

Access West

Western Economic Diversification Canada

Debunking the Myth about Home-Based Businesses

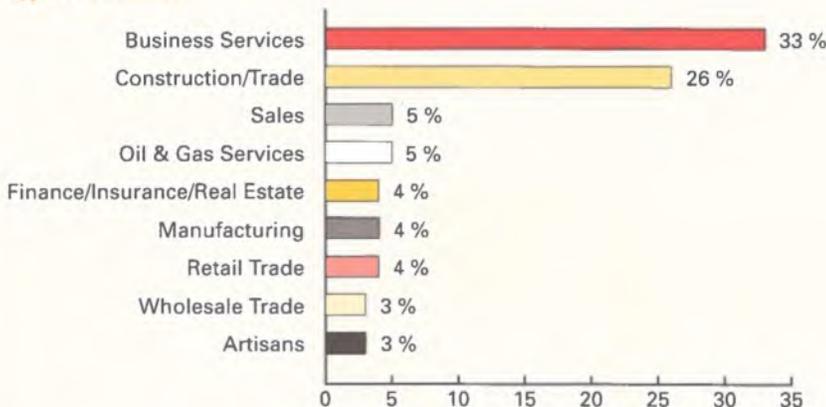
By Angie Driscoll, Marketing and Public Opinion Research, WD-Alberta

A profile of home-based entrepreneurs

Stereotypical home-based businesses suggest that the owners are women who are operating part-time, craft-oriented businesses in order to generate supplemental income. This stereotype of home-based businesses is unfounded, however.

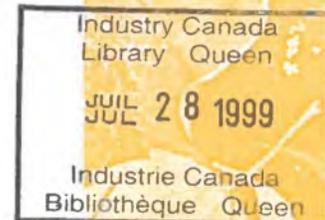
A recent study by Leslie Roberts on the entrepreneurial attitudes of home-based entrepreneurs in Calgary shows that Canadians are at work offering a variety of business, professional, health and personal services; working independently in sales, journalism, or graphic, visual or fine arts businesses; operating retail/wholesale trade, manufacturing (food, textile, arts, crafts), construction and trades, finance, insurance and real estate businesses; and managing agricultural, forestry, mining and fishing operations from their homes.

Type of business



Individuals between the ages of 25 and 40 are more likely than others to start new business ventures. The reason for this is that they have obtained sufficient experience, competence and self confidence and accrued sufficient capital but not yet incurred financial and family obligations or a position of prestige or responsibility in a large organization.

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A Message from Ron Duhamel

Secretary of State for Western Economic Diversification Canada

"I welcome the opportunity to include in each issue of Access West a column which allows me to share some of my thoughts on what the Department is currently involved with and some insight on its future undertakings."

As the Department responsible for economic development and the growth of small business in Western Canada, WD has long understood the importance of balancing the social and economic needs of western Canadians with the need to protect the environment. Recently, Canada signed the Kyoto Agreement which declared our commitment to help reduce the amount of greenhouse emissions which are responsible for the change in our climate.

Although there is uncertainty about the magnitude of future climate change, the fact that our climate is changing is real and its effects are with us already. We must start now to minimize those effects and learn how best to adapt to them.

What we do know about climate change is the basis for concern is scientifically sound and the human influence on the climate appears to be detectable. The changes to our climate are beyond a natural variability which means the rationale for action is clear.

Protecting the health of the environment is a global challenge which requires cooperation on every front. WD is actively working with other government departments to promote awareness of climate change and ensure western Canadians have access to information which will help them make wise decisions.

Our goal is to enable western Canadian small businesses and entrepreneurs to realize the economic opportunities presented by climate change.

WD is working in collaboration with the **Technology Early Action Measures (TEAM)** program to ensure western Canadian firms have access to the funding provided by the federal government for technology demonstration projects at urban and rural levels. TEAM offers support to federal programs that fund technology projects to reduce greenhouse emissions nationally and internationally, while sustaining economic and social development.

In addition to our collaboration with TEAM, the Department is actively undertaking additional activities, which to date include:

- sponsorship of four conferences in Western Canada devoted to exploring various elements of climate change;
- provide Western Canadians with easy access to climate change information through our awareness campaign; and

- through the **Western Economic Partnership Agreements (WEPA)** and other mechanisms, we are working with provincial governments to ensure that research facilities exist to explore the impacts of climate change on Western Canada and to develop technologies that will reduce greenhouse gasses.

Over the next year, WD will be working with TEAM to showcase some of the demonstration projects in the West. One of WD's strength lies in its ability to advance economic opportunities in climate change through delivery mechanisms linked to over 100 points of service throughout urban and rural Western Canada. WD can help western firms become more informed and better prepared to adapt, incorporate and develop climate change technologies and practices and undertake climate change projects.

Collaboration interdepartmentally, among the three orders of government and beyond is a key factor for everyone in being successful in broadening the awareness of climate change. No single agency or organization has the resources or ability to do it alone, we must work together to be successful.

WD is committed to working in partnership with Industry Canada, Environment Canada, Natural Sciences and Engineering Research Council of Canada to provide western Canadians with the most current information on climate change. By working together, we will be able to tackle this horizontal mega-challenge and make a difference in the West.

If you would like further information regarding climate change, please visit any one of the following Web sites:

Government of Canada	http://climatechange.gc.ca http://canada.gc.ca/othergov/prov_e.html
Environment Canada	http://www.ec.gc.ca/envhome.html http://www.mb.ec.gc.ca
Natural Resources Canada	http://www.NRCan.gc.ca
Industry Canada	http://strategis.ic.gc.ca

Climate Change: Greenhouse gasses are accumulating in the atmosphere at a unprecedented rate and are resulting in a rise of average global temperatures. Scientist believe this global warming will have wide-ranging consequences including rise of sea-levels, increased severity and frequency of extreme weather events and more extreme seasonal temperatures. Global industrial activity and energy use are the primary causes of climate change. Actions to reduce greenhouse gas emissions will represent a significant step forward.

Continued from cover

Key findings of the study

Roberts' study looked at the differences in the entrepreneurial attitudes of home-based businesses versus those of commercial (non-home-based) small business owners.

- **Home-based entrepreneurs** were defined as individuals who own and operate an independent, profit-oriented business operated in or from the business owner's principal place of residence.
- **Non-home-based entrepreneurs** were defined as individuals who own and operate an independent, profit-oriented business located on commercial business premises.

The findings of Roberts' study suggest that the attitudes of home-based businesses toward entrepreneurship are equally as strong as those of entrepreneurs who opt to incur higher financial obligations of commercial (non-home-based) small business ownership.

Further, with regard to their attitudes toward entrepreneurship, home-based entrepreneurs are more like commercial small business owners than like employees of an organization. Home-based businesses may have initiated new venture creation in response to an "entrepreneurial push," namely job loss, yet the findings suggest that similar attitudes toward entrepreneurship to those who were "pulled" into entrepreneurship.



Importantly, compared to their commercial counterparts, home-based businesses appear to be equally as interested in the following aspects of entrepreneurship:

Achieving success in business

Home-based entrepreneurs desire to do well for the sake of inner feeling of personal accomplishment. They get a thrill when their work is among the best there is and have a sense of pride in their business achievements. They believe that some of the keys to success in their business are: to not procrastinate; to use their time wisely; to make conscientious efforts to get the most out of their business resources; and to make a point of doing something significant and meaningful every day.

Home-based entrepreneurs feel it is important to use their time wisely and spend a great deal of their time planning the future of his or her business. They are also forward

looking in that they believe it is more important to think about the future possibilities than past accomplishments.

Being innovative in the way they conduct business

Home-based entrepreneurs get excited when they are able to use old business concepts in new ways. They like to: challenge assumptions; question the value of established procedures; continually look for new ways to do things in business; and seek out colleagues who are excited about exploring new ways of doing things. They believe that to be successful they must use business practices that may seem unusual at first glance.

Home-based business owners believe they must spend some time every day developing new opportunities. They spend time working on several business ideas at once and like to be a catalyst for change in business affairs.

They believe that organizations that don't experience radical changes now and then tend to get stuck in a rut.

Growing their business

Home-based business owners desire to grow their business both in terms of revenue growth and employment growth. Although stronger attitudes toward revenue growth than to employment growth suggest that home-based business owners intend to remain fairly small (less than five employees).

The finding that the entrepreneurial attitudes of home-based businesses are equally as strong as commercial small business owners contradicts widely held anecdotal perceptions of home-based business owners, who are perceived by many not to be "real entrepreneurs." The perception that home-based businesses are craft-oriented and operated primarily by women to earn supplemental income appears to be unsupported by Roberts' study.

These results suggest that organizations such as Western Economic Diversification, Community Futures Development Corporations, Canada Business Service Centres, and offices of the Women's Enterprise Initiative could play a more pro-active role in the development of home-based businesses. Educational programming or consulting aimed at the day-to-day operations of a business is needed in order to improve owner's knowledge of small business management.

Dr. Leslie Roberts is an instructor at Mount Royal College's School for Business & Entrepreneurial Studies. She recently completed her PhD at the University of Calgary.

E-Commerce: A Business Solution

by Carla Boudreau



As Canada enters a new millennium, the number of small businesses and entrepreneurs using e-commerce in their business ventures is growing. This growth, along with the surge in numbers of small businesses involved in international trade could reach unprecedented levels of importance in strengthening the western economy.

E-commerce is an effective way of entering new markets and can provide many other benefits to small businesses and entrepreneurs while enabling them to provide a greater contribution to the growing western economy.

Some benefits of e-commerce include:

1. Providing additional markets that are open to your company to sell its products and services.
2. 24 hour shopping for customers.
3. Small business processes are simplified and streamlined due to minimized administrative costs, delays, and errors, as many of your business reports, correspondence, invoicing etc., can be managed electronically. This can help reduce the number of paper documents, transactions and other forms of traditional information exchange. The added bonus is, small companies can help reduce the amount of product waste in the environment. SMALL IS GREEN.
4. E-commerce allows some added speed in contract negotiations and letter of credit negotiations, in that the parties evaluating the documents have security passwords to get into specific documents and make adjustments quickly.
5. Information flows more timely, coordinated and accurate when processed electronically, allowing businesses to operate more effectively. You'll know exactly how much business you generate from your electronic business as all this information can be evaluated.

So how does this all apply to you and your small business? Well, the answer is simple – DIVERSIFICATION. With a few easy steps your business can reap the benefits from e-commerce.

Here is a scenario of how a small business in rural western Canada can benefit from e-commerce:

Jane Doe started a home-based business in her rural community five years ago. Her business has been successful and brings in a small profit each year. However, for the last three years of operation, Jane's business has maintained the same customer base and same profitability margin. Her company has not seen any growth. Though the business is stable, Jane realizes that she is too dependent on a few main customers and although there hasn't been any real competition, she feels it is only a matter of time.

Jane wants to attract new customers to expand her business. Her problem is location. Where can she get these customers in such a small area? She knows moving is not an option and traveling to other towns to set up a new location is more than what she is prepared to do. How can she continue to operate her home-based business while marketing her products to other areas?

The answer lies in technology. Jane could consider marketing her product on-line with e-commerce. By producing a company Web site, Jane can keep her home-based business and still attract customers from other markets. She can still manage her new markets right from her home while having limited added overhead.

Do many people actually shop on-line? Well, economists at the World Trade Organization estimate that worldwide, there will be more than 300 million Internet users by the year 2000. A June 1998 survey from Ekos Research Associates indicated that more than one in three Canadians expect to purchase over the Internet in the next three years. There is certainly a market for on-line shopping. So why not take full advantage?

The most important thing you can do when deciding to enter the world of e-commerce is research. Make sure you research all your options about selling your product on-line and/or designing a Web site and seek expert advice about such things as packaging, shipping and

handling, customs formalities, legal issues, etc. You will need information on selling internationally. After all, Internet marketing can be virtually borderless.

There are three main options available to businesses when considering to sell products or services on-line.

1. Purchase the appropriate software to design your business Web site, and advertise and sell your business products. But if you are not very familiar with computer technology and the Internet, you may not feel comfortable choosing this option.
2. Hire a private firm to design your site. Make sure the firm understands your business and provides you with a user-friendly site which you can manage and update.
3. If you are completely unsure how to start your on-line business, you could contact Industry Canada (<http://strategis.ic.gc.ca/cs>) and take advantage of their **Community Storefronts** project that will teach you how to market on-line, and operate your site. If you don't have a site, for \$300 (\$250 for non-profit organizations), Storefronts will help you create a two-page site with all the elements you need, including electronic shopping carts, secure credit card transaction software and even banking.

If your company already has a Web site but you're not actually selling your products or services on-line, you may want to contact Community Storefronts or hire a private firm to help you upgrade your current site to include e-commerce capabilities.

The Community Storefronts project is quickly gaining popularity. As of November 1998, there were 100 merchants and 32 non-profit organizations up and running and there were another 50 stores in the works.

E-commerce is a solution to a business problem. It can help reduce overhead costs, maintain good client-customer relationships and can strengthen customer base. Technology has the ability to make this happen.

Facts West Did you know that..

- 47 percent of small and medium businesses used credit cards for financing in 1998, compared to 34 percent in 1997
- 43 percent say they'll continue to use credit cards in 1999
- 38 percent of small and medium businesses paid their balances in full each month in 1998, compared to 59 percent in 1997
- 18 percent of companies surveyed have two or three cards; 5 percent have more than four cards
- 49 percent of businesses with fewer than 20 employees use cards "often," compared to 27 percent of businesses with more than 20 employees

(Source: Survey of small and medium businesses, conducted by Arthur Andersen's Enterprise Group and National Small Business United)

Seven important e-commerce terms to know:

If you're thinking of putting your business on-line or even doing your shopping on-line here are some important terms that you should know:

1. **Digital cash:** Allows people to pay for goods and services by transmitting a number from one computer to another. Each number is issued by the bank and represents a specific sum of real money. It is anonymous and re-useable and there is no way for vendors to find out buyer information.
2. **Digital Certificates:** An attachment to an electronic message used for security reasons. Commonly used to verify that the user sending the message is who they say they are, and provides the receiver with the means to encode a reply.
3. **Digital Wallet:** Can serve the same purpose as a real wallet but is really encryption software used during e-commerce transactions. The wallet can hold a person's payment information, a digital certificate to identify the user, and shipping information. This software helps keep speedy transactions and helps protect consumers from fraud.
4. **EDI:** Electronic Data Interchange simply means transferring data between different companies using networks such as the Internet.
5. **SET:** Secure Electronic Transaction is a new standard that will help secure credit card transactions on the Internet. By using digital signatures, SET verifies a buyer's identity and protects them by sending credit card numbers directly to the issuer for verification so the merchant doesn't see the number.
6. **Smart card:** Similar to a credit card which contains electronic memory, and often an embedded integrated circuit (IC). Sometimes called Integrated Circuit Cards, Smart cards can be used for storing a patient's medical records, storing digital cash and generating network ID's.
7. **Cookies:** Refers to a message given to a Web browser by a Web server. The message will be stored in a text file called cookie.txt and sent back to the server each time the browser requests a page from the server. The purpose of this is to identify users and possibly prepare customized Web pages for them.

Speakers Corner

After successfully operating my own business for a year and a half, I am now ready to hire my first employee. Since I have never hired anyone before, do you have any suggestions on how I can hire the best person for the job?

To find an answer, we went to Sue Gingerich, Business Advisor of The Yellowhead East Business Development Corporation, a member of the Western Canada Business Service Network.

Here are some simple steps that you can use when hiring a new employee:

1. First evaluate the needs of your company. What tasks need to be completed? What skills will it take to accomplish these tasks?
2. Write a job description. Include all tasks that your new employee will be expected to perform. Also include all the skills needed to perform these tasks, or previous training that would be beneficial to this position.
3. Search for the right employee, based on your job description. Here are some places you might try using in your search:
 - Placement offices, teachers and instructors at your local Universities, Colleges, High Schools, local employment offices, your own files, private employment agencies, referrals from friends, other businesses and employees.
4. Screen applicants. Start by reviewing all applications. Compare applications or resumes to your job description. One system is to group by; A) Most desirable, best matching the job description, B) Good, but not qualified in all areas, C) Not qualified or suitable for the position.
5. Interview applicants. Start by interviewing all in group A. If no one in group A seems right or is available, go to group B. If no one suitable is found in group B, do not resort to group C. In most cases it would be a better use of your time to recruit new applicants.

The interview is the time to uncover their suitability to your company. Use a mixture of open and closed questions such as:

- What skills do they feel they have to offer your company?
- What did they like most/least about their last job?

- What are their career ambitions?
- What are three adjectives their friends would use to describe them?

One very important question technique is to use a hypothetical situation.

Sometimes a second interview may be appropriate, if there were a large number of initial candidates. If someone other than yourself will have direct supervision over this person, they could be included in the first or second interview. Be sure to clarify the start date, salary and job expectations.

6. Reference checks can be done at the point you have actually selected a candidate. There is no need to call several people's references if ultimately they don't get the job, unless of course you are having trouble deciding whom to hire. Then checking references may help you to make your selection.
7. Call and offer the position.
8. Next is the orientation. How do things work around the office/shop? Where will they find things, who can they ask for help? What are the unwritten rules of the company. Where can they look up things if no one is around to ask?
9. Training. Do not confuse this with the orientation. Always allow new employees to feel oriented before you start their training. If training is started too soon, it won't stick; everything may be too new and too confusing. Depending on the job it could be several hours or several days before they are ready to actually start training.
10. Always follow up on new employees. What are they enjoying about the job? What are they finding more difficult than they thought they would? How are they doing compared to your job expectations?

Don't think that once you have hired the absolute best employee, you never have to worry about them again. Every type of employee needs different management techniques. So, understand your employee and their level of enthusiasm and ability before leaving them totally on their own.



Be Prepared... The Best Defence is a Good Offence

Preparing your farm or business for Y2K

Recent reports on Year 2000 point to no interruptions of electrical power and communications, and excellent progress in the Y2K readiness of the oil and gas industry, transport and banking sectors. The impact of any infrastructure interruptions won't be more than a few hours or perhaps a few days. However, we know that for some in the agriculture industry, even a few hours is too long.

According to Agriculture and Agri-Food Canada (AAFC) studies, the agri-food sector has indeed been getting ready for the Year 2000. Overall, most firms are in the "repair and testing" phase.

But, those studies, and others, also show that more emergency or contingency planning could be done by farmers and business owners.

According to AAFC, producers and agri-food businesses seem to be comfortable with the fact that they are aware of the problem and, where necessary, are preparing, however, they may not realize they could be affected by problems beyond their control.



Developing your emergency plan

Contingency plans map out action needed when infrastructures fail (e.g., power outages, water supply failures, shortages of animal feed, etc.) to ensure that operations continue to run. They prepare you with solutions in case the services others provide are interrupted.

It is not difficult to develop a contingency plan. Just follow these easy steps:

1. First, **determine critical systems** – identify what your operation can not function without – ventilation, refrigeration, budget or delivery information, etc.
2. Then, **determine what you'll need to do to handle the problem** – develop examples of the type of emergency you may face and how you would handle it. Consider what can be run manually and for what period of time, whether you should buy a generator, etc.
3. **Identify the people required to carry out your plan.** Ask yourself if you'll require extra personnel to handle increased workload.
4. **Write it down.** If you aren't at your company or farm when the emergency occurs others will need to know how to handle the emergency. Share your emergency plan with your spouse or employees. And, make sure your plan is stored somewhere easily accessible and visible.
5. **Test your plan** to ensure it is complete and meets all of your concerns. Contact your local emergency official who can offer you sound, professional advice.

Do not overlook the legal implications. You or your business may be subject to legal claims by customers, suppliers and associates for failure to live up to your contracts and agreements. It is imperative that you show "due diligence" with regards to meeting your Year 2000 compliance requirements. Having an emergency plan in place will assist you in doing this.

A contingency plan could come in handy for use during other problems like storms, floods or other major disruptions. One thing is for certain, not doing anything or ignoring a potential problem is not an option. Unfortunately, natural disasters are becoming a more common occurrence in Canada and the consequences can be costly, disruptive and stressful.

"Be prepared" might be a well-known motto for kids. It is just as valid in business. Anticipating, planning and making provisions for you farm or business needs can make the difference in coping with an emergency.

Information available

For more information on Y2K, visit AAFC's web-site at <http://aceis.agr.ca/policy/y2k> or call the Government of Canada's Y2K information line at 1-800-270-8220.

For a copy of the Canadian Federation of Agriculture/Canadian Farm business Management Council brochure on how farms can prepare for Y2K, call AAFC at 613-759-1000.



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What's new on the Web

The big news is that very soon you can expect to see a new look on the WD Web site www.wd.gc.ca. We are in the process of redesigning the site and making it better for users, both WD staff and clients. While the content on the site remains the same, the look and navigating patterns will be improved. One new important item to be included on the soon to be launched redesigned Web site is a **Privacy Policy**. The issue of privacy has intensified in the last two years due to the increased activity on the Internet. Privacy concerns for all active Internet users are escalating because of the sheer amount of data that can be collected and transmitted. Most of the concerns focus on consumer or visitor privacy issues. This is a wake-up call that we all need to become more proactive in the way privacy is handled on Web sites.

Privacy Issues

In general, the Internet is embraced as an important medium for communication and gathering data. For example, in terms of marketing efforts, it allows for more data to be collected and stored and provides a way to make contact with a vast number of people on a daily basis. Still, despite all the benefits of the Internet, there is a general heightened sensitivity about the way both personal and business data is handled. Although business information is less personally sensitive, the general heightened feeling of concern exists for both the private Internet user and businesses conducting on-line transactions.

Privacy Guidelines

The **On-line Privacy Alliance**, a volunteer group of global businesses and associations, takes this issue seriously and is developing self-regulatory initiatives, as well as establishing guidelines to protect privacy rights.

Hewlett-Packard and IBM Corporation were instrumental in launching the alliance to ensure that privacy rights are not violated. They hope this will diminish the nervousness about how information is collected and whether it is secure.

When visitors submit information to a Web site, they have a right to know whether this data is secure, or if it will be exchanged or sold to another organization.

In the United States, The Council of Better Business Bureau's subsidiary, **BBBOnline** at <http://bbbonline.org>, has a program in place if individuals have privacy concerns, and serves as a place to go if privacy rights have been violated.

What is a Privacy Policy?

A privacy policy provides assurances to Web site visitors that when they make full use of a site their individual privacy is protected. With detailed, global and instantaneous computerized data collection and distribution, Internet users have serious and valid concerns about where their submissions end up and how this information will be used.

According to BBBOnline, privacy policies become important both to on-line entities as well as individual users. Easy to find and understand disclosures of information practices will help build consumer trust and relationships; while at the same time create a means by which on-line users can evaluate sites, exercise choice and control the collection and subsequent use of personal information.

A privacy policy should be prominently displayed and clearly disclose whether or not information is collected; the types and means by which information is collected i.e. cookies; the way that information will be used; who will be granted access to that information; and most importantly, what options the consumer can exercise in controlling that information.

WD is currently in the process of developing a privacy policy for our new Web site, which we hope to launch in the not too distant future.

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