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**Methodological Report  
FINANCIAL NEEDS OF  
CANADIAN SMEs**

*Prepared for  
Industry Canada*

*November, 2001*

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## 1. INTRODUCTION

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- In order to better understand how to meet the financial needs of Canadian SMEs and how to help better meet them, Industry Canada decided to conduct a nation-wide survey among SMEs. For this project, the Research Institute for SMEs was contracted to draw the questionnaire and analyze the results, and Créatec was contracted to manage the data collection.
- An initial mail-out survey was designed and conducted starting June 19, 2001. The low rate of return of this mail-out survey – 1,014 completed questionnaires out of the 10,020 that were sent – brought Industry Canada to conduct a follow-up telephone survey among the same sample in order to meet its target number of respondents as well as an acceptable response rate. The telephone survey was conducted from August 30 to September 24, 2001.
- The methodology of both phases of this survey is presented in this document.

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## 2. METHODOLOGY

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### 2.1 Population Under Study

- Canadian SMEs - businesses of less than 500 employees, excluding:
  - Non-profit organizations;
  - Holdings;
  - Franchises;
  - Public administrations and services.
- The eligible respondent was the owner. In some cases, the CEO, president or another high-ranking employee was identified by the owner as best able to talk about the financial needs of the business.

### 2.2 Sampling Plan

- In order to have a sample that would allow us to get a representative picture of the whole population of Canadian SMEs and yet be able to focus on very small and young businesses, several steps were necessary:
  - A base sample of 5,500 businesses was obtained from Dun & Bradstreet, randomly selected among the eligible businesses in their database.
  - The cross-distribution of the businesses in the base sample was closely examined in terms of region, sector of activity, number of employees and age of the business.
  - Twelve targeted sub-samples were obtained from Dun & Bradstreet to respect minimum number of businesses in all regions and among very small (0 employees) and young (2 years or less) businesses.
- The table on the following page shows the distribution of the base and complete samples by region, sector of activity, number of employees and age of the business.

	<b>BASE SAMPLE</b>	<b>TOTAL</b>
<b>TOTAL</b>	5500	10020
<b>REGION</b>		
• British Columbia	<b>736</b>	1267
• Prairies	<b>1115</b>	1712
– Alberta	565	990
– Saskatchewan	348	426
– Manitoba	202	296
• Ontario	<b>1942</b>	3684
• Quebec	<b>1312</b>	2316
• Atlantic	<b>378</b>	1041
– New Brunswick	128	318
– Nova Scotia	143	399
– Prince Edward Island	37	85
– Newfoundland	70	239
<b>ACTIVITY</b>		
• Industries	1665	3030
• Services	3835	6990
<b>NUMBER OF EMPLOYEES</b>		
• 0	528	1030
• 1-4	3135	3891
• 5-19	1413	2317
• 20-49	301	1371
• 50-100	100	913
• 101 +	23	498
<b>AGE OF THE BUSINESS</b>		
• 2 or less	55	1879
• 2-5	136	1167
• 5-10	351	1070
• 10 +	1722	2176
• Missing	3236	3729

- For the telephone survey, a random sub-sample of 5,222 businesses was drawn among the total sample of 10,020 with the objective of reaching an acceptable response rate as well as an additional 1,000 completed interviews in that phase. .

Those who mentioned they had completed the mail-out questionnaire were invited to mail it back if they had not already done so and were considered out-of-sample for the telephone survey.

## 2.3 Respondent Qualification

- In the mail-out survey, an introductory note identified the owner of the business as the person selected to answer the survey, but it was possible for another respondent to complete the financial sections of the questionnaire.
- In the telephone survey, interviewers asked to speak with one of the owners, who as in most cases the CEO, the president or another high-ranking employee in the company.
- Clients were told that:
  1. Industry Canada had contracted Créatec to conduct a survey on the financial needs among Canadian SMEs in order to better meet those needs.
  2. Their names had been selected at random.
  3. Their participation was voluntary and the information they provided would remain anonymous and would be used only for the analysis needs of this study.
  4. Their name or that of their business would never be shared with Industry Canada.
  5. Their questions about the survey could be answered by calling a toll-free number within Industry Canada.

## 2.4 Questionnaire

- The Research Institute for SMEs drew the mail-out version of the English questionnaire in close consultation with Industry Canada. Créatec formatted the questionnaire to facilitate unassisted completion.
- Créatec carefully adapted the questionnaire for a telephone survey setting, keeping it as similar as possible to the mail-out version. The average duration of the telephone interviews was 18 minutes.

## 2.5 Data Collection

### *Mail-out Survey*

- The questionnaires were mailed on June 19, 2001. Reminder post-cards were mailed July 4.
- Returned questionnaires were received from June 27<sup>th</sup> to September 21, 2001.
- We received 62 requests to mail a second copy by respondents who had misplaced or never received the first questionnaire.

- Of the 10,020 questionnaires sent, 1,062 were returned because the business was no longer active or the address was wrong. Sixty-nine questionnaires were received incomplete and 1,014 were completed, for a return rate of 11.3%.

### ***Telephone Survey***

- All the interviews were conducted from our call centre in Montreal from August 30 to September 24, 2001.<sup>1</sup>
- Of the 5,222 numbers randomly selected for the telephone survey, 617 were invalid, 810 were not eligible – of those, 329 said they had already completed the mail-out questionnaire – and 1,134 interviews were completed, giving a response rate of 31% (see Table on the following page).

## **2.6 Data Processing**

### ***Mail-out Version***

- The questionnaires received were visually validated to ensure that most of the questions had been completed. Incomplete questionnaires were excluded.
- The questionnaires were individually identified and entered in the data bank using Interviewer software. Ten percent (10%) of the questionnaires entered were verified.
- A data bank of the completed questionnaires was provided to the Research Institute for SMEs.

### ***Telephone Version***

- After a few days of interviewing, a verification of the questionnaire programming was conducted to ensure that the respondents answered all relevant questions and that no answers were missing.
  - After all the interviews were completed, the data was processed using STATXP software and some variables were computed to provide a data set fully compatible with the mail-out version.
  - Some financial figures were identified as outliers by the Canadian Research Institute for SMEs and were called back for verification and adjustment.
  - A data bank of the completed questionnaires was provided to the Research Institute for SMEs.

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<sup>1</sup> Although scheduled to last until September 27<sup>th</sup>, the interviews were stopped on the 24<sup>th</sup> at the request of Industry Canada.

### ADMINISTRATIVE REPORT OF CONTACTS AND RESPONSE RATE\*

	Frequency	Total
<b>Numbers selected</b>		5,222
<b>A. Invalid numbers</b>		617
- Out of service	534	
- Residential	83	
<b>B. Numbers not in sample</b>		810
- Language problem	44	
- Age, sickness	12	
- Duplicate	3	
- Not eligible (filled and sent)	329	
- Not eligible (work)	411	
- Not eligible (other)	5	
- Out of territory	6	
<b>C. Numbers in sample for which eligibility could not be established</b>		645
- No answer**	405	
- Refused prior to establishing eligibility	240	
<b>D. Eligible numbers in sample for which an interview could not be completed</b>		2,016
- Absent for a long period	127	
- Incomplete questionnaire	48	
- Call-back not completed	771	
- Refused after establishing eligibility	1,070	
<b>E. Completed interviews</b>		1,134
<b>RESPONSE RATE :</b> <b>E</b> <div style="text-align: center;">_____</div> <div style="text-align: right;"><b>= 31%</b></div> <div style="text-align: center;"><b>C x (E.R.)*** + D + E</b></div>		

\* Presented as per AIRMS standards.

\*\* For a number to be consider "No answer", there must be no answer at the number throughout period of data collection. Thus, for example, an appointment for which there is no answer at the time it is called back must be considered "Call-back not completed" and not "No answer".

\*\*\* Eligibility rate =  $\frac{D + E}{B + D + E}$  = 80%



## 2.7 Weighting

- All the data was then combined, those of the mail-out and of the telephone versions, and weighted according to a scheme provided by Industry Canada. The table below summarizes the weighing scheme applied.

INDUSTRY AND NAICS CODES	Total	NUMBER OF EMPLOYEES				
		Less than 5	5-10	11-20	21-50	More than 50
• Wholesale and retail trade (41, 44, 45)	17,2%	12,6%	2,2%	1,1%	0,8%	0,4%
• Transportation, warehousing and couriers (48, 49)	5,6%	4,9%	0,4%	0,2%	0,1%	0,1%
• Information and cultural industries (51)	1,4%	1,1%	0,1%	0,1%	0,1%	0,1%
• Real estate and rental and leasing (53)	8,6%	7,9%	0,3%	0,2%	0,1%	0,1%
• Professional, scientific and technical services (54)	14,4%	12,6%	0,9%	0,4%	0,3%	0,2%
• Administrative support, waste management and remediation services (56)	5,2%	4,3%	0,5%	0,2%	0,2%	0,1%
• Educational services (61)						
• Health care and social assistance (62)						
• Arts, entertainment and recreation (71)	2,0%	1,6%	0,2%	0,1%	0,1%	0,0%
• Accommodation and food services (72)	6,0%	3,6%	1,0%	0,6%	0,5%	0,3%
• Other services (except public administration) (81)	8,9%	7,3%	1,0%	0,3%	0,2%	0,1%
• Agriculture, forestry, fishing and hunting (11)	11,1%	10,3%	0,4%	0,2%	0,1%	0,0%
• Mining and oil and gas extraction (21)	0,8%	0,6%	0,1%	0,0%	0,0%	0,0%
• Construction (23)	13,1%	11,1%	1,1%	0,5%	0,3%	0,2%
• Manufacturing (31,32,33)	5,6%	3,8%	0,6%	0,4%	0,4%	0,4%
<b>TOTAL</b>	<b>100,0%</b>	<b>81,9%</b>	<b>8,9%</b>	<b>4,2%</b>	<b>3,1%</b>	<b>2,0%</b>