as much as I could hear because the direction for me, for the government, and for all of us in the field of entrepreneurship will come from the proceedings that have just ended. There are great many pearls. It will be my job and yours to put them all on a string so that we can make of them a strategy, as soon as possible, to make Canada very much a country of enterprise.

I was quite frankly dazzled by the variety of ideas, by the depth of thought, by the interaction that comes from not just having entrepreneurs talk to entrepreneurs or academics talk to academics or government people talk to each other, but to have the three groups in the same room and from different parts of Canada. Perceptions are

different, depending on where you come from in Canada, and out of this mix has come something unique and absolutely essential for me, and for the government as we work to improve the opportunities for entrepreneurs in Canada.

As a matter of fact, a great deal of our discussion, in retrospect, was really devoted to ways to make people wake up to entrepreneurial opportunity. This is not a challenge peculiar to this country. Jean-Paul Getty was describing the situation when he said once, "There are a hundred men seeking security to one man who is willing to risk his fortune." And Getty added, "The meek shall inherit the earth but not the mineral rights."

In order to establish a culture founded on entrepreneurship in Canada, we must ensure that small businesses have access to capital, technology and information, we must also promote a culture in which entrepreneurs receive not just material success, but also public recognition and the approval of society. We must promote a culture in which parents, educators and society at large encourage people to become entrepreneurs.

Arnold Cooper has given us some insight into the way in which the atmosphere at home stimulates and nourishes potential entrepreneurs.

In 1984, along with his colleague William Dunkelberg, he wrote, "people who start companies are more likely to come from families in which their parents or close relatives were in business for themselves. These older people were examples of 'models' for the children. Whether they were successful or not probably didn't matter. However, for the children growing up in such a family, the action of starting a new business seems possible – something they can do."

This insight tells me two things about the task we face in promoting entrepreneurship. First of all, in influencing people to consider running their own businesses, an interesting environment can be more indispensable, necessary than the definite prospect of success. That is good news. And many of us are not in a position, even in government, to help lead the way toward assured success, but all of us are in a position to reinforce the rising spirit of those around us.

And secondly, I think the Beauce area just south of here, near Québec City, is a good example. The more people we encourage to make entrepreneurship a

career, the more their example will influence those around them. The effect of entrepreneurs snowballs and new entrepreneurs spring up.

Stephen Leacock once said about my home town, London, Ontario, "When the world comes to an end I want to be living in London, Ontario, because everything happens ten years later there." It is not true anymore. We have a neighbourhood something like the Beauce now, and it's snowballing and there is great energy.

That is the key to implementing the suggestions we heard, this morning and yesterday, toward creating an entrepreneurial culture and educational environment, and forming critical masses wherever we can.

I am mindful, however, as a Canadian, speaking to an international audience that we perhaps have a somewhat unique difference here. Because of our regional disparities, entrepreneurship is not at the same level in different parts of Canada. It could happen that if we stimulate entrepreneurship in Canada, we would find the already entrepreneurial parts of Canada even more entrepreneurial and the non-entrepreneurial parts of Canada falling farther and farther behind. I would like to suggest that the Government of Canada should do what it can to give leadership together with the provinces and of course the business community to see if we can do a special job of stimulating entrepreneurship where it is the weakest so that we can have greater equality across the country.

There are three approaches to what a Minister of State for Small Business should be doing about entrepreneurship. There is a school of thought which says that government is best which governs least. "Get government off our backs, lower taxes, lessen paperwork, remove obstacles to trade, and we'll do our best. That's the role of government. Get out of our way."

This is true, this was articulated yesterday, and again this morning. Governments must listen and must respond and I want to give leadership to make sure that it happens. But there is also a second school which has a slightly different message, which does not necessarily disagree with the first school.

The second school of thought views government as a "facilitator." "Help us gain access to capital, give us the means to build our own networks, show us how to tap into the latest technology, and help us to break into international markets," say the proponents.

Now, that school is not asking for grants, it is not asking for handouts. It is asking for some strategic assistance, advice, introductions and information. We had very articulate examples of that in all our working groups and certainly in the plenary today.

A third perspective sees government playing a further role. That school says,

"We need to promote the very notion of entrepreneurship, and government must provide leadership to cultivate the idea that entrepreneurs enrich our society." And I was struck by the emphasis on this in the plenary today and also in the workshops that I attended yesterday.

I believe the government can and must do more to cultivate an entrepreneurial environment in this country. Indeed, I believe special emphasis should be placed on the need for government to provide leadership in what might be called entrepreneurially disadvantaged regions of Canada.

To be sure, this government has introduced measures that speak to all three schools of thought about government-business relations when it comes to entrepreneurial activity.

Since 1984 we have reduced the burden of paperwork for small businesses and we have removed many of the constraints or regulations from the market place. Not all that I would like to see eliminated are gone, but we have made progress and we have established an obligation to report on this, annually.

We have also introduced programs to help entrepreneurs obtain capital technology and information.

Our measures that support entrepreneurship have ranged from securing Free Trade to eliminating the need for businesses with less than \$250,000 gross income to provide annual financial data to Statistics Canada.

We have put out the welcome mat for foreign investment. We have taken strong measures to reduce the federal deficit, this burden that inhibits long-term economic prospects in this country.

We have reorganized our machinery of government, creating a new flagship, economic department, Industry, Science and Technology Canada. Its mandate is to integrate industrial policy with the science and technology policy that will be so crucial to our entrepreneurs in the coming years.

But what remains to be done to foster the entrepreneurial environment?

First of all, we announced the first-ever national policy on entrepreneurship whose goals are to promote, to nurture, and to remove any obstacles to successful entrepreneurship.

Further to your recommendations, the government will soon launch a public relations campaign to raise awareness of entrepreneurship and to show Canadians that entrepreneurship is a valid, highly respectable career option.

The ideas to do this, to build this culture, are vivid, precise and dynamic and I will take them, with you, into action.

The energy and ferment of new ideas that I have had the privilege to be exposed to over the last two days, cannot be allowed to simply disappear.

And this leads me to our second

step. Independently from this forum, a private sector group have put together a National Entrepreneurship Development Institute. It will be put in orbit with \$2 million in federal spending. Private sector, and hopefully, provincial contributions will add to its endowment. It will be on its own; it will not be directed by government or in any way part of government. It will be an independent entity to promote and facilitate entrepreneurship in this country. That is why I am so pleased to have been able to announce yesterday the creation of the National Entrepreneurship Development Institute.

The National Entrepreneurship Development Institute is the result of the efforts and determination of a group of devoted persons in the private sector who envision Canada as a country in which there is a place for entrepreneurship.

Many of you will already have heard some of the details that I announced yesterday. However, I would like to take a few minutes to highlight the mandate and objectives of the Institute.

The Institute was established by the private sector to encourage entrepreneurship and new venture development. In carrying out this mandate, it will seek to create an entrepreneurial atmosphere and culture in Canada. It will undertake, fund and disseminate entrepreneurship information and research as well as promoting entrepreneurial action.

A key feature of the Institute is that it will depend on a strong regional network of participating institutions, therefore, an important role for the Institute will be the linking and the communication of the efforts of these other institutions.

The Institute, headquartered in Montréal, will be supported by a network grouping all of Canada's provinces and territories.

The Institute will be administered by a board of governors and an executive committee comprised of the chairperson, the president, the secretary-treasurer and three governors. The executive director and a small group of three to five persons will be located in Montréal. In addition, the Institute will have the benefit of the advice and direction of a powerful advisory committee which will be critical to its intellectual strength. Because the Institute is going to be a national network which will be integrated with a system of regional and local networks, much of its day-to-day work will be managed by regional coordinators. Initially, the Institute will establish regional networks for Québec, the Atlantic, Western Canada and Ontario.

I am delighted that this Institute is being put together and I believe it will hope to give further form and further direction to the spirit, energy and insights of this forum. It will help to carry forward the ideas that have come from here. More important, I would like to see it do something of even more relevance. I would like to see the Institute

work very hard to find a way to keep this wonderful network together that has been established the last three days. We have learned so much from each other. There is a dynamic here that has been so successful I want to see it continue and I hope that the Institute will take networking as a major part of its responsibilities.

Universities, government and dedicated business organizations together have the obligation to foster the right environment for Canada's entrepreneurial culture to grow and I take that obligation, as Minister, as a major responsibility.

Entrepreneurs, government officials, and academics should look at ourselves as teammates. If this were a football game, governments would be the linemen who clear the way. When the ball carried has burst through for the touchdown, we stand back and cheer.

It is you, the owners of small and medium-sized businesses, who will benefit most from what we have said and done here. Our task now is to disseminate the information we have assembled, and to ensure that entrepreneurs and potential entrepreneurs have the support they need to take on the challenge they now face.

As it was mentioned frequently, we are now a player on the international stage in world trade. I have attended the GATT meetings in Uruguay and Montréal, and I can tell you that it's a very competitive world. Governments are acting to ensure their entrepreneurial cultures are strengthened — we must do the same. Canadian businesses of all sizes must be able to seize the new opportunities.

We will need to take a hard look at our technology, our production facilities, our internal structure, our marketing. We have to do it now. As Yvon Gasse of the ICSB has maintained, in ten years, it will be too late.

Because our businesses are looking for new ideas and new ways of doing things, I think that it is fortunate that we have been able to hold our National Forum on Entrepreneurship in conjunction with the 34th Annual World Conference of the International Council for Small Business, particularly since ICSB Canada is celebrating its tenth anniversary.

We will discuss papers that range from the development of entrepreneurial skills and management technologies, to the challenges faced by entrepreneurs trying to tap international markets, from the marketing of an entrepreneurial culture, to the link between entrepreneurship and economic progress in developing countries.

To those of you who have helped me and helped your country the last three days in the Forum, I thank you for your tremendous contribution. I thank you for helping to put in place the ideas and the groundwork for producing what I have heard this morning. Canada should be a nation of enterprise unparalleled in the world.

To all of you who are just arriving,
"Welcome to Québec City." May your

discussions be imbued with the creativity and
drive which characterize the entrepreneurial
spirit.

Thank you.

Tom Hockin



Appendix 1 — Guest Speakers

Influences on Entrepreneurship

by **Arnold C. Cooper**
Purdue University

What factors bear upon the birth of new growth-oriented firms? How does it happen that particular people start certain businesses at particular times and places? What are the implications for cities or regions attempting to foster economic development through encouraging entrepreneurship?

A number of previous studies have examined the processes leading to the birth of new firms. This paper will summarize the findings from this previous research and consider their implications for regional economic development. It will also report upon some specific programs and experiments underway to encourage entrepreneurship.

New firms can contribute in a variety of ways to the growth and vitality of an economy:

1 They are important sources of innovation, sometimes achieving great success in matching developing technologies and market needs.

2 They add to the vitality of industry, serving as new sources of competition and complementing and spurring the efforts of established firms.

3 They can generate substantial numbers of jobs. (One American study found that 80% of the new jobs created during the period 1974-1976 occurred in firms which were less than five years old.)

4 In regard to regional economic development, they diversify the industrial base, creating local headquarters and centers of growth.

Although many new businesses enjoy only modest success and others fail,

some are extremely successful. In the United States, firms such as Apple Computer in computers, Federal Express in overnight mail delivery, and Intel in semiconductors all have achieved outstanding success in the relatively short time since their founding. Compared to other kinds of new businesses, high-technology firms have experienced relatively low failure rates. For instance, of 250 high-technology firms founded on the San Francisco Peninsula during the 1960s, only about one-third had discontinued by 1980. (About one-third had been acquired and one-third were still surviving and independent.) The employment generated by new firms, considered in the aggregate, can be substantial. For example, spin-off firms from the major laboratories affiliated with MIT provided, within a few years of founding, substantially more employment than the parent laboratories.

The birth of these new firms seems to be concentrated in particular places and at particular times. In America, cities such as Boston, Los Angeles, San Francisco, Salt Lake City, and Minneapolis have had in recent years large numbers of new firms. There are other regions which, although they employ large numbers of technical personnel, have had relatively few new companies founded. Some of the regions in which the founding of growth-oriented firms has been studied are indicated in Exhibit 1.

These studies vary widely in the specific aspects of entrepreneurship considered. However, taken together, they should help us to understand the influences upon entrepreneurship. The findings have implications both for prospective entrepreneurs and for those concerned with regional economic development.

Growth-Oriented Firms Studied

Areas	Number of Firms Studied*
Ann Arbor, Michigan	76
Austin, Texas	31
Boston, Massachusetts	250
Bryan/College Station, Texas	32
Buffalo, New York	42
California	197
Canada (nationwide)	40
Canada (nationwide)	47
Erie-Niagara, New York	43
Minneapolis-St. Paul, Minnesota	142
Oak Ridge, Tennessee	21
Palo Alto, California	250
Pittsburgh, Pennsylvania	51
Pittsburgh, Pennsylvania	16
Salt Lake City, Utah	8
Sweden (nationwide)	49
United Kingdom (nationwide)	192

* These do not represent all new firms founded in the areas indicated, only those studied.

Influences Upon Entrepreneurship

The founding of a new firm is, in a basic sense, a decision made by one or several entrepreneurs. The influences upon this decision might be organized under three general headings:

- 1** The entrepreneur, including the many aspects of his or her background that affect his or her motivations, perceptions, and skills and knowledge.
- 2** The established organization for which the founder had previously been work-

ing, which might be termed an "incubator organization." Its characteristics influence the location and the nature of new firms, as well as the likelihood of spin-offs.

3 Environmental factors, many of them regional in nature. They shape the climate and make it more or less favorable for the founding of new firms.

The various influences upon the entrepreneurial decision are shown in Exhibit 2.

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The Individual Entrepreneur

What are the characteristics of those people who choose to take the unusual step of starting new companies? What prepares and propels them toward this unique activity? Previous research suggests that people who start companies do have some distinctive characteristics. In examining these attributes, we should recognize that there is considerable diversity. For instance, a founder of an automobile repair shop often has a different background and different expectations than the founder of a growth-oriented high-technology enterprise. Our primary interest here is with growth-oriented firms; however, some of the findings reported are from studies examining a broad cross-section of entrepreneurs.

1 Founders seem to be more likely from families in which their parents or close relatives were in business for themselves. One large study of 1805 American small business owners indicated that 50% were from families in which a parent had owned a business, a remarkable high percentage. Presumably, the young person growing up in such a family sees the parents as "role models;" even if the parents are unsuccessful, the act of starting a company seems feasible.

2 Many cultural groups, such as the Chinese in Southeast Asia, Indians in East Africa, or Jews in America, have a tradition of members starting businesses. Thus, in studies of high-technology founders, 50% of those in a Canadian study were immigrants

Influences Upon the Entrepreneurial Decision

Antecedent Influences Upon Entrepreneur

1. Family.
2. Membership in subculture with entrepreneurial tradition.
3. Educational background.
4. Psychological makeup.
5. Age at time(s) of maximum external opportunity and organizational "push."

Incubator Organization

1. Geographic location.
2. Nature of skills and knowledge acquired.
3. Motivation to stay with or leave organization.
4. Experience in "small business" setting.
5. Opportunity to form entrepreneurial groups.

Entrepreneur's
decision

Environmental Factors

1. Examples of entrepreneurial action and availability of knowledge about entrepreneurship.
2. Societal attitudes toward entrepreneurship.
3. Ability to save "seed capital."
4. Accessibility and availability of venture capital.
5. Availability of personnel and supporting services; accessibility to customers; accessibility to university.
6. Programs to assist entrepreneurs.

and 16% of those in a Boston study were Jewish.

These patterns may have been fostered because prejudice blocked other ways of getting ahead. Then, children growing up in such groups are surrounded by examples of entrepreneurship and learn what is involved in working in businesses.

3 Although there have been some mixed findings, recent studies in the United States indicate that entrepreneurs have more education than the general population. This is particularly the case for founders of high-technology businesses; in two studies the typical educational background of technical entrepreneurs was an M.S. degree. Since technical firms build their competitive advantages upon the founders' knowledge, strong educational backgrounds are to be expected.

4 People who start companies seem to have certain psychological characteristics. Their scores on "locus-of-control" tests indicate that they believe that they can control their own destinies. They are less likely to think that forces beyond their control will determine their success. Many entrepreneurs also tend to be goal-setters. They gain satisfaction from setting goals which are moderately challenging (but not impossibly difficult) and then achieving those goals. Interest-

ingly, they do not have a greater propensity to take risks than the general population. They see themselves as taking moderate risks in achieving their goals. To an outside observer, the process of starting a firm may seem to involve enormous risks. However, to the entrepreneur, who believes that he or she can make that business successful, the risks seem more moderate.

5 The age of the founder at the time he or she is interested in starting a business is also a factor. People of all ages start businesses, but in the United States, about two-thirds are in the age range of 25 to 40. Younger people might have strong desires to start businesses, but often do not have the money or experience needed. Older people may have money or experience, but they also often have obligations to support families and may be reluctant to risk what they have achieved.

All of this suggests that some people are more likely to start new businesses than others. This does not mean that people with other backgrounds cannot or do not found firms. However, certain backgrounds seem to make people more prepared — more likely to take this step if the right opportunity arises. Whether they actually do depends upon other factors which we shall now consider.

Incubator Organizations

When a founder starts a new company, he typically leaves some organization. The characteristics of that organization, which might be termed the "incubator," influence entrepreneurship in a number of ways.

1 The incubator organization affects the location of the new firm. Even though founders may have been geographically mobile at earlier stages of their careers, they rarely move at the time when they are founding new firms. The percentage of new companies started which involved at least one founder who was already working in the area ranged from 97.5% among 250 Palo Alto entrepreneurs to 79% in a study of 890 founders across the United States.

By starting in the same region, the entrepreneur can utilize first-hand knowledge of markets and suppliers. It may thereby also be possible to start on a part-time basis while maintaining a job. The full energies of the founder also can be focused on the start-up, without the diversions associated with moving a family. One implication is that regional entrepreneurship is largely dependent on the pool of people already living in an area.

2 Established organizations also influence the nature of the new businesses established. This is particularly the case with high-technology firms, in which current knowledge of technologies and markets is essential for success. Previous studies have found new businesses closely related to the technology or markets of the incubator organizations for 75% of 890 founders from a cross-section of industries and for 84% of 250 technical entrepreneurs.

The new firm typically depends upon what the founder knows and can do. This is often related to what the founder learned to do in the incubator organization. One implication is that the nature of new firms started in an area is likely to be related to the nature of organizations already there.

3 The established organization also appears to influence the motivations of the entrepreneur. People who are frustrated because they cannot get along with their boss or because their ideas are turned down or who have lost jobs because of plant closings are ready to consider a change.

Findings from previous research vary widely (possibly due to differences in research methodology), but it appears that from 20% to 83% of founders studied left their previous jobs because of strong negative "pushes." Furthermore, some organizations which have spun off many entrepreneurs seem to have done so most often during times of internal troubles and change.

4 Spin-off rates appear to vary widely, even among firms in the same industry. One factor which seems to have a bearing is the size of the incubator organization. Four different studies have indicated that small firms tend to have higher spin-off rates than large firms. In England, small firms considered as a class (less than 250 employees) had spin-off rates six times as high as large firms considered as a class.

In small companies, employees are learning about technologies or markets which can be exploited by small firms. They also develop broad experience and can see what is involved in managing a small firm. There is also probably some self-selection, with those choosing to work for smaller firms probably being more entrepreneurial.

5 Incubator organizations also provide the setting within which founding teams can be formed. New firms, particularly growth-oriented firms, are often founded by teams of two or more founders. A study of 890 founders indicated that 40% involved teams; in another study of 955 high-technology founders, 59% involved teams. (Other research has indicated that companies started by teams tend to be more successful.)

Teams permit the assembly of a broader range of skills; for instance, a founder strong in manufacturing can work with another founder strong in marketing. Members of founding teams often meet each other in the incubator organization. If the incubator organization includes, at a given site, all of the key functional activities, such as engineering, manufacturing, and marketing, then it is more likely that balanced founding teams can be formed.

Incubator organizations influence not only the nature of new firms, but also whether spin-offs actually occur. Existing organizations, even within the same industry, vary widely in the extent to which their employees leave to start new firms. Exhibit 3 indicates the characteristics of firms and the industries in which they operate which may be associated with high or low birthrates of new firms.

What would be the characteristics of an ideal incubator organization? It would be located in a growing industry, characterized by opportunities to segment the market. Capital investment requirements and economy-of-scale effects would be relatively low. It would be a small business or organized as a series of small businesses. It would recruit capable ambitious people and it would periodically be afflicted by internal crises, leading its best employees to conclude that "Even I could manage a business better than this."

Industry and Organizational Attributes Related to the Birthrate of New Firms

Characteristics of Industry

Low Birthrate

slow industry growth
homogeneous markets
heavy capital investment required
substantial economies of scale

High Birthrate

rapid industry growth
opportunities to segment markets
low capital investment required
minor economies of scale

Characteristics of Established Incubator Organizations

Low Birthrate

large number of employees
organized by function
recruit average people
relatively well-managed
located in isolated area of little
entrepreneurship

High Birthrate

small number of employees
product-decentralized organization
recruit very capable, ambitious people
afflicted with periodic crises
located in area of high entrepreneurship

All of the attributes in a given column are not necessarily found together, nor are they required to bring about a given spin-off rate. Various combinations may exist.

Environmental Factors

A complex of factors external to the individual and external to the incubator organization appears to influence entrepreneurship. Research to date provides us with only a limited understanding of the effect of many of these factors. Yet it is clear that they interact to create climates more or less favorable to entrepreneurship. It is also clear that climates can change over time and that, to some extent, past entrepreneurship makes future entrepreneurship more likely.

1 The decision to found a business is affected by the entrepreneur's perceptions of risks and rewards and his knowledge of sources of venture capital and of individuals and institutions which might provide help and advice. Past entrepreneurship creates what might be termed an "entrepreneurial environment," in which the prospective founder is surrounded by examples and enveloped in knowledge about the process. A number of researchers report that the credibility of the act of starting a company appears to depend, in part, upon whether the founder knows of others who have taken this step.

2 Societal attitudes toward business and entrepreneurship are also undoubtedly important in influencing an individual's decision. Studies in a variety of countries show that some cultures are more entrepreneurially inclined than others.

3 Venture capital is supplied both by the founders themselves and by external individuals and institutions. In one American study, 47% of the firms were started primari-

ly with founders' capital; in a Canadian study, 35% of high-technology firms were initially financed by the founders. The extent to which founders can save sufficient capital depends upon salary and taxation levels. Observers believe that entrepreneurship in some countries, such as the United Kingdom, has been seriously hampered by the difficulty in saving "seed capital." In the American electronics industry, stock options, which are often intended to bind executives to firms, sometimes make it financially feasible for them to become entrepreneurs.

4 Institutions and individual investors vary substantially in the extent to which they are willing to invest in particular kinds of new, growth-oriented firms. The prospective founder seeking capital must thus try to make contact with the "right" sources of capital, those whose experience and attitudes make it more likely that they will assist this kind of venture. In areas of active entrepreneurship, well-developed communication channels may have developed, such that it is relatively easy for the prospective founder to make contact with promising investors or lenders. Successful past entrepreneurship can create local wealth and also change perceptions of the risks and rewards associated with lending to or investing in new ventures.

Attitudes toward investing in new, technically-based firms can change substantially over time. The success of Control Data in Minneapolis and Tracor in Austin apparently helped to change the local investment climate and made the raising of capital by sub-

sequent waves of entrepreneurs much easier. Of course, the reverse can happen also. The American "new issue" market virtually collapsed in the early 1960s and again in the mid-1970s, reflecting extreme scepticism about the prospects for growth-oriented firms during those periods.

5 How important are the economics of location, including transportation costs and the development of complexes of related firms which buy from and sell to each other? Although more research is needed to determine the relative importance of these factors, it does appear that the growth of a complex conveys many benefits to new firms. These include pools of trained labor and the development of specialized suppliers. Although transportation costs may not be very important with many high-technology products, the ability to work closely with customers is sometimes essential. Location in a complex may be particularly important for those new firms which provide custom manufacturing services and which serve satellite suppliers. An additional benefit is the development of specialized expertise among local accountants, bankers, and lawyers relating to the special needs of small, growth-oriented firms.

Location in a complex of related firms also provides opportunities for consulting; these opportunities are particularly important for those founders who quit previous jobs with no specific plans for the future and who need to support themselves while plans are crystallizing and capital is being raised.

6 Some, but by no means all, of the major complexes of new firms have grown up

around universities — such as in Boston, Palo Alto, and Ann Arbor in America. Some universities, and particularly their contract research laboratories, have functions as incubators, with students or staff spinning off to start new firms.

However, a variety of other patterns also exist. In Palo Alto, only 6 of 243 firms founded in the 1960s had one or more full-time founders who came directly from a university. In that complex, the role of the university as an incubator appears to have been relatively more important in the earlier years. In both England and America, there are universities strong in science and engineering which have been associated with very little entrepreneurship. There are also instances of substantial entrepreneurship without the presence of a strong university. One study found that of 22 technical complexes studies, only seven had major universities. Several had no university when the technical company formation process was getting started.

Universities have undoubtedly played a role in attracting able young men and women to particular regions, and sometimes in giving the firms located there competitive advantages in recruiting and retaining these people. They also provide sources of consulting assistance and opportunities for continuing education for professional employees. Their relative importance as incubators appears to vary not only by university and by geographic area, but also by technology. For instance, university spin-offs are relatively more important for bioengineering than for firms based upon mechanical engineering technology.

Specific Programs

Can the environment be changed? Can specific programs improve the climate for entrepreneurship? Currently, many experiments are underway — in Canada, in the United States, and around the world. Although there is considerable overlap, we might think of these as falling into four categories: 1) educational; 2) incubators or innovation centers; 3) assistance programs; and 4) financial aid.

In regard to courses and educational programs, there has been tremendous growth in the number of universities offering courses in entrepreneurship. As of 1985, more than 210 university business schools and more than 40 engineering schools offered such courses. In addition, many states and cities have presented entrepreneurship forums or weekend courses directed at aspiring entrepreneurs or new business owners.

Incubators or innovation centers have been started in many locations. Their services vary, but usually include low-cost space, supporting services, the opportunity to interact with other entrepreneurs, and

sometimes financial assistance. As of 1986, there were an estimated 150 incubators in the United States.

Assistance programs have taken many forms. In the United States many have been sponsored by the Small Business Administration and have involved the participation of universities. Included has been the network of Small Business Development Centers, which provide advice and modest amounts of consulting to entrepreneurs and small business owners. The Small Business Institute Program utilizes university students who provide consulting services as part of their course work. In the United States, there are currently more than 400 universities participating in the Small Business Institute Program and there are about 50 Small Business Development Centers.

A number of interesting financial assistance programs have been established, often at the state level. For instance, in the state of Indiana, the Corporation for Science and Technology provides seed grants to new and small firms for R&D. They are repaid if

the projects are successful. Many start-up firms seek to raise their capital from private individual investors, but may find it difficult to find the right investors. A program started in New Hampshire, and since copied in other states, develops a computerized data base of

entrepreneurs and their ventures and of investors and the kinds of opportunities they are seeking. Six months after this program was started, 25 entrepreneurs and 77 investors have enrolled in the program.

The Development of an Entrepreneurially Active Area

How does an entrepreneurially active area develop? There have been few studies involving systematic comparison between regions or of environmental influences as they change over time. However, research to date suggests that the following processes influence the regional climate for entrepreneurship.

If an area is to develop and maintain growth-oriented entrepreneurship, organizations which can serve as incubators must be present, be attracted, or be created. Since founders tend to start firms where they are already living and working, there must be organizations which will hire, bring into the area, and train the engineers and managers who may someday become entrepreneurs.

However, the nature of these organizations is critical in determining whether spin-offs actually occur. It is certainly not difficult to point to cities where thousands of engineers are employed, but where there is little entrepreneurship. Exhibit 3 indicates the characteristics of firms and the industries in which they operate which may be associated with high or low birthrates of new firms.

Many regions have economic development commissions which try to attract branch facilities of large firms. The primary emphasis is upon number of jobs, usually factory jobs, which would be created. If regional entrepreneurship is to be encouraged, prospective organizations should be evaluated, not only in terms of immediate job creation, but also in terms of their promise as incubators.

It is interesting to speculate about whether incubator organizations can be created. Such organizations would probably be targeted at selected promising technologies. They would have to be good at recruiting and

bringing to the area capable, ambitious young people; however, there should be incentives for them to leave at some point and to go on to something else, such as starting their own businesses.

We note that entrepreneurially active areas develop a variety of environmental conditions over time which are supportive to the starting of new firms. Examples of successful entrepreneurship and sources of advice and assistance develop. Financial institutions and individual investors become more attuned to working with new growth-oriented firms. Complexes of suppliers and customers may develop, thereby providing economic advantages to location within the area.

Is it possible to create, possibly through governmental policies, a climate more supportive to the birth of new firms? A number of countries, regions, and cities are experimenting to see what can be done. We have noted the wide variety of educational, incubator, management assistance, and financial programs now underway. What is needed are more systematic ways to track their impact and to evaluate their economic benefits.

It is by no means assured that programs such as those described will lead to the birth of growth-oriented firms. Prevailing societal attitudes toward business, the nature of the expertise of people already in a region, and the economics of location will influence what can be done.

However, if early success can be achieved, then those successful firms can help to change the environment. The entrepreneurs who come after may find a more favorable climate. As they then pursue their individual dreams, society can benefit from their work, their creativity, and their vitality.

Promoting and Developing Entrepreneurship – The UK Experience

by Allan A. Gibb
Durham University

Summary

This paper provides a review of some of the major issues relating to the development of entrepreneurship in the UK in the 1980s.

The approach taken is firstly to review a number of indicators of the growth of the entrepreneurial health of the UK economy in the 1980s: these point to the rapid growth of self-employment and new small businesses. The review discusses the contribution of small firms to employment and productivity growth. It then puts this into the context of the macro-influences on the growth of the small business sector, in particular: changes in the manufacturing sector; the regional impact of these; changes in productivity; and changes in the structure of the labour market and of the internal labour market within large firms. This is followed by a review of the context and an examination of the coherence of small firms policy. There is then a detailed examination of entrepreneurship promotion in the UK, in particu-

lar, attempts to stimulate: enterprise culture; the process of business initiation; and the process of existing business development. This examination firstly considers enterprise in schools, colleges and universities, a review of the promotion and support given to the business start-up, and ends with exploring promotional activities in respect of existing small businesses. The conclusion highlights a number of general issues relating to the coherence of policy, some differences in the concept of enterprise influencing policies, issues to do with the integration of support and the role of different government departments as well as of the quality of support provision. Finally, reference is made to formation of the New Training Enterprise Councils which the UK Government wishes to use to stimulate differentiated and privately-owned training and enterprise support for business within the local community.

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Introduction

This paper aims to provide a brief review of what, from my viewpoint, are some of the major current issues relating to the development of entrepreneurship in the UK. To explore these I will use several relevant contexts:

- Firstly I will briefly review the economic situation in the UK which has led to a substantial growth in self-employment and considerable industrial restructuring. These macroconditions have in themselves provided a stimulus to entrepreneurship.
- The second context is that of overall official economic and social policy and the degree to which it can be said to have deliberately steered the environment toward an entrepreneurial mode.

- The third context is exploration of the degree to which particular policies and programs have been targeted and tailored to achieve specific aims in removing barriers to entrepreneurship or creating opportunities for enterprise, and the degree to which there is a coherence in this policy.

I would like to begin, however, with a brief review of indicators of the growth of entrepreneurial health in the UK. Later on I will make some conceptual distinctions between enterprise, small business and entrepreneurship as a basis for exploring policy. To start with, however, I will take entrepreneurial health as synonymous with the health and strength of the small business owner-managed sector of the economy.

The Health of the Small Business Sector in the UK¹

The virility of the small business sector can be measured by the increase in the quantity and quality of its stock and in its contribution to income and employment growth. This sector will continue to grow and be healthy if:

- There is an increase in the number of starts and an increase in the quality of starts in both the short and long run;
- There is an increase in survival rates;
- There is an increase in the growth of existing small businesses.

There is no doubt that stock of small firms has risen in the UK since 1971 and very rapidly indeed since 1979. The share of small firms in manufacturing employment for example had risen from just over a quarter in 1973 to almost 40% by the mid-1980s.² And their share of net output from a quarter to over a third.³ This reflects very substantially a fall in the number of establishments with over 1 000 employees. The estimated number of establishments with 10 employees or less in manufacturing has returned to the level of the 1930s.⁴ There has also been substantial growth in self-employment particularly marked since 1980.⁵ For example, although there was a net decline overall in those in full-time employment between 1984 and 1987 of 17 000 (compensated for by the substantial growth in part-time employment of over one-third of a million – namely women), there was during the same period a net increase in full-time self-employment of 300 010.⁶ The figures also demonstrate a substantial growth in new company registrations which have been particularly rapid in the 1980s.⁷

High start-up rates are invariably and healthily combined with high failure rates. There is a straightforward correlation between size and vulnerability. Data collected for the period 1972-1981 in the UK demonstrates that firms under 20 employees are 78% more likely to fail than those having under 1 000 employees.⁸ The UK data demonstrates that for every 100 firms registered in 1972, for example, between 40% and 45% will still be in business after 10 years but that the peak failure rate occurs within the first 3 years (60% of failures take place within this period).

The issue of the potential of small firms to generate jobs has become a major political one in the UK following the publication of the Birch and Brooking Institute findings in the United States.⁹ Overall the evidence in the UK demonstrates that small firms have in the 1970s and particularly in the 1980s been net generators of new jobs and that large firms have been net losers. The data also supports the view that this job generation has been the result both of expansions and births. Certainly failure rates have lagged behind start-ups. It has been demonstrated that 31% of new private sector jobs between 1971 and 1981 were

provided by small firms, which were only 13% of the workforce.¹⁰ And it has been argued that the smaller the firm, the greater its potential to create jobs. All of these findings ignore, however, that gross job generation, not taking into account closures or failures, is greater among large firms than small and that net job creation of small firms has been less than adequate to meet the net decline in jobs in large companies.¹¹

Overall, however, it would appear that the stock of small businesses in the UK has grown considerably both in the 1970s and particularly in the 1980s in the UK.

There is a great deal of academic controversy relating to the evidence of the contribution of new small businesses to employment and output. There is even more in respect of the contribution made by existing small businesses. Tentative evidence has been produced to show that in the 1980s small firms under 20 employees have been a major source of net employment growth.¹² Growth has not, however, been even. It has been concentrated in construction, wholesaling and services and in manufacturing production with losses in retail, catering and agriculture. Moreover it has been uneven between areas: the more prosperous areas of the South have grown faster than the North, thus exacerbating regional imbalance. The research also demonstrates that in the 1970s firms in the 20-99 size group were also net job creators.¹³ Some of the research upon which these assertions are based has been dismissed as "not robust enough or comprehensive enough to be the basis for policy discussion."¹⁴ But evidence from the 1984 census shows that against a background of a decline of almost 2 million in employment in manufacturing between 1978 and 1984, there was a substantial restructuring of industry with a major decline of over 1.2 million employees in plants having over 1 000 employees.

In addition to the direct statistical evidence, there are other indicators of start-up and growth of small businesses. For example, there has been a substantial recorded growth in manufacturing buyouts by employees of existing firms. Such buyouts rose from an estimated 52 in 1979 (valued at £26 million) to 260 in 1986 (valued at £1.2 billion).¹⁵ There has also been a rise in the numbers of new listings on the stock exchange and unlisted securities market and a substantial growth in the UK-based Venture Capital Market. Estimated investments by UK-Venture Capital Companies grew steadily from 1981 (£1 095 000 to £671 million in 1986).¹⁶ These statistics and casual and empirical evidence suggest there has been a growth of a new type of entrepreneur not in the classical mould but in the mould of the manager dropping out of the large organization, converting his existing skills and contacts into a business venture often with a team back-up.

Macroinfluences on the Growth of the Small Business Sector

The creation and development of small business is a result of both push and pull factors. It is difficult often to separate out in the individual case the relevant weight of these: and the same applies at the macrolevel.

It can obviously be argued that much of the growth of the small business sector in the late 1970s reflects insecurity in the labour market. Union power declined in the UK along with the growth of labour surplus conditions. Unemployment is now at 6.4% and since 1986, it has been declining. There has nevertheless been a growth in employment insecurity, job insecurity (so that workers can more readily be shifted from one job to another), work insecurity (where the working environment is less and less regulated) and income insecurity (where earnings are unstable).¹⁷ Looked at more positively this can be associated with the growth of a more flexible labour system and a climate which makes self-employment more acceptable. Self-employment is commonly associated with living with the uncertainty of income and employment insecurity.

Most researchers would agree that a proportion of the rise in small business starts is a direct function of unemployment. But only a minority of the 50% rise in self-employment, fewer than 2 million to 3 million between 1981 and 1988 came from the ranks of the unemployed. Almost a quarter of a million each year left employment to be independent. The conventional supply side argument that the economy is "regenerating itself out idle resource" does not strictly hold. There is little evidence, however, to indicate how many of these new businesses not formed by the unemployed are a result of threats to existing careers. There is little evidence also to indicate whether personally adverse circumstances which have resulted in many businesses being started lead to a lower quality of business start-ups and therefore higher failure rates. Certainly liquidations have risen rapidly in recent years but not substantially out of proportion to the number of company formations in earlier years.¹⁸

Much controversy surrounds the performance of the British economy in the 1980s and in particular whether there has been a permanent shift in the supply side which will fundamentally effect the comparative rates of growth in UK productivity and income in the 1990s.¹⁹ Generally, however, in the 1980s British economic performance has been on par if not better than other EEC countries although there is evidence that it is now running into difficulties. The background to this performance has been marked by:

- A substantial erosion of the manufacturing base of the economy. Almost 2 million jobs were lost in manufacturing between 1978 and 1986. Manufacturing output declined in the early part of the 1980s and is only just recovering to its former levels now. Its share of total

output has fallen to less than one-quarter compared to 37% in 1960.

- Initially in the 1980s the growth in fixed investment was sluggish and by 1986 in the manufacturing industry, was still in real terms 22% below 1979 levels. In more recent years such investment has been growing rapidly. Employment in research and development fell sharply from 1981 to 1986 although real expenditures rose.

- Arguably, somewhat reflecting a decline in the manufacturing sector, there has been a rise in imports of manufactured goods. There is a growing deficit on manufacturing goods trade and overall import penetration of domestic sales is rising faster than the proportion of domestic output exported. The balance of payments, current account as a result is at record deficit levels. This balance of payments deterioration has not been helped by the collapse of oil prices.

- There has been a more substantial impact of the decline in manufacturing in some regions than others. The North of England, most of Scotland and all of Wales have suffered particularly badly.

- There have been substantial improvements in labour productivity. Output per person employed rose at an annual rate of 0.7% between 1973 and 1979 but 4.1% between 1979 and 1986.²⁰ Currently, annual UK productivity growth is second only to that of Japan, and between 1979 and 1988 is parallel to that of its major European competitors.

- The changes noted above in the health of the small business sector must be seen against this background. The impact of unemployment on small business starts has already been referred to. The impact of the large manufacturing company shakeout cannot be ignored: and there have been major changes in the philosophies of large companies concerning plant size, greater use of subcontracting and the pruning of many levels of management. Finally, there has been a major growth in the service sector which currently provides well over half of output and two-thirds of employment. Small scale is still predominant in many parts of this sector.

- It is impossible to indicate what proportion of this change in small business sector health represents a simple transfer of output from large to small. Similarly, it is difficult to attribute what proportion of the remarkable 50% growth in business services between 1981 and 1986 is a simple transfer out of previous internal services. Obviously a large proportion of unemployment in any large manufacturing company is in fact service. Large firms consist of numerous functions which can be externalized. The growth of this externalization it is argued reflects a disenchantment with simple arguments in favour of economies of scale, in favour of the pursuit of flexibility and recognition of the need to release entrepreneurial energy into the market place rather than internalize it.²¹ There has certainly been a growth in

interest in new venture spin-offs from large firms as a response to market uncertainty in traditional markets and a general interest in large firms in encouraging greater individual contribution to the organization with a commensurate decline and emphasis on planning and control. There is yet little evidence as to the extent of these "entrepreneurial" ventures and of their success.

- In summary there has been a climate of insecurity in the labour market, of rapid change in industrial structures, particularly manufacturing, in managerial careers and in the philosophies of larger corporations all leading to a greater need for "self-reliance." This has been true for individuals but has also been true for local areas of the country.

The Broad Policy Context

A key question to ask is to what degree these changes have been deliberately engineered by micro and macroeconomic and social policies. The UK has had, since 1979, a Conservative government which has placed a great deal of emphasis on development of "self-help" and "enterprise culture" (without always being clear as to what the latter means). This government has twice been reelected and has each time strengthened its commitment to enterprise. It would undoubtedly argue that macropolicies to improve the climate for small enterprise have been pursued, including:

- Encouragement of shake-out in the manufacturing sector and emphasis upon "stand alone" profitability without subsidy;
- Considerable emphasis on deregulation exhibited by the privatisation of a great many publicly-owned industries and the removal of "unnecessary" statutory restrictions on the entrepreneur;
- The reduction of regional financial support and the general move away from a positive policy of regional differentiation in the public spendings between "less well off" regions and others, leading, it is argued, to a greater emphasis upon self-reliance;
- An emphasis on focusing public support on new ventures, innovation and research and development;
- A substantial reduction in personal taxation, particularly for those with higher earnings and a lowering of corporate taxation;
- A positive attempt to limit the powers of trade unions, particularly designed to encourage more flexible manning practices, and local bargaining.

There is no formal statement of small firms policy in the UK as in Germany and Japan, and to date, no annual review. There is a Junior Minister for Small Firms located within the Department of Employment. But other departments compete or complement openly (depending upon one's view) for a role in supporting entrepreneurship and small business. Responsibility for enterprise and small business is spread substantially through a number of government departments including the Department of Employ-

ment and particularly on the training side, the Training Agency, which is responsible both for adult enterprise training programs and for enterprise initiation in higher and further education and to some degree in schools. The Department of Environment has major responsibilities for inner city development which brings it into small firms generation. The Department of Employment has traditionally operated a National Small Firm Counselling and Information Service through regional offices (these are now being amalgamated with the work of the National Training Agency). And the Department of Trade and Industry has recently given itself the title of the "Enterprise Department" with the objectives of: encouraging industry/educational links; encouraging enterprise in schools initiatives; providing support for innovation; providing counselling services for growth companies using private sector counsellors; and giving the remains of regional policy a major small firms thrust.

Small firms policy in the 1980s in the UK emerged out of the urgent need in the early part of the decade for the government to be seen to be creating jobs in circumstances where large firms were shedding substantial quantities and qualities of labour. This has been bound up with a broad philosophical commitment to enterprise with an emphasis upon wealth creation embodied in "Thatcherism." There has been no overall philosophy expressed which coherently relates macro and micropolicies toward small business to the recognized broader goals of economic policy such as:

- Growth in the economy;
- Full employment and the avoidance of underemployment;
- Price stability;
- Balance of payments stability;
- High standard of living;
- An acceptable level of social quality and opportunity.

It is clear that small business can contribute to each of these objectives. And it is possible that large scale and indeed the economies of scale have been in the past exaggerated in terms of their importance in wealth creation. The major role that small

business plays in many economies where living standards are high, including Japan, Switzerland, parts of Germany, Denmark and Scandinavian countries, belies the image of such businesses as an alternative "development strategy." It is clearly evident that small firms can compete in national and international markets, can be as efficient as large, can do well within manufacturing industry and must not be necessarily associated with a soft underbelly of the economy. Their role in subcontracting and services to large companies is particularly important for the latter's efficiency and effectiveness. And they can be highly productive users of capital where

capital is scarce.

A true rationale for the small firms support services must rest in a deeper basic analysis of the contribution of SMEs to overall policy objectives. The vast research undertaken so far has brought little understanding of the contribution of the small firm sector to these broader economic and social goals. Growth of small business is not about employment creation but about the basic structure of the economy and the ideal distribution of output, income and ownership between large and small units. What kind of industrial structure do we wish to see in the long run?

A Basic Framework for Review of Entrepreneurship Promotion in the UK

It was argued above that the health of the small business in the economy is a function of:

- In the long run, the number and quality of its individuals or groups in the society with aspirations to establish independent businesses;
- In the short run, the number and quality of those who actually seek to set up new enterprises;
- The survival rates of those who do set up in business;
- The survival and growth of the existing small business sector.

If a government is concerned to build up in the short and long term the health of the small business then, it must in turn be concerned with:

- Influencing those factors that will motivate more of the population in the long run to set up and run small businesses;
- Removing the barriers to those who wish to set up businesses in the short run and in particular, those people who wish to establish quality businesses with potential for development;
- Helping remove barriers to survival of such small businesses;
- Providing means for the encouragement of those businesses who wish to grow, so to do.

In respect of moulding long-run aspirations, frequent reference is made in the UK, particularly by politicians, to the "enterprise culture" without any real definition. The long-run state of development of small businesses is a function of individual and collective aspirations and attitudes toward self-employment as a way of life and as a career. The importance of influences during formative years, during youth, through work experience, parents, and extended family or friendship exemplars have been mentioned over and over again in the literature world-

wide. Enterprise culture can be identified in terms of a set of values, attitudes and beliefs which reinforce aspiration toward self-reliance and independent economic and social effort, arguably the key influences upon which are:

- The weight of successful role models in society and particularly personal contacts;
- The existence of opportunities to work in small businesses particularly during formative years;
- Familiarization through family experience with the uncertainties that surround small business, which in turn, it can be argued, mould entrepreneurial attitudes;
- The opportunity to become familiar with the entrepreneurial contact network on a personalized basis, thus providing a link into business opportunities.²²

It has been argued that one policy conceptualization for identifying needs and delivering support to small business could follow the diagram in Exhibit 1. This would mean in the first instance fostering enterprise culture in schools, colleges and higher education. It would also mean developing methods of stimulating interest in small business among the population at large or among targeted specific groups and supporting, specifically, those with an interest in new business generation and self-employment. It would mean finding ways to help a higher proportion of those who set up in business to anticipate problems and survive and would mean also helping the existing stock of businesses to maintain itself, cope with change, and grow. There will be different problems and different barriers at each stage of the development. We have no time to explore these in detail. But many policies seem to take no account of the fact that the small business sector is highly and widely differentiated. There are very different types of needs relating to size, scale, nature of business, technology, market sector, professional and educational background of owner.

The framework in Exhibit 1 can be used for exploration of policies to promote small business in the UK. Before such policies can be clearly understood, however, a conceptual distinction needs to be made between the terms "enterprise," "small business" and "entrepreneurship." This distinction is important because it is increasingly being used as a guide to emphasis in policy. Enterprise is certainly defined by one set of policy-makers in the UK as a set of personal attributes, commonly associated with the entrepreneur, but equally capable of being displayed in a variety of other economic and social walks of life. (Exhibit 2.) They have elsewhere been described as entrepreneurial traits. But they could equally be described as personal competencies which it is clear most people have with different degrees of abundance and variety and, it is argued, can be developed by experience and education and training.

The small business person may or may not be highly enterprising and indeed may or may not need to be highly enterprising depending on the type of business he or she

operates. But it is evident that being self-employed even in the simplest job, demands a certain degree of enterprise in response to the conditions of uncertainty under which the independent person operates and the wide range of decisions that have to be taken in order to "survive" within the simplest business.

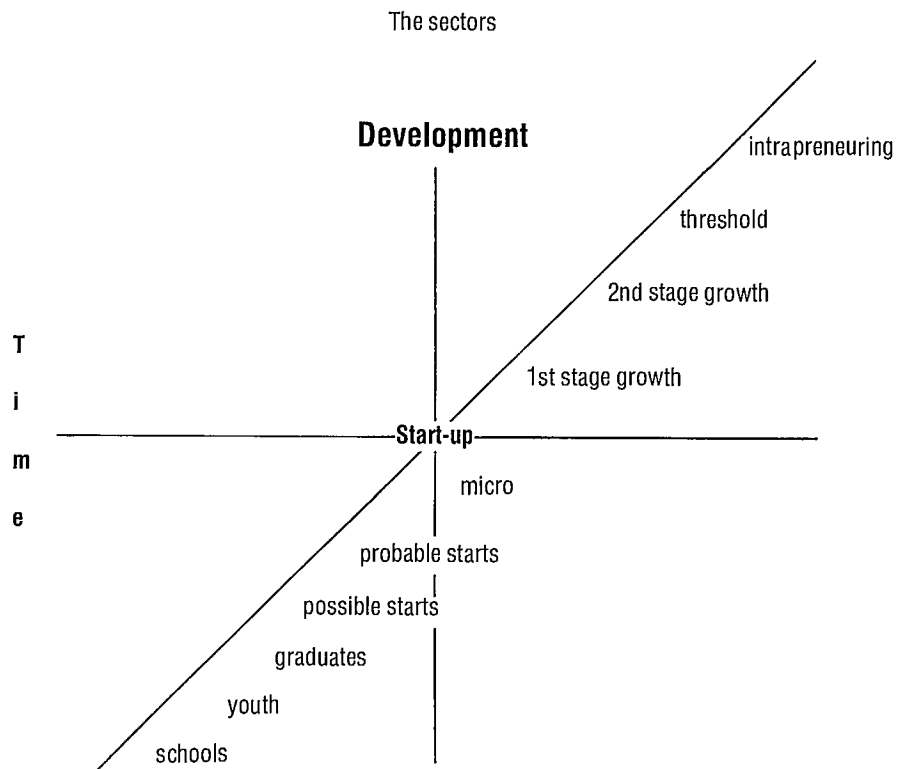
The entrepreneur is someone who displays enterprising attributes in abundance in a commercial context usually demonstrating a potential for business growth and development.

The essential prerequisites for enterprise to flourish in business and in society as a whole are that there should be ample freedom and reward for independent initiative; circumstances which allow ample scope for individual control; and levels of uncertainty which will encourage creative, analytical, imaginative, flexible and achievement-oriented responses.²³

I will now briefly review UK policies at each of the "stages" of promotion of enterprise culture, enterprise initiation and enterprise development as in Exhibit 1.

EXHIBIT 1

Enterprise development



Key entrepreneurial competencies



Promotion of Enterprise in Schools, Colleges and Universities in the UK

There is a large number of initiatives currently being promoted in this area, many officially and some by private organizations. A few of these are national and many are local. The aims are sometimes confused and overlapping and vary between:

- The creation of enterprising attitudes in students and children such as creativity, analytical ability, leadership skills, motivation toward independent achievement, risk taking, self-confidence, decision-making, etc;
- The development of understanding of, and insight into small business (usually by setting up and running one as a simulation);
 - Learning about business or industry;
 - Creating scope for more work experience during school and college;
- Preparation for entry into a career in small business and/or setting up a small business of one's own.

In schools, there is a major national program of support through the Department of Trade and Industry, "Mini-Enterprise in Schools Program" (MESP). This seeks

through a process of development of materials, teacher training, promotion, counseling, and advice to stimulate enterprise work in the schools using small company simulation. The "Young Enterprise" movement (Junior Achievement in America) is substantial in the UK. This involves the setting up of a company, albeit in a corporate image, as a means of getting students in schools (usually in the older age groups) to practice business. These programs are complemented by the UK Training Agency's Technical and Vocational Educational Initiative (TVEI), a national program, to encourage industrial links and industry experience in schools. Public efforts are substantially complemented by the private sector, mainly large companies. British Steel (Industry), a subsidiary company of British Steel PLC, has developed "A Going for Enterprise" schools program which operates through Enterprise Coordinators in four areas of the UK, formerly major areas of steel plant closure. The program is designed to encourage the growth of enterprise culture. Companies like Shell and BP are heavily involved in youth counselling and promotion schemes.

Marks & Spencer and Nat West Bank in particular, are involved in stimulating enterprise education in schools through support for the development of materials and teacher training. Several of the award-giving bodies in the vocational training field are contemplating the offering of qualifications in enterprise.

Small business and enterprise teaching is now incorporated in a wide number of vocational training programs in the college sector. The national Youth Training Scheme has a specific program to encourage enterprise approaches within it. And there is a large number of organizations offering programs for youth self-employment including Project Full Employ, various ethnic minority programs. The Industrial Society "Head Start" programs, programs for Youth Centres, and Instant Muscle, among many. Description of all these programs is beyond the capability of this paper. Most of these are concerned with business start-up. In addition there are a number of national specialist counselling programs for youth enterprise, of which perhaps the most notable is the Shell funded Livewire Program with counsellors in each region. There is an annual competition, a training program and limited funding support through a Shell loan scheme. Funding for youth enterprise is quite extensive. The most substantial loan and grant scheme is that of the Prince's Trust although there are many local youth and action support teams. And specialist Youth Enterprise Centres (Incubator Units) offer managed work space with business and other services linked to easy occupancy and soft rentals as well as training and advice.

There are a wide range of programs at the graduate level concerned both with graduate transition into small business and with developing enterprising attributes as set out above. These include a national program for unemployed graduates linking them with small business for periods of experiential learning and project management development (the Gateway Program), a Graduate Enterprise Program designed to support graduates with business ideas into self-employment, the STEP (Shell Technology Enterprise Program) which uses graduates during second year vacations to work on selected projects in support of small firms. There is a variety of different versions of these programs operating locally. At the end of 1970, small business options in MBA curricula in UK Business Schools were offered by only a handful of schools. Now, there is hardly a business management studies program in the higher education sector which does not have an option on small business. The teachers and staff of business schools are being trained in enterprise and small business management to cope with new demand. Many

large companies are giving support to this initiative and are currently involved with education institutions in the production of materials, the development of counselling programs for graduates and the provision of loan and equity capital.

More recently still a national Enterprise in Higher Education initiative has been introduced by the Training Agency which offers, over five years, £1 million to each higher education institution (polytechnic and university) in support of a program of enterprise development throughout the curriculum of the university (covering all the departments). This version of Enterprise is mainly concerned with developing personal skills and competencies and is not altogether specific to small business and indeed business in general although there is some confusion about this. Pilots for this program are now currently being run in 11 institutions, 4 universities and 7 polytechnics in the UK.

Overall, efforts to encourage the promotion of enterprise among youth are considerable, involving independent public and private as well as cooperative public/private initiatives. These initiatives range from developing personal self-reliance and enterprise capability traits in youth to business appreciation and experience of small business and business initiation.

In all of this work, there is a major focus upon efforts to increase the competency of teachers and trainers to deliver enterprise training "enterprisingly." In schools and in universities the introduction of enterprise means substantial efforts being directed to re-training teachers in enterprising approaches.

These programs are beginning to make a small but noticeable impact on education. As they grow, they raise issues such as how to assess and accredit enterprise (as opposed to small business); how to develop progression for enterprise from primary to secondary to further and higher education; how to build enterprise into industry links programs in schools; how to bring the various initiatives in this respect together; how to encourage graduates to aspire toward careers in small business and build their own local business; how to use graduates to support the transfer of knowledge from universities and research institutes into small and medium-sized businesses. (The UK Group Teaching Company Scheme is proving an effective and efficient instrument for this purpose.)

Promoting and Supporting Business Initiative

There is a wide variety of institutions and programs for this purpose in the UK. They cover a whole gamut of advice and information centres, counselling and consulting programs, training and education, provision of premises and special finance (grant and loan schemes).

The government operates an Enterprise Allowance Scheme which allows the registered unemployed to apply for an income payment over one year provided they can find £1 000 toward their business venture (for which they must have an idea). This has a throughput of over 40 000 places a year.

There is a national small firms counselling and information service operated currently by the Department of Employment through regional offices. This offers free and subsidized counselling advice and information. There has been a notable growth of private/public partnerships in the form of Local Enterprise Agencies (LEAs) throughout the UK. These agencies, initiated by the private sector, with essentially a local enterprise development objective, usually involve a partnership between companies in the locality and nationally, and the public sector. The LEAs, now over 300 in number, have been supported by government on a pump-priming basis and are major vehicles for delivering a variety of support services for local enterprise regeneration including: information, advice, counselling, youth training, ideas generation, workshops, training programs, loan schemes, equity schemes, development programs, etc. The range of their support varies from one locality to another as does their strength. In many rural areas, they are essentially "one man bands." But some major agencies have staff of 20 and over. Those operating in urban areas link with the government's Inner Cities Initiative.

The UK Training Agency has a hierarchy of programs in support of the Enterprise Allowance Scheme, and start-up training and survival. There is a plethora of advice booklets and guides from the private sector particularly from banks, accountants and local authorities. The substantial growth in venture capital activity has been noted above. While little of it is targeted specifically upon the

start-up, there have been several special schemes aimed at "small amount" venture investments and venture capital companies compete strenuously for those start-ups involving management buyouts and team ventures.

While substantial resource is devoted to support of start-ups by both public and private organization, there is a recognition that more needs to be done in regions of high unemployment and of low indigenous development. There also needs to be better ways of encouraging more large company spin-offs. And there is great interest in finding innovative ways of encouraging larger company managers already in employment to spin off into their own business. Special attention is being paid to new enterprise programs for Inner Cities. There is also a growing awareness of the potential of the franchise industry in the UK. Finally, there is a recognized need to support the development at a local level of venture capital and loan organizations which would plough back local savings into local development.

Generally in the second half of the 1980s, there has been a shift in the emphasis of many development agencies, across the board, away from start-ups toward existing business, reflecting the decline in unemployment, and perhaps also over-supply of services in this area. In part this also, however, reflects a seeming determination by the government to insist that organizations set up for the purposes of providing information and advice should be more commercial, and should demand fees from client groups. This tends to push support services into more up-market situations. The current dilemma for many agencies at the moment is that they recognize the need for continued support for initial business generation and promotion but official rewards for doing this are declining. And with the changing shape of the labour market, large company support for such ventures is also redirecting itself more toward support for enterprise education than toward business start-up.

Promotion of Existing Small Business Development

There are distinctly different layers of support for small business development at different stages and size of growth. Micro-businesses (broadly described as those having under ten employees) are the main target group for the official Department of Employment Small Firms Service and for the Local Enterprise Agencies in their counselling and information-providing activities. There is a large number of guidance booklets and advisory pamphlets provided by banks and the accountancy profession. There are also many books on the market on how to survive in business. There are two major programs from the National Training Agency. The Private Enterprise Program consists of a series of short business one-day courses run through a wide variety of private and public agencies. The Firm Start Program (aimed at initial survival and growth) focuses upon larger small businesses and is run nationally mainly by business schools and polytechnics. Under Training Agency influence there has been a widening of training program providers, involving chambers of Commerce, small business clubs, trade associations as well as private sector consultants.

There is a wide variety of special funding schemes provided by the private banks, and a number of soft loan schemes available at local levels from local authorities and supported by the EEC in certain areas. The UK Loan Guarantee Scheme is also aimed at this group. There is very little venture capital support for the microbusiness. In general the macro issues of de-regulation, de-restriction and taxation are very important to this group of business. There are in addition a variety of cheap premises and workshop programs available: and indeed demand currently seems to be overtaking the supply. During the 1980s, many local authorities and industrial development agencies built small workshop premises in gradation from 500 sq.ft. upwards allowing business to develop gradually, with rent and terms of occupancy such that movement in and out can be very rapid indeed.

There are many problems for support agencies for, as with start-ups, it is difficult to find support programs that yield a commercial return. Moreover, there are issues of overlap and competition between agencies, particularly between the official Small Firms Counselling Service and the largely privately-backed Local Enterprise Agencies.

First stage growth business (usually with up to 50 employees and still run by the owner-manager with a very limited or non-existent management team) has been an increasing focus of attention for support and promotion in recent years. The Department of Industry, the self-styled Enterprise Department, has instituted recently a major initiative aimed at this group. It provides subsidized consultancy services for a range of business developments including marketing, finance,

production, design and planning, etc. There is a Business Expansion Scheme Program which allows those with higher personal tax rate levels to invest in small businesses for up to five years thus avoiding tax. This scheme has had limited success in reaching its original target namely the new manufacturing innovative business. It has been institutionalized by City and other institutions and applied to a variety of service type activities rather profitably.

The major national Training Program in support of this group in the past has been the Growth Program offered by a limited number of business schools and polytechnics. But the Training Agency is now launching a new range of programs for business growth that include not only Growth Programs but also support for management team building exercises and planning of training in small businesses over a period of years.

The Training Agency also supports programs which link unemployed managers and graduates with small businesses. These programs have been demonstrated, by evaluations, to be most effective in helping many small firms with limited managerial resource to achieve new development.

There has been a growth of science parks and innovation centres in the UK, many linked with universities and polytechnics. There is little evidence, however, to demonstrate how much real additionality has been created by this development. Many of the firms now in science parks and innovation centres have moved locations to be on an attractive site. New or small technology-based firms represent a significant occupancy of some sites. But it is impossible to indicate how many of them would have otherwise started and developed. Indeed there is a yet little evidence as to the degree to which they integrate with each other and with universities and other research support services as per the philosophy of the science park.

The major problems in gearing support effectively to this group of companies are:

- Overlaps between the official Small Firms Service of the Department of Employment and the Consultancy Initiative of the Department of Industry. Moreover, many Local Enterprise Agencies also see themselves in this market;
- The need to improve the quality and capability of consultancy support geared through these programs;
- The lack of venture capital gap which is well-recognized in this area;
- The need to link growth training more effectively with counselling and support services so that there is more effective transfer of learning from classroom to business;

- A recognized need to focus more upon those firms in this category that have national and international export potential;
- The need to focus more upon firms in this category which have subcontracting relationships with large firms or potential for strategic partnership arrangements.

It is hoped through the new Training Enterprise Council (see below) that problems of integration at the local level will be solved.

Larger small firms (those with a management team and more likely to have diversified experience in relocation, borrowing money from bank, negotiating contracts with large companies, and with a broader product base) are the major target population for the DTI Consultancy Enterprise Initiative. This group has been neglected somewhat by official training and support services in the past presumably on the assumption that the private market would cater for them. But they are being increasingly targeted as it is recognized that they will provide the main thrust for any regeneration in a local area. Relevant programs of support mentioned above include the Business Expansion Scheme, the Loan Guarantee Scheme, and the Group

Teaching Company Scheme. This larger-size group is also the target for special export support programs, for innovation consulting support activities and for the growing subcontracting data banks and product and market development programs.

A major Training Agency national program "Managing Business Change" is being introduced and targeted upon these firms. And there are experiments at Cranfield and Manchester Business Schools in developing open learning programs.

I do not intend in this presentation to discuss the issue of intrapreneuring. This expression is usually used to describe a variety of large company initiatives including: intra-corporate new venture development; spin-offs and technology transfer; strategic partnership arrangements between large and small businesses; network arrangements of the subcontracting variety as practised by Rank Xerox; management buyouts and company culture development. It is worth noting the growing interest of large companies in disintegrating their operations, creating all centralized units, widening responsibility, making management hierarchies more horizontal and generally creating more customer-led businesses.

C^{onclusion}

This paper has attempted a broad brush "outline" coloured by a personal view. There is therefore both myopia and a bias. Notwithstanding these limitations, there is, however, a number of general issues which need to be addressed in the UK including:

- The overall issue of coherence in policy and approach both in terms of the concept and the target, *i.e.*, small business support seen as an integrated industrial as well as employment strategy;
- The issue of integration of networks of government and private support services at the local level (which is what matters most for small and medium enterprises);
- The issue of the differentiated regional need for support of enterprise and small business, given differences in the strengths of small business in different regions and in the "natural" forces at work stimulating enterprise;
- The issue of monitoring the health, on a regular basis, of the small firms sector and the best means of doing this;
- The issue of developing coherence between different government departmental approaches at the national and regional and local level;
- The issue of quality provision and control in services under government, as well as private programs, as opposed to volume targeting. This is of special relevance to counselling and training;

- The future role of private enterprise in the development of support of small business and local enterprise development.

In respect of a number of these points the UK Government sees the solution as being the creation of Training Enterprise Councils (TECs)²⁴ loosely based on the US BIC Initiatives in the United States. Under a recently announced program, these Councils will ultimately be set up in 100 locations throughout the UK, will be led by the private sector, will be pump-primed by public funding, will embrace the regional branches of the existing Training Agency, will seek to integrate counselling and training at the local level, will be given encouragement to develop differentiated approaches to start-up, culture and enterprise development training and undoubtedly will be also encouraged to link their activity with other aspects of support for local enterprise development.

The TECs are not yet formed. Major questions are being asked about their ability to harness private sector energy and motivate local resources to meet local needs. The key issues seem to be:

- Critically, their ability to focus the energies of the top management of private enterprise upon training in a local enterprise development setting;
- Whether they will be able to break away from a centralized mode of program standardization to produce differentiated products and programs at the local level;

- Their ability to integrate and utilize existing networks, harnessing their energies and avoid petty bureaucracy;
- Their ability to integrate training and counselling with loan guarantee, premises and other sources of support for enterprise;
- Their ability to harness local small business support;
- Their ability to develop an entrepreneurial delivery mechanism for support of enterprise;
- Their ability to find mechanisms for ensuring that there is an overall fair distribution of commitment from the private sector throughout the local economy, so that some firms are not seen to be making major commitments while others are benefiting from it.

This has been a central issue in training, in general, and small business training in particular over the past 20 years in the UK;

- Finally, the ability of Whitehall and Central Government departments to allow their services to be integrated at the local level and to tolerate the certain local differentiation that will result.

If the TECs are successful, then they allow scope for the integration of small firms support in a manner which has never been previously possible. They are also likely to lead to a widely differentiated support system with differences reflecting local needs. Importantly, they may also be able to monitor the health of the local small business community in a way never previously attempted.

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Appendix 2 — Summary of Provincial Forums

Introduction

The Canadian small business sector has proven its importance in the economic development of this country. It holds a great deal of promise in terms of monetary gain and employment, it is also capable of adapting well to technological change.

Reliance on entrepreneurship has become a national economic priority. Accordingly, with a view to developing a policy on entrepreneurship, the Federal Government felt it necessary to consult with the various stakeholders in the small business sector. Forums were therefore held in every Canadian province and in the Yukon in March 1989 to pave the way for the discussions that took place at the National Forum on Entrepreneurship, June 20 and 21, 1989.

The proceedings of these provincial forums are summarized in this report, which has been divided into sections focusing on the topics of workshops held at the National Forum.

Unfortunately, it was impossible to reproduce in full all of the remarks and suggestions that were made. However, those given high priority at these forums are presented in condensed form.

A number of issues came up at each forum: the need to promote entrepreneurship, the desire to increase entrepreneurship awareness among young people, the vital need for access to information and capital, the possible adaptation of approaches to certain target groups, concerns about Free Trade, and the need to promote new technology without neglecting the technology upon which numerous small businesses are already based.

Workshop 1

Promoting Entrepreneurship and Enhancing and Recognizing Small Business and Entrepreneurial Activities

Although attitudes toward entrepreneurs and small businesses have changed for the better, the promotion of entrepreneurship remains necessary. Historical prejudices still have to be overcome in many areas. Entrepreneurship must be viewed as an honorable profession by the general public, and small businesses must be understood to contribute to the community.

The values of entrepreneurship must be properly marketed to the general public. A campaign such as the "Participation" campaign for physical fitness, for example, would have beneficial long-term effects. The entire population must be reached in order to develop a favorable public perception of small businesses and of the individuals who start and run them. Such a campaign could be conducted in all the media, but with particular emphasis on television.

The use of role models has proven effective in publicizing entrepreneurship in Québec, such efforts could be continued and the approach refined. The models must be attainable; diversity should be employed, local entrepreneurs should be highlighted and examples should be easy for current and potential entrepreneurs to identify with.

Awards and commendations also have a positive impact. Prizes, special mentions and so on — sponsored by governments, financial institutions, associations and universities — emphasize excellence and help to publicize entrepreneurs, raising their standing in the public eye.

It was generally felt that entrepreneurs have an important role to play and, according to Manitoba and Alberta, should be the first promoters of entrepreneurship. The barriers between the school system and the business community should be torn down. School visits by entrepreneurs should be organized so that young people could learn more about their local manufacturers, businesses and enterprises. Company heads have much to say about their experience in the world of business. They can help foster an understanding of the entrepreneurial process and make it familiar to more people.

Just as business communities must be attuned to their environment, institutions must draw closer to them in order to encourage the development of a more entrepreneurial climate. The promotion of entrepreneurship requires the joint participation of numerous stakeholders.

Workshop 2

Promoting Entrepreneurship as a Way of Creating One's Own Job or as a Second Career

It was generally agreed that entrepreneurship awareness should focus on young people. According to the Province of Québec's representatives, the earlier it is rooted in young minds, the more vigorous it will be. Interest in entrepreneurship should be aroused first at the family level and educational establishments should encourage its development.

In the school system in particular, an entrepreneurship appreciation program could be set up and entrepreneurship training should be offered. New Brunswick went so far as to suggest compulsory courses on the rudiments of the business world as well as integrating the creation of small business by students in the school system. This presupposes an open-minded attitude on the part of teachers toward entrepreneurship, less rigorous pressure to conform, an awareness of the value of self-reliance and — as noted by Ontario, the Yukon and Saskatchewan — emphasis on creativity, innovation, technology and science. Ontario added that an entrepreneur curriculum bank could be set up and used in schools and colleges.

Programs such as the "Junior Achievers," or "Jeunes entrepreneurs," have been tried with high-school students for several years in some regions and have produced interesting results. These programs have given many youngsters the opportunity to familiarize themselves with the realities of the business world by creating and managing a small business under the supervision of resource persons. Many young people who participated in these programs acquired a desire to become entrepreneurs, not to mention a wealth of practical knowledge. Initiatives of this type should be extended across the country and adapted to other levels (*e.g.*, elementary school, community college and university).

Some basic views must change in order to expose our young people to the possibility of becoming entrepreneurs. Entrepreneurship-related values must be promoted before they can be aroused and encouraged in our young people. Instead of just preparing youngsters to become good employees, we must make an effort to stimulate future enterprise creators, the employers of tomorrow.

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Workshop 3

Facilitating and Inhibiting Elements for the Creation and Development of Small and Medium-Sized Businesses

In encouraging entrepreneurship, one must not overlook the factors which inhibit the emergence of entrepreneurs and hinder the development of small businesses. Many obstacles, particularly in connection with access to information and to capital, still militate against the creation of small businesses.

The establishment of new businesses was linked to the ease with which the various pieces of government-supplied information or data concerning the areas of activity themselves may be obtained. Information and incubation centres already exist to facilitate enterprise start-ups; more of these should be added, and their scope should be extended. Manitoba and Saskatchewan, for example, deplored the departure of their potential entrepreneurs; they felt that entrepreneurship and technology centres would contribute to the development of their small business sectors. And what about isolated regions where businesses do not access to the information stream? Some provinces even complained about a shortage of consultants and professionals. The Yukon, moreover, indicated that improving the quality of life of employees is imperative.

Isolation also means small local markets and greater difficulty in reaching outside markets. The situation is even more complex in cases where lack of industrial diversification endangers the local economy. Newfoundland, for example, expressed deep concerns about the instability of its fisheries activities.

In addition to information shortages because of isolation or a lack of infrastructure, financing problems exist. Small businesses find it difficult to secure the relatively small amounts of venture capital which they require. Interest rates are too high for them and loan terms are too short. The use of "love money" is appropriate for only a few businesses, and financial institutions are not sufficiently attracted to the small business loans market. Their approach to small business is inadequate in many cases. A change of direction, extending into the regions, is required in order to make the services offered more consistent with the realities of the small business sector.

Governments could also make more funds available to small businesses for start-ups or expansion of activities, while ensuring more equitable access to capital. Local investment could also be encouraged more, and the requirements for entry into the stock market by small businesses could be relaxed.

Finally, more favorable tax treatment for small businesses is often more effective than grants in reducing financing problems.

Another element hindering entrepreneurial initiative is government bureaucratic red tape (typical problems include duplication of services, political vulnerability of programs, lack of coordination of activities, excessive paperwork, repeated inspections, lack of information and consultation, etc.) which places demands on entrepreneurs' time and undermines their energies.

Wherever they exist, groups and associations of entrepreneurs or businesses

offer moral support and information which benefit small business owner-managers. New businesses can certainly benefit from the sponsorship of an experienced business person, and incubation centres have proven effective in nurturing small businesses. Networks must be developed, more consulting services and more training and support for management should be provided; and partnerships with big business should be encouraged. It would also be advisable to take the drama out of failure; in the present scheme of things, it seems an essential part of the learning process experienced by many entrepreneurs who have gone on to success.

Workshop 4

Role of Governments, Training Institutions and the Private Sector with Respect to New Entrepreneurs and New Businesses

Since the first problems encountered by small businesses are centered on access to information and capital, these areas should be given priority in providing support to small business.

Government information should be simplified, clarified, and standardized from one province to the next. Information centres should be able to provide entrepreneurs with whatever information they may require. Information on regulations and government programs, as well as the consulting services of resource persons, should be centralized in one readily accessible location. In Newfoundland, a desire was even expressed for complete how-to kits.

Information networks should be strengthened, and extended to isolated regions. Governments could contribute information to these networks. They would also be particularly useful for helping governments to become more attuned to small business. Groups and associations of entrepreneurs or businesses could also be encouraged because of the support they provide and the strategic information they share. Incubation and entrepreneurship centres could provide the consulting services that new entrepreneurs need.

More management training could be offered. In this connection, concerted action by governments, educational institutions and the private sector is required. Needs vary from one region to the next, depending on how situations have evolved. In Manitoba, for example, the private sector seems willing to take over where government programs have left off; Nova Scotia, meanwhile, deplores the fact that there are so few links between universities and the business community.

Sponsorship is very beneficial for new businesses still in the start-up stage. Various ways of encouraging more sponsorship could be considered. Québec suggested that

the Federal Business Development Bank (FBDB) establish a list of potential sponsors. Strategic partnership between big and small businesses in the development of products should also be promoted. These partnerships would provide one of the parties with priceless support and the other with the dynamism and flexibility of a less intricate structure. In some places, however, big business is not particularly interested in supporting small businesses. According to Alberta and Manitoba, the private sector, more so than the government, has responsibilities to assume in this regard.

As to financing problems, there were some complaints about difficult access to capital and the fiscal load carried by small business. Governments could establish a seed capital fund to make up for the lack of enthusiasm on the part of financial institutions. Livelier competition in financial sectors would benefit small business. A better understanding of entrepreneurs and small business would also make it possible to adjust approaches and offer services that are better adapted to small business: longer-term loans, lower interest rates, information and expert opinions.

Manitoba regretted the fact that small business has become the government's "tax machine" and the provinces unanimously called for a reduction of the tax load which is handicapping small business. Some suggested that grants are very costly to administer and should be abandoned, with the exception of those to assist business start-ups. According to New Brunswick, networks such as Canada Opportunities Investment Network (COIN), which establish contacts between entrepreneurs and potential investors, could also be installed.

Finally, Ontario and Québec noted that the government's "Buy Canadian" slogan might now be adapted to read "Buy from small business." The government could set the example and provide further support to Canadian small business.

Workshop 5

Role of Governments, the Private Sector and Local Institutions in Supporting Regional Entrepreneurship Initiatives

Small business must not rely on the government alone to help in its development. Although government can ensure that information is transmitted to the regions and that programs reduce the disadvantages of isolation, self-development should be the goal.

Possibilities for concrete action include trying to link regions via networks and services; establishing regional investment funds under local community management with capital from government, the private sector and regional agencies; creating entrepreneurship and incubation centres;

assessing the industrial potential of settings as well as local and outside markets opportunities; and imagining associations with companies in major centres.

Northern Ontario called for improved transportation systems and ancillary services. The Yukon wanted visits by speakers, experts and specialists. It is also anticipating partnership links with American businesses, Japanese multinationals, etc.

Several provinces recommended that local economic leaders assume control over the development of their business environment, and that economic advisory boards be created in each region. Government may provide assistance, but business communities should be responsive and not rely solely on compensation programs.

Workshop 6

Specific Methods of Supporting Entrepreneurship among Target Groups

Is there a need to develop specific methods of supporting entrepreneurship? What groups, if any, should be targeted?

New Brunswick, Saskatchewan and the Yukon felt that needs are general, that opportunities and obstacles exist for everyone, and that there is no need to identify target groups. Alberta claimed that several federal, provincial and municipal programs are already intended for certain groups, but that there is no desire for special support methods.

Newfoundland discussed programs for young people such as SHAD Valley, YMCA Youth Enterprise Centres and Junior Achievers, as well as women who create micro-enterprises. British Columbia mentioned the Native Economic Development Program and

young people's need for practical assignments in the business world. Others suggested that funds spent on unemployment and social assistance tend to stifle the initiative to start new businesses. Nova Scotia pointed out that entrepreneurship programs should be open to everyone.

Québec added that immigrants (who are good entrepreneurs) should be encouraged to settle outside the major urban areas, and that people of 45 or more years of age who have experience and financial capabilities should not receive special entrepreneurship support.

Although target groups were a subject of concern for some provinces, they received little practical attention or priority in others.

Workshop 7

Encouraging Small Businesses to Focus on Growth, Benefit from the Opportunities Created by Free Trade and Be Open to Foreign Markets

For the head of a small business, the decision to grow to medium size is often difficult. Owner-managers risk losing control of their operations. There is no certainty that they will be able to hire competent managers. They are exposing themselves to fiercer competition. A few experts claim that there really are no true medium-sized businesses in Canada.

Newfoundland and Nova Scotia added that many of their entrepreneurs are not growth-oriented because of a lack of financing and skilled employees. They view local markets as small and isolated and foreign markets, as well-served, and risky.

Québec also mentioned the existence of microenterprises launched by people who wanted to create their own jobs. To overcome the situation, it was suggested that assistance be given primarily to businesses with strong growth potential.

While some interprovincial trade barriers still exist, Free Trade with the US and the internationalization of markets will significantly alter the economic environment in the small business sector. The North-South axis will create opportunities, but it will also increase competition. Alberta and the Yukon were very optimistic, but other provinces expressed a number of reservations. Analyses, publications, workshops and so forth were called for on the impact of Free Trade and the unification of European markets scheduled for 1992. Trends toward business mergers and acquisitions were also questioned. How could Canadian small businesses abandon solidly-established market niches in favour of markets which are already well-served?

Workshop 8

Incentives to Increase the Competitiveness of Small Business and the Utilization of New Technologies

Several Alberta businesses that have adopted new technologies have reported increased sales as their products begin penetrating various markets. According to Alberta, technology must be a government priority; future government programs should take into account factors such as research and development, innovation, industrial design, etc. Prince Edward Island felt that the computerization of businesses is a critical issue, and Yukon indicated that it sees its future in microtechnology.

Québec indicated its belief in the possibility of increasing competitiveness in the small business sector by means of business linkages, associations with big business and subcontracting. Québec understands how governments can be attracted to new and advanced technologies, but noted that the importance of traditional technologies, low-tech businesses and companies in the trade sectors, all of which create jobs and are very important at the regional level, should not be overlooked.

Nova Scotia and Newfoundland echoed these sentiments, adding that we could do better with existing technologies and that cooperation between businesses should be encouraged. Manitoba added that the government should recognize the economic importance of microenterprises. Saskatchewan and Nova Scotia claimed that instead of stressing "big start-ups," we should promote technologies applicable in small businesses, which do not "have to be big, but simple things."

Several provinces felt that, while businesses need assistance for the acquisition of equipment, they especially need adequate staff-training programs, given the often overlooked importance of human resources in developing competitiveness. British Columbia added that mentalities needed to be changed and that much remains to be done in the promotion of high technology. Research and technology centres could influence the development of small business.

C[—]onclusion

Although provincial priorities varied, opinion was unanimous as to need to promote a more entrepreneurial culture through concerted action by the various stakeholders in entrepreneurship.

Means must also be adopted to facilitate access to strategic information and to ensure that small business can secure necessary financing. Management support and training are also required. Opinions on what directions should be imparted to small business were split regionally, depending on the evolution of small business in the various regions.

Governments were encouraged to support the development of small business at various levels, but all are aware that initiatives will come from individuals who will obtain the support of their communities. The government has a role to play, but institutions and the private sector also have their own responsibilities.

A first step has been taken toward concerted action, however, and entrepreneurs have expressed a strong hope that governments will remain attuned to the needs of small business.

Appendix 3 — Structure of the Forum

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