

**OVERVIEW OF ENTREPRENEURSHIP ISSUES  
FACING MULTICULTURAL GROUPS**

Small Business Office      June, 1987

Industry Canada  
Library - Jrl Tower S

**SEP 30 1996**

Industrie Canada  
Bibliothèque - Édifice Jrl S

PREPARED BY: E. Pat Oliver



Queen

HD  
2346  
.C3  
D4  
1987

## TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	2
III. ETHNOCULTURAL GROUPS AND SELF-EMPLOYMENT	4
IV. PERCEIVED PROBLEMS	8
A) Financing	8
B) Entrepreneurship	12
C) Market Development	16
D) Social and Environmental Issues	19
V. CONCLUSIONS AND RECOMMENDATIONS	23
VI. BIBLIOGRAPHY	24

## I. EXECUTIVE SUMMARY

This study was undertaken by the Small Business Office (SBO) to obtain an overview of conditions affecting entrepreneurship among minority ethnocultural groups and to identify any further work or initiatives the Small Business Office could wish to undertake in this area. As part of the study, informal consultations were held in various Canadian cities to elicit the views of a number of minority group representatives.

The major obstacles perceived by those attending the meetings were access to adequate financing before and after start-up, the lack of market development skills and of information on business opportunities, and general management inadequacies.

While the average rate of self-employment within ethnocultural communities is usually higher than for mainstream groups, certain communities have very low participation rates. A lack of role models seems to be a contributing factor.

It is difficult at this time to define precisely the barriers faced by ethnic businesses or to ascertain the degree to which these barriers are different from those faced by mainstream entrepreneurs. This is due to a lack of empirical data and to the fact that ethnic groups display a wide range of business situations and, also, do not speak with a common voice. Nonetheless, it is obvious that a number of communities do face greater difficulties in breeding entrepreneurs, possibly because of their own traditions and cultures or because of racial biases.

The study points out that future policy development work should focus on increasing the capacity of the more disadvantaged ethnocultural communities to adapt to the Canadian business environment and on sensitizing the mainstream business community, and particularly financial institutions, to cultural differences in the way to do business. To do this effectively, the study further recommends that the Small Business Office carry out more detailed research on the more disadvantaged groups and that, subsequently, consideration be given to the development of a very flexible program to help entrepreneurs from those groups start new businesses.

## II. INTRODUCTION

The small business sector makes an important contribution to economic growth and job creation in Canada. According to Revenue Canada 1983 income figures, fully 97% of all Canadian businesses are classified as small, that is, having gross sales of less than \$2 million and a staff of under fifty employees. Of these, eighty percent had sales of less than \$250,000. In 1984 small businesses reported employment of 2,780,000 jobs or 41% of all private sector employment. It is estimated that 80% of all new job creation in Canada within the next decade will come from small businesses.

Statistics Canada data (1981 census) shows that ethnocultural Canadians are over-represented in the small business sector in relation to their percentage of the total population. While they account for one-third of the population, they own and operate fifty percent of Canada's small businesses. Recognition of this entrepreneurial spirit led to the first "Multiculturalism Means Business" Conference, held in Toronto in April 1986. The conference was organized by the Secretary of State (Multiculturalism Canada) and involved the participation of various federal departments, including DRIE's Small Business Office (SBO). Federal government support for entrepreneurship among Canada's ethnocultural groups was also stated clearly in the October 1986 Speech from the Throne.

Following discussions with Multiculturalism Canada, SBO undertook research to assess the problems faced by entrepreneurs from ethnocultural communities with a view to suggesting improvements, if warranted, in government policies and programs which would achieve and maintain their maximum participation in the economy.

### Research Objectives

The objectives were to (1) identify the needs of multicultural groups as they relate to small business development and entrepreneurship; (2) provide recommendations for possible further action by SBO.

### Methodology

Meetings were held with national cultural and business association leaders in the following cities: Halifax, Montreal, Winnipeg, Edmonton, Vancouver and Ottawa. Other departments and agencies consulted during the study included the Secretary of State (Multiculturalism Canada) and the Federal Business Development Bank.

Content of the Report

The report begins with a brief description and comparison of the rates of self-employment of multicultural groups in the U.S. and Canada. The major concerns voiced at the consultation meetings are presented and analysed. They are presented sequentially under the headings of Financing, Entrepreneurship, Market Development and Social and Environmental Issues

### III. ETHNOCULTURAL GROUPS AND SELF-EMPLOYMENT

#### A. The U.S. Experience

The 1980 U.S. census data was used to collate information on self-employment among that country's largest ancestry groups. The 50 largest groups were studied as they represented 97% of those respondents claiming a single ancestry. They also represented 51% of the total U.S. population in 1980. The researchers used country of origin, and included in the study only those respondents who claimed a single ethnic origin. People with multiple origins were omitted.

Using a business participation rate (BPR) of self-employed per 1,000 persons, the researchers found the average for the 50 groups was 58.9 with variations by geographic regions.<sup>1</sup> They computed the U.S. national average of self-employment as 48.9 per thousand. Below is a listing showing groups with the highest and lowest BPR.

GROUP	HIGH BPR	GROUP	LOW BPR
Russians	117.4	Puerto Ricans*	10.6
Lebanese	106.4	Subsaharan Africans**	13.6
Rumanians	104.3	Dominicans	14.6
Swiss	104.2	Haitians	15.5
Greeks	94.9	Vietnamese	16.5
Armenians	95.5	Mexicans	18.6
Danish	93.2	Hawaiians	20.3
Syrians	92.7	Jamaicans	21.5
		Phillipinos	22.4

The research listed American Indians as having 33.3 per 1,000 self-employed. Other groups near or above the American national average were:

Asian Indians	47.1
Cubans	47.9
Chinese	60.2
Japanese	64.8
Koreans	69.2

<sup>1</sup> Fratoe, F.A. and Meeks, R.L. Business Participation rates of the 50 largest Ancestry Groups, June 1985, Office of Advocacy, Research and Information Minority Business Development Agency, U.S. Dept. of Commerce.

\* Only those Puerto Ricans living in the U.S.

\*\* Includes American Blacks

Analysis of the data showed that these groups had similar participation rates across all geographic regions in the U.S. with few exceptions.

NOTE:

The U.S. study differs in methodology from a similar study conducted in Canada which is discussed next in this report. The U.S. study separates the "Blacks" by country of origin and the American Blacks are called "Subsaharan" Blacks. The Canadian study classed the English, Irish, Scottish, etc., as British and all Caribbean Blacks were grouped together because of population size. The U.S. study used only information from respondents who indicated a single ethnic group on their census forms, while the information used in the Canadian study was drawn from the question "to which ethnic or cultural group did you or your ancestors belong on first coming to this continent"?

B. The Canadian Experience

According to Statistics Canada (census data 1981) ethnocultural Canadians are very active in the small business sector. They accounted for one-third of the country's population but owned and operated 50% of its small businesses.

A study done by Multiculturalism Canada, indicates that their rate of self-employment is 84.5 persons per thousand compared to the Canadian average of 62.7 persons per thousand <sup>1</sup>. The study also identifies groups that showed a high rate of self-employment as well as those groups that were under-represented. The following table shows the various groups as they are dispersed around the Canadian average of 62.7 per thousand.

---

<sup>1</sup> Highlights of Self-Employment of Ethnocultural Groups in Canada, Report I, Multiculturalism Canada, March 1986



TABLE 1

SELF-EMPLOYMENT BY ETHNOCULTURAL GROUPS

Groups with more than 10 points above the average rate for all Canadians:

Jewish	149.6
Greek	124.2
Far East Asian (Japanese & Korean)	109.7
Dutch	107.9
Scandinavian	103.1
German	103.0
West Asian/Arab	99.9
Hungarian	95.1
Czech/Slovak	91.3
Ukrainian	88.1
Russian	81.0
Chinese	72.9

Groups within 10 points of the average rate for all Canadians:

Yugoslavian	71.4
Polish	69.0
Italian	64.5
Finnish	64.1
British	59.1

Groups with more than 10 points below the average rate for all Canadians:

Indo-Pakistani	50.7
French	48.6
Spanish	48.4
Latin American	34.3
Portuguese	30.8
Black	26.5
Philipino	17.6

### C. Analysis

When we compare the participation rates for Canada with those of the U.S., the Eastern Europeans, Arabs (Lebanese, Syrians, etc), Greeks and Scandinavians are over-represented in both countries. Similarly, the Philipinos, Blacks and Latin Americans have rates of participation several points below the national averages. The Japanese and Koreans do exceptionally well in Canada compared to the U.S, with 109.7 per one thousand self-employed in Canada compared to 67 per one thousand in the U.S. The visible minorities were at the low end of the scale in both countries. East Indians, even though they have rates below the national average in both countries, are doing better than the founding French in Canada and the American blacks and Hawaiians in the U.S.

While available data on self employment among ethnocultural groups is interesting, it is insufficient, for a number of reasons, to justify specific policy initiatives.

For example, participation rates refer to people who reported themselves as being self employed, which could include farmers, fishermen, taxi drivers as well as small business owners. We cannot tell at this time how many, in fact, fall into this last category nor can we tell rates of business success or failure.

From a policy development perspective, no one has yet defined what is meant by an "ethnocultural small business". Do we mean businesses serving ethnic communities or those owned by ethnocultural Canadians, or both? Is a small business owned by an ethnocultural Canadian but serving mainstream markets to be included in this group?

This lack of a clear definition made it difficult during the consultation meetings to focus on specific problems as community representatives spoke from different perspectives, reflecting experiences and business conditions that varied extremely from one group to another.

What the data on self employment does give us, however, is a good indication of which groups exhibit low rates of self employment. It is likely that they face additional barriers to those faced by all small entrepreneurs, irrespective of ethnocultural origins.

We need to know who they are, where in the country we find the greatest number and what specific barriers they face. Part of the information will likely be available from studies presently being carried out by provincial governments and other federal departments. To fill the gaps, SBO should carry out its own investigation to produce the data it requires for policy development.

### Recommendation 1

That SBO undertake a research program to produce useful data on small businesses among Latin Americans, Portuguese, the Blacks and the Philipinos across Canada and to identify more precisely the barriers to entrepreneurship faced by each group.

#### IV. PERCEIVED PROBLEMS

##### A) Financing

##### 1. Issues Arising from the Consultations

###### i) Commercial Banks

Some participants felt commercial banks had a negative attitude towards the small ethnocultural entrepreneur. Collateral requested was reported to be extremely high. Bankers were said to lack community loyalty, especially in the way they applied their foreclosure policy. Some group representatives said their members felt intimidated by the system. Some banks apparently refuse to lend under the SBLA. Some restaurateurs said banks did not lend to them at all.

Secondly, the "visible" minorities thought that being "visible" was a handicap, especially for new immigrants who had no track record and no credit rating. Participants said bankers were not exposed to foreign cultures and therefore not good judges of their entrepreneurial expertise and business integrity. Some of the groups are exploring the possibility of forming credit unions. Some of the Asian groups direct their members to the Canada Hong Kong and the Canada Korea banks in cities where these banks operate. Yet others go abroad for their financing.

Small family-run businesses were said to face significant difficulties in obtaining reasonable financing. Participants gave lack of working capital and lack of access to high risk equity financing after start-up as reasons for failures.

###### ii) Federal Business Development Bank

The FBDB was criticized for operating like the commercial banks rather than as a bank of last resort. Some participants thought the government agency hired retired commercial bankers who brought not only their experience but their attitudes to the FBDB. The FBDB was characterized as ignoring the "small" enterprise and catering to "medium" size operations. They were said to be too inflexible and to set too high a minimum for loans. On occasion, groups who used the management and CASE services of the FBDB and who were advised to apply to the FBDB for loans on the strength of their proposals, were subsequently turned down.

##### 2. Suggestions made by Participants

###### i) Family-Run Businesses

- the government should establish a financing program for the micro family-run business;

ii) Federal Business Development Bank

- the FBDB should be made to give preference to these businesses and make loans more accessible;
- the FBDB should be authorized to make loans for restaurant start-ups;

iii) Commercial Banks

- the government should sensitize the mainstream bankers to the financial needs of the ethnocultural small business community;
- the government should encourage the commercial banks to use a 2 to 1 debt/equity ratio when setting loan ceilings. This means that an entrepreneur willing to invest \$20,000 of his own money should be able to borrow \$40,000 from a financial institution.

iv) Incentives

- the government should provide some incentives to start-ups to foster job creation.

3. Analysis

The discussions were useful in identifying perceptions held by representatives from various ethnocultural groups. No attempt is made here to support or refute those perceptions. Of all the issues raised during the consultation meetings, those of undercapitalization and of accessing financing were the most critical.

Small businesses who serve only ethnic markets and who belong to poorly integrated communities seemed the more vulnerable. In addition to having access to limited markets, they appeared out of touch with the broader environment and unfamiliar with external sources of capital. Networking is an important element in the way Canadians do business and some ethnocultural communities obviously experience difficulty in joining existing networks. Financial support from their own communities also appeared weak or inexistant.

Ethnocultural businesses serving a mix of markets and/or belonging to more integrated communities, such as the Asians, seem to be better capitalized. For others yet, access to financing does not pose a problem greater than for most mainstream businesses.

Recommendation 2

**That the SBO actively support the dissemination of information on the Canadian business environment and on government financial programs and services to help ethnocultural communities access mainstream sources of financing.**

### **Recommendation 3**

**That the SBO sensitize the more disadvantaged groups to the usefulness of the formation of pools of capital within ethnocultural communities as this represents the second most important source of capital after personal savings.**

For the visible minorities and for communities that are used to doing business differently, ignorance on the part of financial institutions can lead to a false perception of high risk and impede the flow of capital. This perception problem can possibly result in higher loan interest rates or greater collateral requirements for ethnocultural small businesses. It is interesting to note that most minority group entrepreneurs establish operations in the retail sector or in the provision of personal services: two fields of business which require low start-up capital.

The issue is not the availability of funds per se as term loans are now provided by most Canadian lending institutions, including chartered banks and the FBDB. There is also a substantial pool of venture capital in Canada looking for suitable investment opportunities. The issue has more to do with the risk aversion behaviour of the lenders and, more fundamentally, with the undercapitalisation of small firms with their own over reliance on debt financing and consequent cash flow problems.

### **Recommendation 4**

**That the SBO identify the business cultures of various ethnic groups and sensitize the banking community to cultural differences in the way to do business.**

In the financing area, the FBDB makes working capital loans, usually takes greater risk and is becoming more active in the provision of venture capital. Participants in the consultation meetings seemed to feel that the FBDB does not always meet small business needs in this regard. These perceptions might best be dealt with by closer and more frequent dialogue between the FBDB and minority group representatives. It should be noted generally that the FBDB has a good track record in terms of providing heritage language services to various ethnocultural communities.

There are no federal programs at this time directed specifically at ethnic community businesses or entrepreneurs. At the provincial level, the Province of Nova Scotia has instituted a Black Business Opportunity Program as a stimulus to create and maintain jobs in black businesses, and to bring members of the black business community into the mainstream of economic activity.

The program has two objectives:

- To assist in the establishment, expansion or modernization of any commercial operation engaged in the utilization of primary resources, manufacturing, processing or the provision of services;
- To provide training for black business people or their key staff where necessary for successful business operations.

The Nova Scotia Department of Development provides grants representing 50% of costs up to a maximum of \$10,000. The minimum owner's equity contribution must be at least 20% of the total value of the business assets, including the new project. Under the business education component of BBOP, the Department considers 100% grant coverage of eligible tuition, travel and book purchases. The maximum business education grant per company is \$500.

In the United States, the Minority Business Development Agency (MBDA), a part of the Department of Commerce, provides support over and above that provided by the Small Business Administration to all businesses. In particular, it provides assistance in identifying sources of funds and in the preparation of requests for financial assistance. There also exist Minority Enterprise Small Business Investment Companies that provide both debt and equity capital. In great Britain, support for minority businesses is concentrated at the local level where business development units provide a wide range of services aimed at the redevelopment of inner cities.

Entrepreneurs starting a business must rely on their own savings and that of their families and friends. Only then can they leverage a bank loan and go on to greater things. For some of the communities that display the lowest participation rates as self-employed, even such basic financing may prove a barrier. Consideration should be given to provide them with a minimum start-up capital under a flexible program, much like what is being done by the Nova Scotia government for the Black community.

#### Recommendation 5

**That the SBO evaluate the usefulness of designing an entrepreneurship program to address the financial and management skill needs of the most disadvantaged ethnocultural communities.**

B) Entrepreneurship

1. Issues Arising from the Consultations

i) Canadian Environment

Problems arise from a lack of knowledge of the way that Canadians do business. For new immigrants, it was suggested that a package describing the Canadian business environment be prepared and made available before emigration.

ii) FBDB Courses

While praise was voiced on the contents of the FBDB courses, participants thought the courses would be better received if offered through their own organizations. The reasoning was that members would be more comfortable with someone who understood their language, culture and business techniques.

iii) Entrepreneurship Training

The need for training in the preparation of proposals, bookkeeping and even in how to approach a banker were highlighted by participants. Some expressed the view that money being spent to train unemployed Canadians for non-existent jobs could be re-directed to train entrepreneurs as they are the providers of jobs. Adequate training, could also facilitate obtaining bank loans. Some participants expressed a need for successful role models in their communities to foster entrepreneurship among youth.

2. Suggestions Made by Participants

i) Training

- seminars should be held for minority groups on management, taxation, accounting, etc., by bankers, DRIE, FBDB and the provincial government departments responsible for small businesses;

ii) Information

- all information available to help the small businessperson should be consolidated and be accessible from one location;
- the government should publish new information in an easily read format and forward it directly to ethnocultural groups for distribution to their members;

iii) Venturing Clubs

- the government should establish a program to bring together groups of three or four unemployed minority group professionals with different expertise and help them start a small business.

3. Analysis

Many immigrants find it difficult to join the labour force for a number of social and economic reasons; self-employment is oftentimes the only way to generate income for the individual and his family.

Entrepreneurial values or skills vary greatly. For example, the first immigrant in a family may have a middle-class urban background and be fairly educated. This may not be the case with other members of his family who subsequently join him. Business immigrants may arrive very well prepared to join the ranks of Canadian entrepreneurs. On the other hand, political refugees could be very ill-prepared to do so.

Many ethnocultural Canadians have become self-employed without the benefit of formal training on how to run a business or on how the Canadian business environment operates. Few of them have had the opportunity to obtain suitable management experience in another firm before being self-employed. Finally, most minority businesses serving mainly ethnic markets are small and struggling and present very few positive role models.

It was evident from the consultation meetings that many of the groups lacked pertinent business information and that several people went into business with limited knowledge of operations, markets and management techniques. Participants felt that several separate training programs were needed to meet the specific needs of various individuals or groups.

In the United States, a number of management training packages are offered by MBDA through a network of Minority Business Development Centres.

In Canada management training for small business is available from the Federal Business Development Bank, provincial governments, academic institutions and the private sector.

Other than the heritage-language courses offered by the FBDB, available training packages are not necessarily easily accessible to ethnic community entrepreneurs nor do they address their particular needs. There is a definite need in this area which should be addressed.



**Recommendation 6**

**That the Small Business Office actively encourage minority groups to identify their training needs better and to encourage relevant federal departments and agencies as well as provincial government officials and institutions to develop entrepreneurship development packages adapted to the needs of ethnic community entrepreneurs.**

Generally speaking, information about programs and services is not lacking. The FBDB, a number of federal departments and provincial governments are relatively active in this area. However, it is not reaching ethnocultural entrepreneurs who have few links into mainstream information networks. The call for one-stop information centers is not common to ethnic communities. All entrepreneurs, it would seem, are in need of information brokers.

Nonetheless, ethnic communities may be facing additional barriers because of language barriers. Ideally, the information should be available in numerous languages but financial considerations make this difficult to achieve. More use should be made of existing associations to direct information at ethnic entrepreneurs.

**Recommendation 7**

**That the Small Business Office work with community associations to define better their information needs and, subsequently, provide them with the required material.**

The idea of bringing three or four unemployed individuals who have marketable skills to establish a business venture has some merit. The venture could possibly be funded through the Innovations component of the Canadian Job Strategy Program (CJS). This program funds innovative and untested approaches to labour market issues. Therefore, as a pilot, unemployed professionals could be trained in groups of four or five to establish and operate a business. Seed capital to start an enterprise at the end of the training could be made available under this program as well. Individuals presently receiving U.I. benefits can receive supplemental benefits under Section 38 of the U.I. Act.

The methodology for such Business Venture Clubs could be adapted from that presently in use in CEIC's Job finding Clubs. The system is based on group-support and stresses assertiveness, the success of past participants, and the marketability of personal characteristics and acquired skills as the basis for finding a job. Groups consists of not more than twelve unemployed, and the members meet daily for intensive behavioural counselling that creates expectations of success. All job leads are followed up using a group process approach. The program is highly structured and participants are required to follow step-by-step procedures over a three week period.

It should be noted that the suggestion made during the consultations does not address a problem specific to ethnic communities when one considers that their self-employment rate is higher than the national average. It is nonetheless an interesting idea that could help stimulate entrepreneurship among the groups that show the lowest participation rates and in those parts of the country where unemployment is high.

**Recommendation 8**

**That the Small Business Office explore with CEIC the possibility of establishing "Business Venture Clubs" as a means to stimulate entrepreneurship among the unemployed.**

C) Market Development

1. Issues Arising from the Consultations

a) Focus on Overseas Opportunities

The groups identified a need to access information on business opportunities overseas, particularly with regard to third world countries. The complexity of customs regulations and the duty remission structure confuse a number of small entrepreneurs who want to expand their import/export activities.

b) Limited Market Share For Ethnic-Product Based Firms

The cost of advertising, postage and transportation were cited as restrictions on market expansion by the small entrepreneurs. Groups were concerned at the rate with which small stores and specialty shops were forced to close as large chains entered the market. It was pointed out that some ethnocultural small businesses had problems with marketing to the general public because they catered to a community or ethnic group. They thought promotion of the small business sector of the economy would make the public aware of its existence and increase its share of the Canadian market.

c) Limited Availability of Marketing Information

Lack of knowledge of the Canadian market was identified as a barrier to the growth of businesses. The groups expressed the need to have access to market research data in order to make investment decisions based on the knowledge of the environment and capital requirements of the sector in which they are involved.

2. Suggestions Made by Participants

a) The groups suggested that the government publicize trading houses and what they do to assist firms in realizing their export plans.

b) They also suggested that subsidies be considered to help small firms promote their products.

c) In all cities where consultations were held the need to make market research studies available to the potential entrepreneur was discussed. Participants said these studies would point them in the right direction both for start up and expansion.

### 3. Analysis

Marketing is important for the development of any business. Often centered in retail, multicultural businesses initially serve a local market well known to the proprietor. To expand that market requires a strategic re-orientation of the business based on consumer market information and competitive forces to be faced in the larger or new market. For ethnic small businesses, this information and these skills are often lacking.

Entrepreneurs wanting to develop or expand their markets have to be well versed in the principles of marketing in order to develop a strategy to suit their product or service. The major problems facing ethnocultural businesses in the area of marketing were specifically the limited markets for ethnic-product businesses and the limited availability of marketing information.

Many ethnocultural businesses cater to a small market because of the type of goods or services offered. They tend to be clustered in and around the same sectors, either retail trade, sub-trades and services. Firms offering specialty goods are naturally limited to a particular group or community. For many such businesses, diversifying the product base in order to reach a larger market and marketing to the mainstream population would entail a complete restructuring of the organization.

Not knowing how to access available market information or how to develop proper marketing plans hinder the growth of many ethnic community businesses.

The need for information on market opportunities in Canada was evident throughout the country. In some centres entrepreneurs were establishing businesses without regard for existing small businesses offering the same product or service. The market became over saturated and businesses failed. The provision of market research studies that give details of viable business opportunities across the country for the small entrepreneur is probably the most fundamental requirement that needs to be met. Given that the Small Business Statistics Program will provide much of this information, it should be heavily promoted among ethnic communities and in the ethnocultural media.

After development of a quality product or service, promotion is ranked as the second most important variable in developing a marketing strategy. To small businesses this can be extremely costly, especially if the firm is trying to establish new markets, or even to maintain its market share. Most ethnocultural small businesses limit their markets, inadvertently, through advertising in ethnic papers and periodicals. These publications have limited readership, which is reduced further if published in the heritage languages. Groups should be encouraged to promote their products and services among the mainstream population.

Recommendation 9

That DRIE and Statistics Canada target and publicize their market development information, services and programs to ethnocultural communities.

Recommendation 10

That the Small Business Office, in consultation with ethnocultural associations, develop ways to sensitize multicultural businesses to the need for solid marketing plans and encourage them to address mainstream market needs.

D) Social and Environmental Issues

1. Issues Arising from the Consultations

Group leaders were knowledgeable of the contribution of the small entrepreneurs to the Canadian economy. Some participants maintained that while small enterprises were creating the jobs, large corporations received most of the incentives and tax breaks. They felt neglected and requested an all encompassing concrete program for small businesses.

They said it would help if DRIE placed a stronger focus on Small Business. To show the importance of this sector and give it more prominence, it was felt that the Small Business component should be removed from the mantle of the larger department of DRIE. Although the sector has a Minister of State, perceptions are that he operates in the shadow of the senior Minister. The groups perceive that departmental priorities are centered on large corporate enterprises.

Some participants thought some of their problems would be lessened if DRIE and the FBDB had multicultural Canadians in advisory positions on their staff.

2. Suggestions Made by Participants

i) Promotion

- a national campaign via television, radio and newspapers should be launched to encourage Canadians to support their community small businesses.
- the federal government should promote the Atlantic Provinces in its advertising to encourage small business persons to settle there (suggested by participants at the Halifax meeting).

ii) Advisory Committee

- the federal government should establish a committee of Canadians with origins other than French and English to advise it on dealing with foreign countries.

iii) Business Information

- information on available programs and services should be rewritten in easily read and understood language. Thought should be given to having this information published in the heritage languages. Groups were willing to publish the information in their newsletters if it were provided on a regular basis.

iv) Help in Organizing Business Associations

- groups should be given assistance to organize Business Associations and Chambers of Commerce.

v) Tax

- the tax on restaurant equipment should be removed.

3. Analysis

Immigrants to any country face various social and environmental problems, not the least of which are the need very often to learn a new language and to adapt to a new culture. These problems are magnified when the immigrants, if of different race and ethnic origin to the majority, have difficulties in being accepted in their immediate environment.

Entrepreneurs do not acquire much of a community status until they are very successful financially. In the minority communities, there may not be enough, if any, encouragement to become entrepreneurs.

Ethnocultural businesses seem to have difficulty in networking effectively. This varies of course from one group to another. Generally speaking, however, relationships with mainstream networks are minimal. As well, there does not appear to be much inter-group activity or association except in Edmonton, where the Small Business Association of Alberta was recently formed. This is an association of various business associations. Their objective is to meet and discuss common problems, and most important, to be the voice for all small businesses in Alberta.

Some of the problems encountered by minority groups, especially the visible minorities, would be less severe if those groups were organized. Some have no business association even though several members are owners/operators of small businesses. With the strength of an association behind them, individuals could find it easier to access information on government programs and to develop the networks required to support their market development activities.

Multiculturalism Canada (Secretary of State), under its community programs assists the communities to organize and provides funding for social and cultural activities. While this funding does not extend, at present, to the establishment of business associations within the groups, advice and counselling is made available on request to the communities on the structure and formation of a business association.

Recommendation 11

In conjunction with Multiculturalism Canada, that SBO encourage minority groups to support the formation of business associations to provide role models for the community and to facilitate networking.

i) Promotion

While it is laudable to encourage the public to support their community small businesses, it is doubtful that a public awareness campaign would have any effect as the market place and economics usually dictate where people will shop.

The suggestion was also made that the government promote the Atlantic Provinces to encourage small businesspersons to settle in the region. With the advent of the Atlantic Canada Opportunities Agency, a promotional campaign is not felt necessary.

ii) Advisory Committees

There was a feeling among participants that the federal government did not recognize and did not make appropriate use of the inherent advantages which minority groups have in dealing with their home countries. Most trading houses and exporting businesses usually rely on or seek people that have expertise in the market they are trying to reach. Trade officials work closely with this network in the development of trade opportunities between Canada and other nations.

There are within the federal government, several ethnocultural Canadians in advisory positions. Yet, a particular problem remains with respect to visible minorities who are under-represented within the federal public service in relation to their presence in the labour force. Treasury Board is addressing the problem. An Advisory Committee on Visible minorities, made up of members of the identified groups, meets on a quarterly basis to discuss problems and make recommendations.

iii) Business Information

Groups whose first language is not English or French have difficulty understanding complex and technical information. While the FBDB offers some courses and literature in a few heritage languages, little else is being done at the federal level in this area. Additional efforts could be made, particularly with regard to groups having a low participation rate. Except for Ontario which provides an extensive amount of information in the heritage languages, provinces in the main do little in this area.

Recommendation 12

**That the Small Business Office develop a summary of federal assistance available to small businesses, in a number of heritage languages, for distribution to minority groups through their associations.**



iv) Tax

Most tax issues were discussed under the section on Financing. The removal of the Federal Tax on restaurant equipment was suggested. The rationale for this was that the equipment was used to process and manufacture a good that was sold as an end product. The Income Tax Act specifies what can be claimed as contributing to the manufacturing and processing of a product and this issue is best handled through regular consultations held by taxation officials.

## V. CONCLUSIONS AND RECOMMENDATIONS

In general, the rate of self-employment among ethnocultural Canadians is high. Although group cohesion fosters business formation, it also tends to limit their growth and expansion. A number of minority entrepreneurs, especially among the visible minorities, are going into business because they experience difficulty in obtaining adequate employment in a discriminating job market. They often go into business without any previous acquisition of or any inherent expertise in entrepreneurship. They tend to limit their activities to the services or retail sectors, and to their own ethnic community markets.

It must be recognized as well that many "ethnocultural" entrepreneurs do not perceive themselves as such. They are well integrated into the mainstream community and they service mainstream markets. This is particularly so among cultural groups that have been in Canada for a long time.

It may be concluded from the study that the following constitute barriers to the formation and operation of successful small businesses among ethnocultural Canadians, and especially among the visible minorities:

- (a) the low social status of the owner, unless very successful, and the lack of positive role models for some groups;
- (b) the lack of training in business management;
- (c) the lack of capital for start-up and expansion;
- (d) the lack of knowledge of sources of information on programs and services available to the small entrepreneur;
- (e) limited markets and the lack of market research information in the planning and development phase of a business.

The study has shown the need to sensitize mainstream institutions to the needs of ethnocultural businesses to help remove systemic barriers. As well, it points to the need for a government strategy in support of the more disadvantaged groups, particularly with regard to fostering entrepreneurship and business networking.

In many ways this overview has highlighted our lack of knowledge and understanding of conditions affecting ethnic community businesses. Many questions are left unanswered and merit further investigation.

BIBLIOGRAPHY

- Birch, David L., "The Job Generation Process", M.I.T. Program on Neighbourhood and Regional Change, Cambridge, Mass. (1979)
- Birch, David L., "Firm Behaviour as a Determinant of Economic Change", M.I.T., Program on Neighbourhood and Regional Change, Cambridge, Mass. (1981)
- Bryant, Christopher R., The Entrepreneur, Local Economic Development and the Economic Development Officer, The Entrepreneurship Development Review (Summer, 1986)
- Bulloch, John F., Summary of Remarks of a Key Note Address to the "Multiculturalism Means Business Conference", The Entrepreneurship Development Review (Summer 1986)
- Canadian Ethnocultural Council, "The Ethnic Opportunity: The Economy and Canada's Ethnic Communities", 2nd Edition, Ottawa (January 1986)
- Canadian Ethnocultural Council, National Assembly Report, "Multiculturalism and the Economy" (June 1986)
- Department of Regional Industrial Expansion, "A Statistical Profile of Small Business in Canada", Price Waterhouse (December 1986)
- Department of Regional Industrial Expansion, Consultation Paper on Small Business (1985)
- Department of Regional Industrial Expansion, Final Report of the Task Force on Small Business Financing/Banking Issues (October 1986)
- Erdevig, Eleanor H., "Small Business, Big Job Growth", Federal Business Reserve Bank of Chicago (November/December 1986)
- Fratoe, F. and Meeks, R.L., Business Participation Rates of the 50 Largest U.S. Ancestry Groups: Preliminary Report, Office of Advocacy, Research and Information MBDA, U.S. Department of Commerce (June 1985)
- Hoffman, Randy, Ripley, Louise and Becker, Dirk, "Strategic Planning Program for Entrepreneurs", York University (1985)
- Ministry of Industry, Trade and Technology, Province of Ontario, "Small Business and Entrepreneurship in Ontario": A Discussion Paper
- Multiculturalism Canada, "Highlights of Self Employment of Ethnocultural Groups in Canada", Secretary of State Department (March 1986)

Multiculturalism Canada, "Highlights of Self Employment of Ethnocultural Groups in Canada", Secretary of State Department (March 1986)

Multiculturalism Canada, "Socio-economic Profiles of Selected Ethnic/Visible Minority Groups" 1981 Census, Secretary of State Department (March 1986)

Pearson, Doug, Encouraging Small Business Development in Winnipeg's Core: The Winnipeg Core Area Initiative Small Business Assistance Program, The Entrepreneurship Development Review (Summer 1986)

Research Division, MBDA, U.S. Department of Commerce, Minority Business Enterprise Today: Problems and Their Causes (January, 1982)

Small Business Secretariat, Department of Industry, Trade and Commerce, Canadian Women/Owner Managers (1982) Canada

Small Business Secretariat, Department of Regional Industrial Expansion, "IMPACT Survey of the Effects of Government Policy and Programs on Small Business, as Seen by Their Industry Organizations", Institute of Public Affairs, Dalhousie University, Halifax, N.S. (December 1984)

Small Business Secretariat, Department of Industry, Trade and Commerce, Small Business in the Canadian Economy and the Impact of Federal Policy (1983)

Sorenson, Jean, "Using Ethnic Networks for Business Success", Travelling on Business, Vol. 3, No. 1 (September 1986)

Statistical Analysis, Policy Branch, Department of Regional Industrial Expansion, "A Study of Job Creation in Canada, 1976-1984" (1986)

Statistical Analysis Branch, Policy, An Analysis of Job Creation Based on the T4 Employment Estimates Data Base 1978-1982, Department of Regional Industrial Expansion (1986)

Stevenson, Lois, "An Investigation of the Entrepreneurial Experience of Women: Implications for Small Business Policy in Canada", Acadia University, Wolfville, N.S. (November 1983)



104214

QUEEN HD 2346 .C2 O4 1987  
Oliver, E. Pat  
Overview of entrepreneurship

DATE DUE  
DATE DE RETOUR


CARR MCLEAN

38-296