

**MICRO-ENTERPRISES SURVEY, 2000**

**A Progress Report**

**Small Business Policy Branch**

**Industry Canada**

**June 7, 2001**

**MICRO-ENTERPRISE SURVEY, 2000**  
**A Progress Report**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b>List of Figures</b> .....   | iii         |
| <b>List of Tables</b> .....  | iv          |
| <b>1. Introduction</b> .....   | 1           |
| <b>2. Data Collection</b> .....  | 2           |
| <b>3. Owner Characteristics</b> .....                                      | 5           |
| 3.1. Gender.....   | 5           |
| 3.2. Age ( <i>A5</i> ).....  | 6           |
| 3.3. Education ( <i>A10</i> ).....   | 8           |
| 3.4. Immigrant or Canadian Born ( <i>A6, A7</i> ).....                     | 8           |
| 3.5. Source of Income ( <i>A8, A9, B12, B13</i> ).....                     | 8           |
| 3.6. Willingness to Take Risk.....   | 10          |
| 3.7. Motivation to Create a Micro-Enterprise ( <i>C1</i> ).....            | 10          |
| 3.8. Family Experience in Operating a Micro-Enterprise ( <i>A18</i> )..... | 10          |
| <b>4. Business Characteristics</b> .....                                   | 11          |
| 4.1. Longevity of the Firm ( <i>B1</i> ).....                              | 11          |
| 4.2. Legal Form ( <i>B2</i> ).....   | 12          |
| 4.3. Home-Based Micro-Enterprises ( <i>B6</i> ).....                       | 13          |
| 4.4. Stage of Development ( <i>C4</i> ).....                               | 14          |
| 4.5. Sales Growth ( <i>D1, D2</i> ).....                                   | 14          |
| 4.6. Plans to Expand the Business ( <i>C5, C6, C7</i> ).....               | 15          |
| 4.7. Business Ownership ( <i>B8</i> ).....                                 | 18          |
| 4.8. How was the Business Created? ( <i>B9</i> ).....                      | 19          |

|  |    |
|--|----|
| <b>5. Business Operation Characteristics</b> .....     | 20 |
| 5.1. Market Focus ( <i>D6</i> ).....                   | 20 |
| 5.2. Division of Labour ( <i>C11</i> ).....            | 21 |
| 5.3. Training Requirements ( <i>C8, C9</i> ).....      | 23 |
| 5.4. Sources of Business Advice ( <i>C10</i> ).....    | 24 |
| 5.5. Sources of Business Financing ( <i>D10</i> )..... | 25 |
| 5.6. Business Technologies ( <i>D12</i> ).....         | 25 |
| 5.7. Success Factors ( <i>D9</i> ).....                | 26 |
| <br>   |    |
| <b>6. Next Steps</b> .....                             | 28 |
| <br>   |    |
| <b>References</b> .....                                | 29 |
| <br>   |    |
| <b>Appendix-Questionnaire</b>                          |    |

## LIST OF FIGURES

|  | <b>Page</b> |
|--|-------------|
| Figure 1. Distribution of Gender by Sector.....  | 5           |
| Figure 2. Distribution of Micro-Enterprise Operators by Age.....   | 6           |
| Figure 3. Distribution of Age of Operators by Sector.....  | 7           |
| Figure 4. Percentage of Operators where the Micro-Enterprise<br>is either the Only or the Most Important Source of Income for the Household, by<br>Sector.....         | 9           |
| Figure 5. Distribution of Longevity of Firms by Sector.....  | 11          |
| Figure 6. Percentage of Provincially & Federally Incorporated Firms, by Sector.....  | 12          |
| Figure 7. Distribution of Home-Based Businesses by Sector.....   | 13          |
| Figure 8. Percentage of Firms with a Maximum Continuous Growth over<br>a 4-Year Period.....  | 15          |
| Figure 9. Reasons for no Plans of Expansion.....   | 16          |
| Figure 10. Percentage of Firms with an Expansion Strategy.....   | 17          |
| Figure 11. Percentage of Micro-Enterprises by Ownership Category & by Sector.....  | 18          |
| Figure 12. Percentage of Firms with Markets Concentrated in the Same Community.....  | 20          |
| Figure 13. Percentage of Business Functions Performed by: the Respondent, Employees,<br>or not Performed at the Micro-Enterprise .....                                 | 22          |
| Figure 14. Percentage of Respondents who Stated that They Require<br>Training and, When Applicable, that their Employees Require Training<br>in Particular Skills..... | 23          |
| Figure 15. Percentage of Times the Source of Business Advice is Selected.....  | 24          |
| Figure 16. Percentage of Firms that Used Sources of Business Financing.....  | 25          |

|   | <b>Page</b> |
|---|-------------|
| Figure 17. Percentage of Firms Using Business Technologies..... | 26          |
| Figure 18. Factors of Success.....                              | 27          |

### **LIST OF TABLES**

|  | <b>Page</b> |
|--|-------------|
| Table 1. Distribution of Responses by Industry and Region,<br>and their 95% Confidence Interval..... | 4           |

## MICRO-ENTERPRISES SURVEY, 2000

### 1. Introduction

In 1998, Statistics Canada's Business Register counted 592,981 enterprises with 1 to 4 employees. These are here called micro-enterprises. They accounted for 77% of all employer firms in Canada. As such, micro-enterprises have significant potential to stimulate economic growth. However, evidence on the survival, growth and development of micro-enterprises is inconclusive.

Micro-enterprises represent the earliest stage of business development -- a stage where the owner-founder is typically also the manager of the firm. At this stage, the management decisions of the founder or entrepreneur, her/his intentions about the business, and his background and aspirations are intrinsically linked with the success of the business itself.

Survival and growth is a particular challenge for micro-enterprises, more so than for larger firms. A recent study indicated that only 1.07% of firms with fewer than 10 employees will grow to the next size category within a decade while only 0.02% will grow to more than 100 employees (Brander *et al*, 1998). In comparison, 11%-12.5% of firms with more than 10 employees will grow to the next size category within the same period.

In order to improve our understanding of the factors which motivate the entrepreneur - the owner-founder of a micro-enterprise - to expand his or her business, in the Summer of 2000, Industry Canada's Small Business Policy Branch (SBPB), in cooperation with the Small Business and Special Surveys Division (SBSSD) of Statistics Canada, designed a

questionnaire and implemented a survey of micro-enterprises. The objective of the survey was to establish a baseline understanding of factors affecting micro-enterprise growth by profiling both the owners' and the firms' characteristics.

In due course, on-going policy research focusing on micro-enterprises will enable SBPB to develop appropriate and effective policy responses that are likely to improve the capacity of micro-enterprises to grow and to create sustainable jobs in the global knowledge economy.

This paper presents background on the data collection and coverage of the Micro-Enterprises Survey 2000 and it highlights key results under three headings:

- Owner-Manager Characteristics
- Business Characteristics
- Operating Characteristics

The next phase of analysis will use an econometric model to explore the determinants of growth of these micro-enterprises.

## **2. Data Collection**

Between June 9 and August 25, 2000, Statistics Canada conducted a survey of 1,505 micro-enterprises across the country, using a Computer Assisted Telephone Interview (CATI) system. The survey was administered to the majority owner/manager of the firm. The target population consisted of businesses operating in Canada with one to four employees in 1995 and still in operation 4 years later. The survey sample consisted of firms in the following industries: construction, finance and real estate, accommodation and other services,

agriculture, business services, health and social services, and retail trade. Non-profit organizations and government offices in these sectors were excluded from the sample.

The sample was stratified such that results can be compared for businesses in different industrial sectors and regions. The number of firms in each industry, with the applicable 1980 Standard Industrial Classification, and the number of respondents in each region are provided in Table 1. The table also displays the associated confidence intervals.

Excluding businesses that were found to be inoperative, an overall response rate of 53% was obtained. The response rate was particularly low in the Health and Social services sector, at 24%; without that sector, the overall response rate would have been 59%.

Overall survey results are accurate to 3.6 percentage points (95% confidence interval). The margin of error for the industry results ranges between 8.0% and 15.3%; by region, the 95% confidence interval ranges between 6.9% and 9.6%.

**Table 1. Distribution of responses by industry and region, and their 95% confidence interval**

| <b>A. By Industrial Sector</b>                         |                              |                        |                                |
|--|------------------------------|------------------------|--------------------------------|
| <b>Industrial Sector</b>                               | <b>SIC 80 Classification</b> | <b>Number of Firms</b> | <b>95% Confidence Interval</b> |
| Agriculture  | A01-A02                      | 284                    | 8.1 p.p.                       |
| Construction   | F40-F44                      | 259                    | 8.5 p.p.                       |
| Retail Trade   | J60-J69                      | 243                    | 8.0 p.p.                       |
| Finance and Insurance                                  | K70-L76                      | 174                    | 11.0 p.p.                      |
| Business Services                                      | M77                          | 231                    | 8.3 p.p.                       |
| Health & Social Services                               | P86                          | 103                    | 15.3 p.p.                      |
| Accommodation and Other Services                       | Q91 -R99                     | 211                    | 9.1 p.p.                       |
|  | <b>Total:</b>                | <b>1,505</b>           |                                |
| <b>B. By Region</b>                                    |                              |                        |                                |
| <b>Region</b>  | <b>Number of Firms</b>       |                        | <b>95% Confidence Interval</b> |
| Atlantic   | 248                          |                        | 8.5 p.p.                       |
| Quebec   | 319                          |                        | 6.9 p.p.                       |
| Ontario  | 321                          |                        | 7.4 p.p.                       |
| Manitoba, Saskatchewan, Northwest Territories, Nunavut | 209                          |                        | 9.0 p.p.                       |
| Alberta  | 220                          |                        | 8.5 p.p.                       |
| British Columbia, Yukon                                | 188                          |                        | 9.6 p.p.                       |
| <b>Total:</b>  | <b>1,505</b>                 |                        |                                |

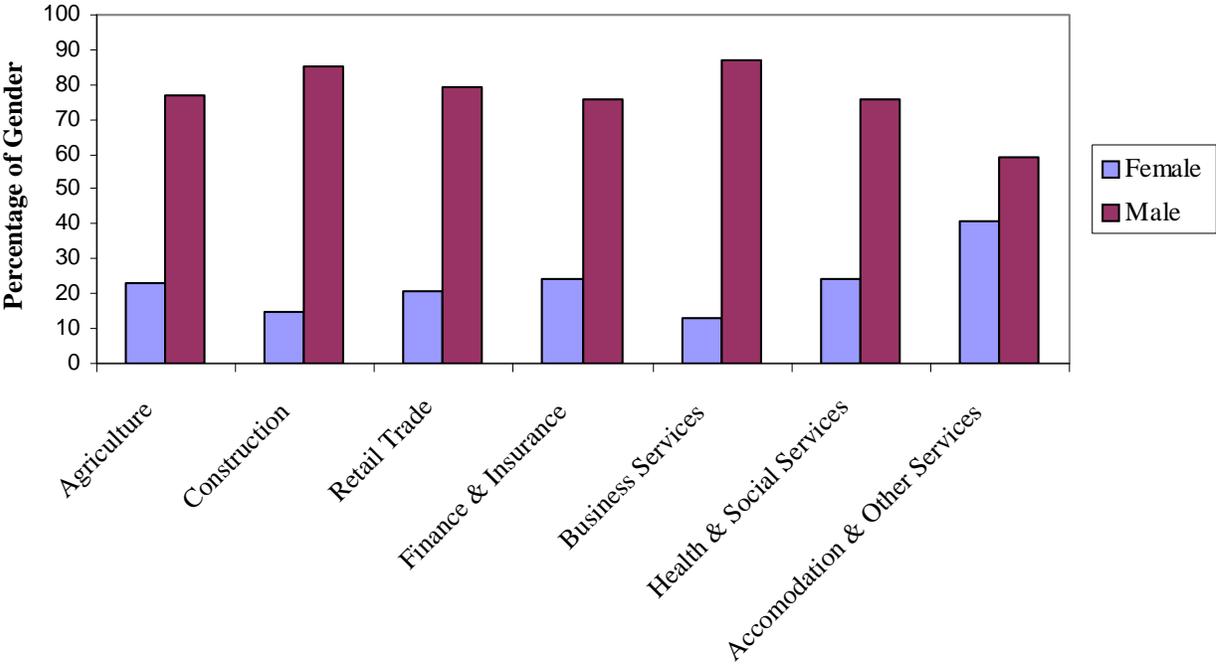
The following sections present highlights of the survey results, including sectoral and regional detail in so far as significant differences turned up. The question number(s) on which the section reports is indicated in brackets next to the title. The full text of the questionnaire is in an attachment.

**3. Owner Characteristics**

**3.1. Gender (A4)**

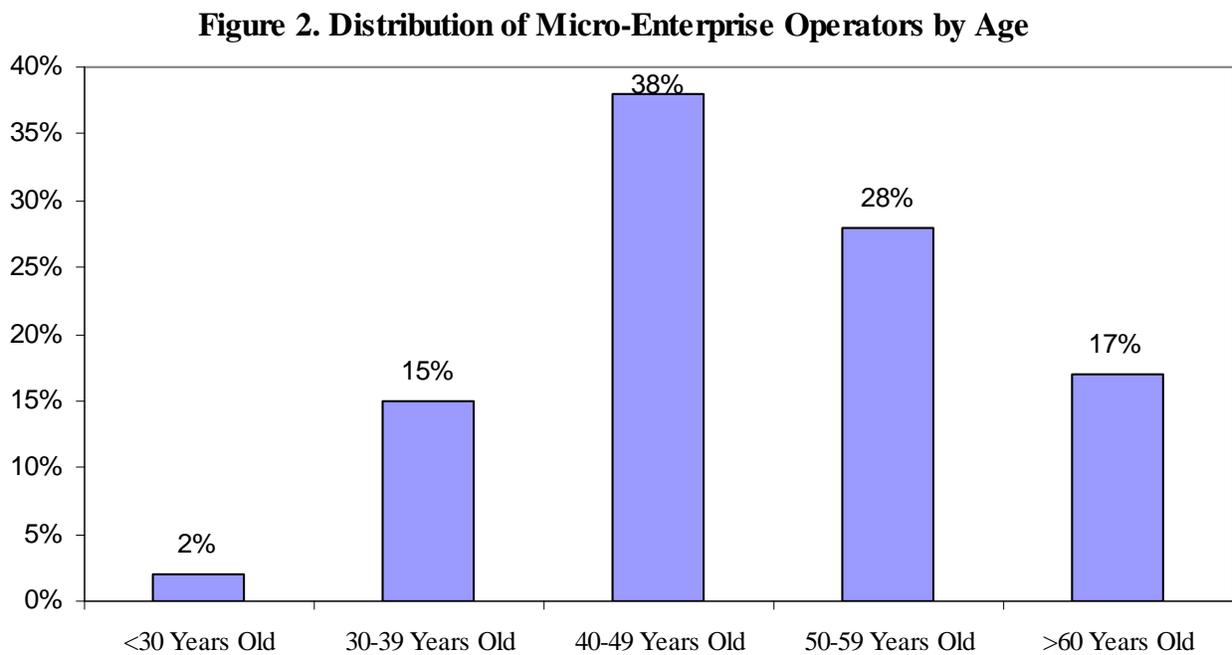
On average, micro-enterprises are more likely to be owned by males (77%) than females (23%). Female participation is lowest in Business Services (13%) and Construction (15%), highest in Accommodation and Other Services (41 %) (Figure 1).

**Figure 1. Distribution of Gender by Sector**



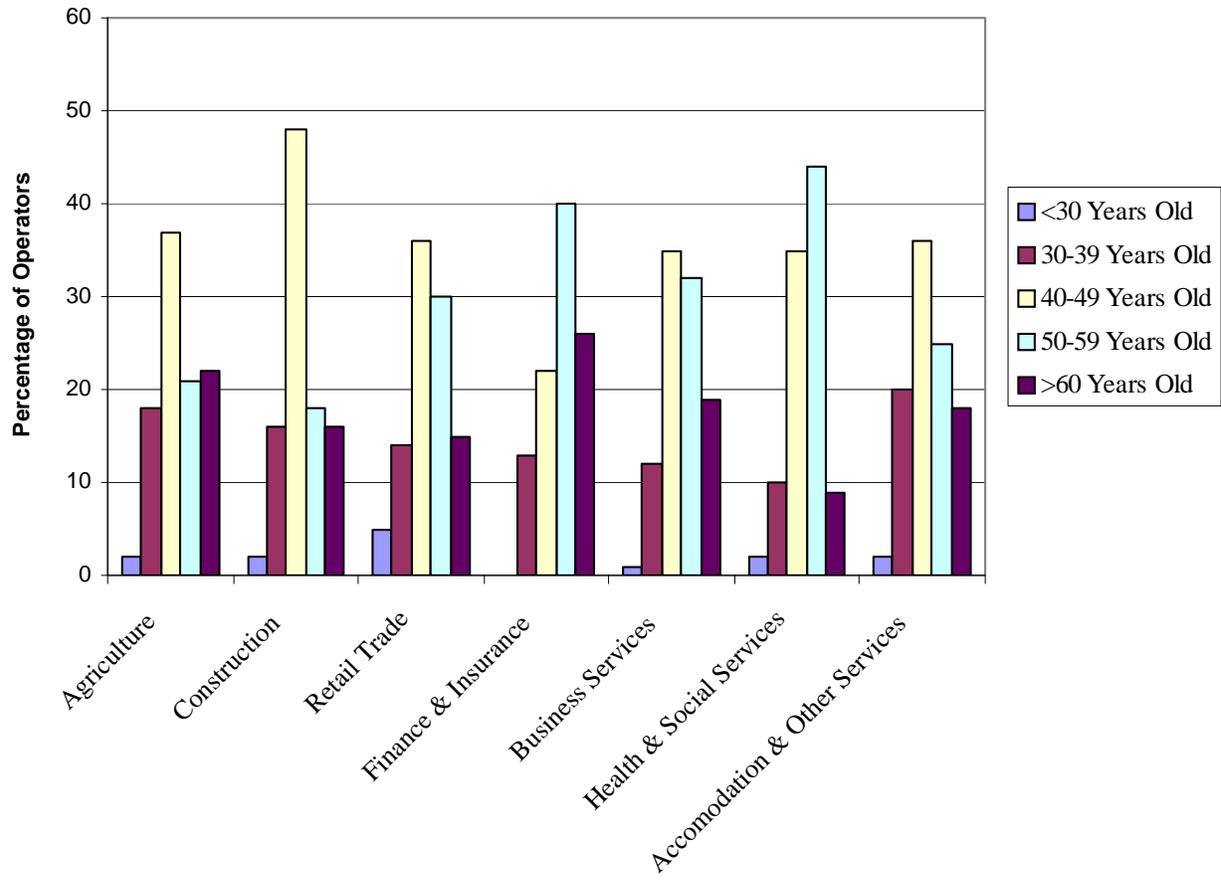
### 3.2. Age (A5)

Few micro-enterprise owners/operators are under 30 (2%). The most common age is 40-49 (38%) and those aged 50-59 and over 60 are also well represented, with 28% and 17% respectively (Figure 2).



The 40-49 age group is most common in all sectors except in Health and Social Services and Finance and Insurance, where the 50-59 group dominates. Construction is notable in having a sharp drop-off in age after 40-49 (Figure 3).

**Figure 3. Distribution of Age of Operators by Sector**



### **3.3 Education (A10)**

Forty four percent of the micro-enterprise owners have a post secondary education. Owners in Business Services and Finance and Insurance have the highest percentage of business owners with a post-secondary education, 76% and 66% respectively.

### **3.4. Immigrant or Canadian Born (A6, A7)**

About 19% of micro-enterprise owners are not born in Canada. In Quebec, Manitoba/Saskatchewan and the Atlantic region less than 10% of the entrepreneurs are immigrants. In contrast, in Ontario, Alberta and British Columbia the percentage is 30%.

At the time of the interview, approximately half of the immigrant entrepreneurs (48%) had been in Canada for thirty years and more. Most of the immigrants in this category are engaged in Business Services or Finance and Insurance.

A mere 3% of the micro-firm owners immigrated to Canada less than ten years ago, and 22% immigrated between 1981 and 1990. Most of the immigrants in the latter category are in Accommodation and Other Services or Retail Trade.

### **3.5. Source of Income (A8, A9, B12, B13)**

The micro-firm is the sole source of income for 54% of the respondents and the most important source of income for another 26%. The rest of the operators (20%) do not consider the business as their most important source of income.

Agriculture and Retail Trade have the highest proportion of operators who rely solely on the business as a source of income, at 69% and 60% respectively. Business Services and

Finance and Insurance have the lowest proportion of such operators (Figure 4).

Consistent with these results, less than 20% of the micro-enterprise owners are employed by another business or are majority owners of other businesses.

**Figure 4. Percentage of Operators where the Micro-Enterprise is either the Only or the Most Important Source of Income for the Household, by Sector**



### **3.6. Willingness to Take Risk (C3)**

Thirty percent of the micro-firm owners said they were prepared to risk major personal assets to make the business grow. Only 21% of the owners/managers in Business Services said they would risk major personal assets, compared to 37% of the owners/managers in Agriculture.

### **3.7. Motivation to Create a Micro-Enterprise (C1)**

Almost 1 in 2 of the micro-firm owners started their business primarily to be their own boss. The results are approximately the same across industries, ranging from 40% for Accommodation and Other Services and Business Services, to 55% for the construction industry. This response is also fairly consistent across regions, ranging from 38% for Atlantic Canada to 50% for Quebec.

### **3.8 Family Experience in Operating a Micro-Enterprise (A18)**

During their childhood years, 49% of micro-enterprise owners had a close relative, such as a parent or sibling, who owned a business. The proportion was highest in Agriculture (84%). By region, 70% of the entrepreneurs from the Manitoba/Saskatchewan region answered that a close family relative owned a business during their childhood years, compared to 39% in the Atlantic region.

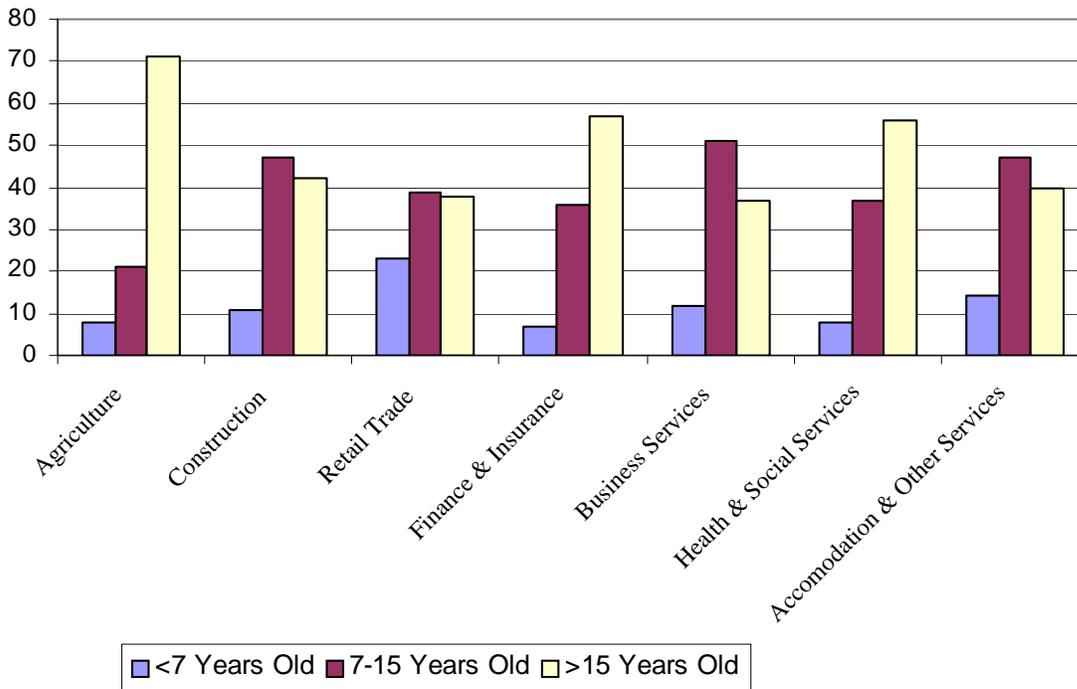
## 4. Business Characteristics

### 4.1. Longevity of the Firm (B1)

Only 13% of the surveyed micro-enterprises had been in operation less than 7 years, 41% had been in operation 7 to 15 years, and 46% more than 15 years.

Retail Trade and Accommodation and Other Services have the higher concentration of young businesses (<7years old), at 23% and 14% respectively, while Agriculture, Finance and Insurance and Health and Social Services have a relatively higher proportion of businesses with longer tenure of operation(>15 years) at 71%, 57%, and 56%, respectively (Figure 5).

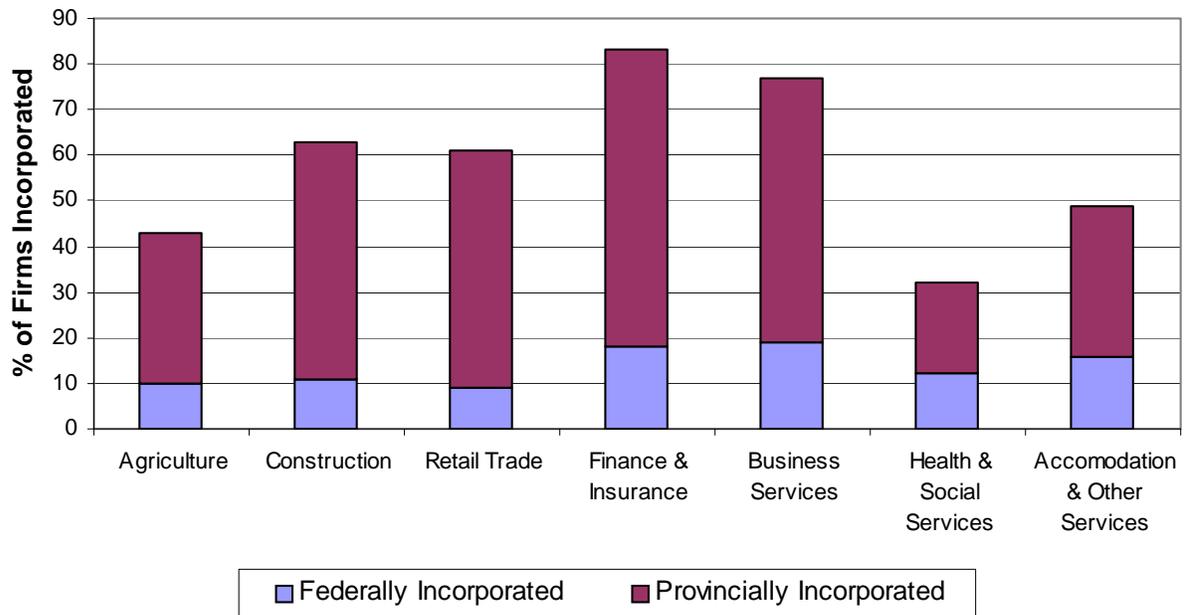
**Figure 5. Distribution of Longevity of Firms by Sector**



#### 4.2. Legal Form (B2)

In total, 58% of the micro firms are incorporated; of these, about one-fifth are federally incorporated (Figure 6). The Health and Social Services sector and the Agriculture sector have significantly low proportions of incorporated firms, 32% and 43% respectively, while in the Finance and Insurance sector, 83% of the firms are incorporated.

**Figure 6. Percentage of Provincially and Federally Incorporated Firms, by Sector**

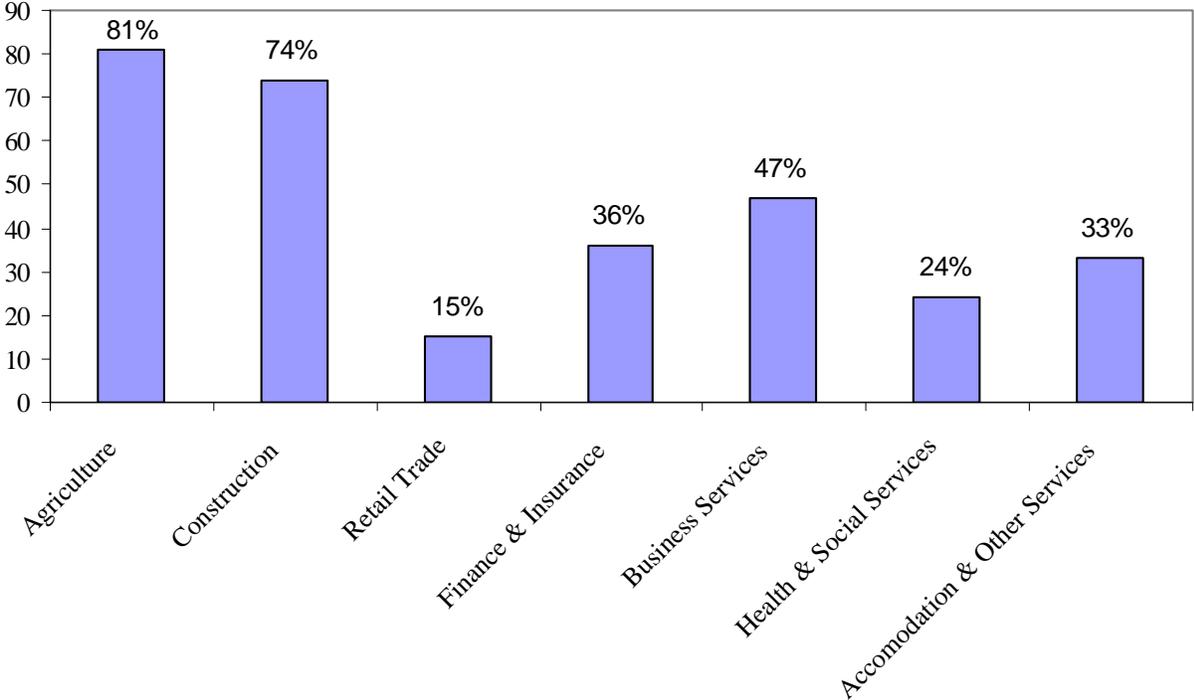


**4.3. Home-Based Micro-Enterprises (B6)**

Overall, 46% of the micro-enterprises are home-based. The proportion is highest in Agriculture and Construction, 81% and 74% respectively. The likelihood that a business is home-based is the lowest in Retail Trade and in Health and Social Services (Figure 7).

By region, Manitoba/Saskatchewan has the highest percentage of home based businesses (61%) while Ontario is lowest at 38%.

**Figure 7. Distribution of Home-Based Businesses by Sector**



#### **4.4. Stage of Development (C4)**

The questionnaire defined the various stages of development in a micro-enterprise and asked respondents at what stage their company was at present. The early start-up stage was defined as where the business is relatively young and is engaged in product development with anticipated sales, some time in the future. A late stage start-up was said to be one where bringing the product to market is near, and where there are some initial confirmed sales. In the survival stage, the business is established but still not profitable. In the growth stage, the company has an established market and is expanding. Finally, in its mature stage, there is a high degree of stability in the firm's market.

Almost 40% of micro-enterprises were at the mature stage at the time the survey was conducted. Another 37% were in the growth stage. Twenty-two percent said they were in the survival stage; this is the only stage response group where there are significant differences between sectors: Accommodation, 33% said to be in the survival stage, compared to 9% in Finance and Insurance.

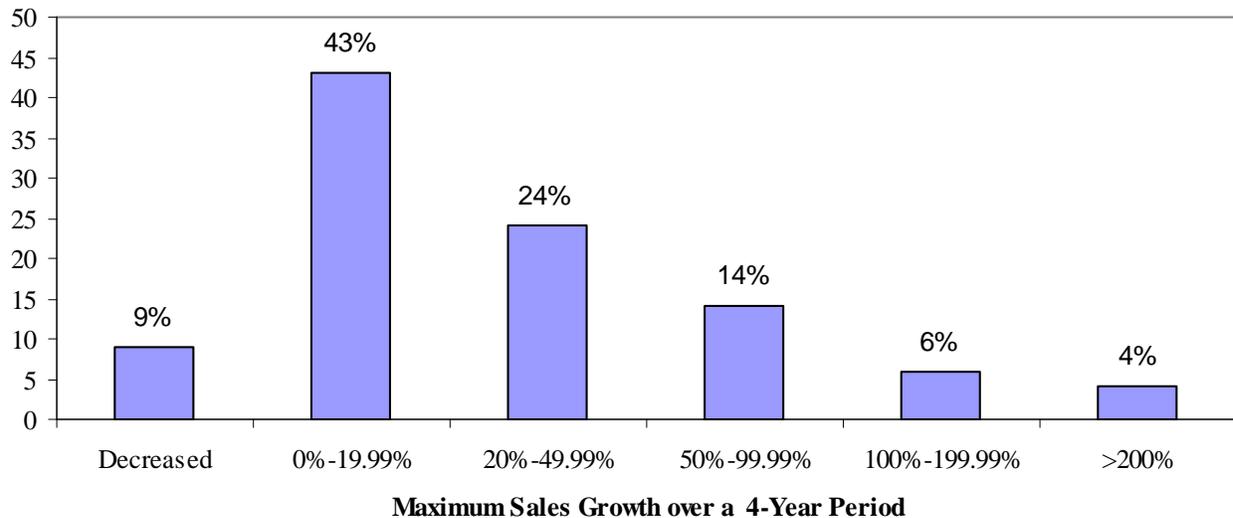
There were too few responses in the early and late stage start-up stage to permit distinguishing between them. In total only 3% were found to be in a start-up stage.

#### **4.5. Sales Growth (D1, D2)**

Ten percent of the firms had seen sales double or more over a 4-year period. On the other hand, 43% saw sales grow by 20% or less and 9% had declining sales (Figure 8).

By sector, Business Services has the highest percentage of micro firms (22%) with more than 100% sales growth over a 4-year period.

**Figure 8. Percentage of Firms with a Maximum Continuous Growth over a 4-year Period**



As to sales growth expectations, 1% of the owners expected their sales to grow more than 200% over the next four years and another 7% foresaw sales growth between 100% and 200%. Most respondents (58%) expected a sales growth between zero and less than 20%. Seven percent of the firms expected their sales growth to decrease over the next four years.

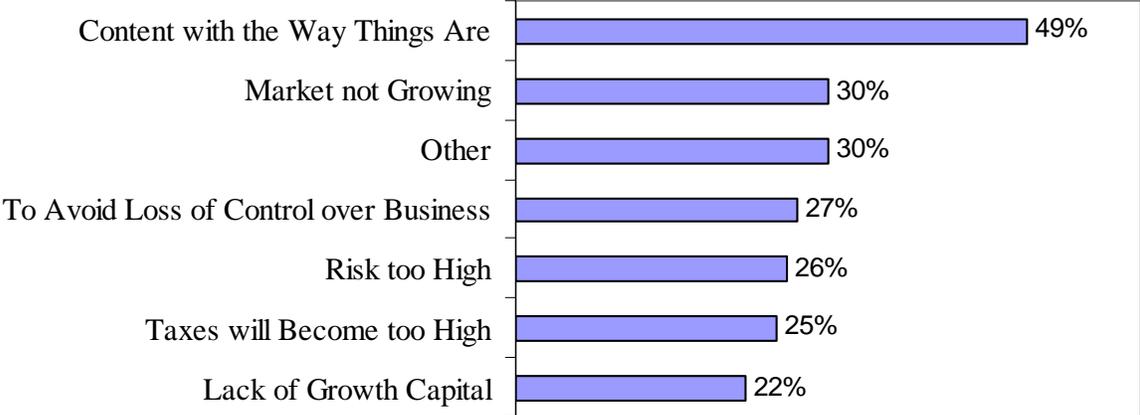
#### **4.6. Plans to Expand the Business (C5, C6, C7)**

Thirty four percent of the micro-enterprises are planning to expand in the next two years. The results across sectors are very similar, hovering around the national average. By region, 39% of the owners in Ontario are planning to expand in the next two years compared to 25% in the

Atlantic region.

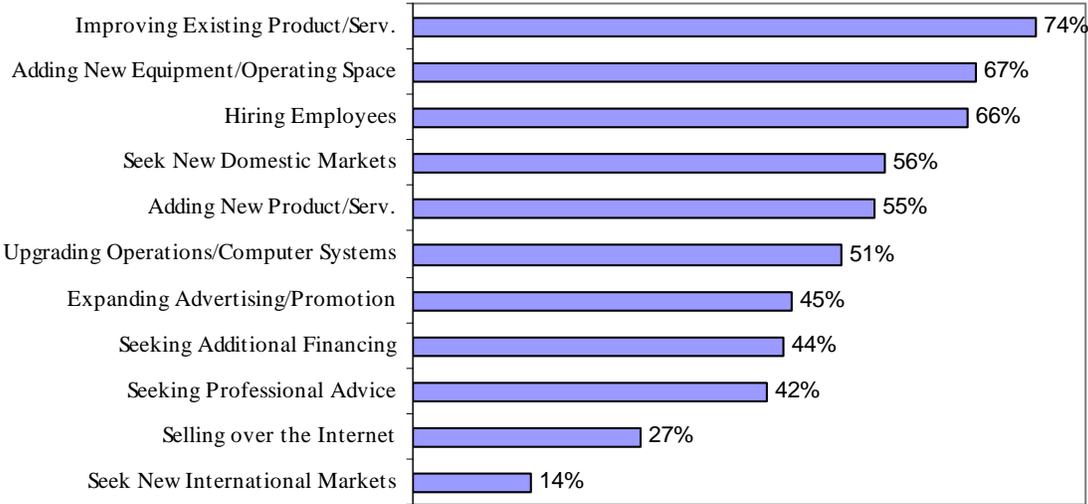
Of the 66% of owners who had no expansion plans in the next two years, about one-half said this was because they were content with the way things were. “Lack of Growth Capital” was the least selected reason (Figure 9).

**Figure 9. Reasons for No Plans of Expansion**



As to the micro-enterprises with plans to expand, the most selected expansion strategy is “improving existing products or services”, selected by 74% of the respondents. The least selected methods of expansion were “seeking new international markets” and “selling over the Internet”, selected, respectively, 14% and 27% of the times (Figure 10).

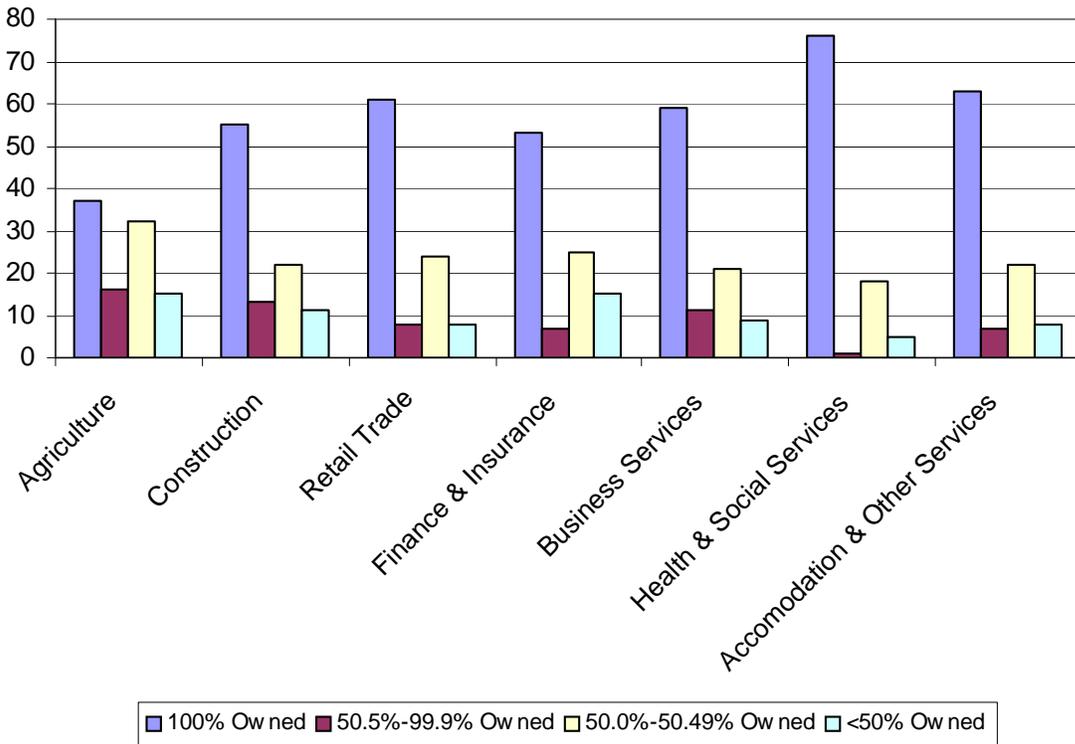
**Figure 10. Percentage of Firms with an Expansion Strategy**



#### 4.7. Business Ownership (B8)

Fifty seven percent of the micro-enterprises are fully owned by the operator. Health and Social Services, Accommodation and Retail Trade have the highest proportions of firms wholly owned by the majority owner, with 76%, 63% and 61% respectively. Agriculture, with 37%, is significantly below average on this score (Figure 11).

**Figure 11. Percentage of Micro-Enterprises by Ownership Category and by Sector**



#### **4.8. How was the Business Created? (B9, B10, B11)**

Sixty seven percent of these businesses had been started from scratch by the current owner. A further 24% said they bought the business from someone else. This result is consistent across industries, with the exception of the agricultural sector, where 23% said their business was a family inheritance. By region, 17% of the businesses in Manitoba/Saskatchewan were inherited from family members compared to only 2% in Alberta.

It is worthwhile noting that 52% of the micro-enterprise owners who did not start their businesses from scratch had a previous relationship with the business, mainly as employees.

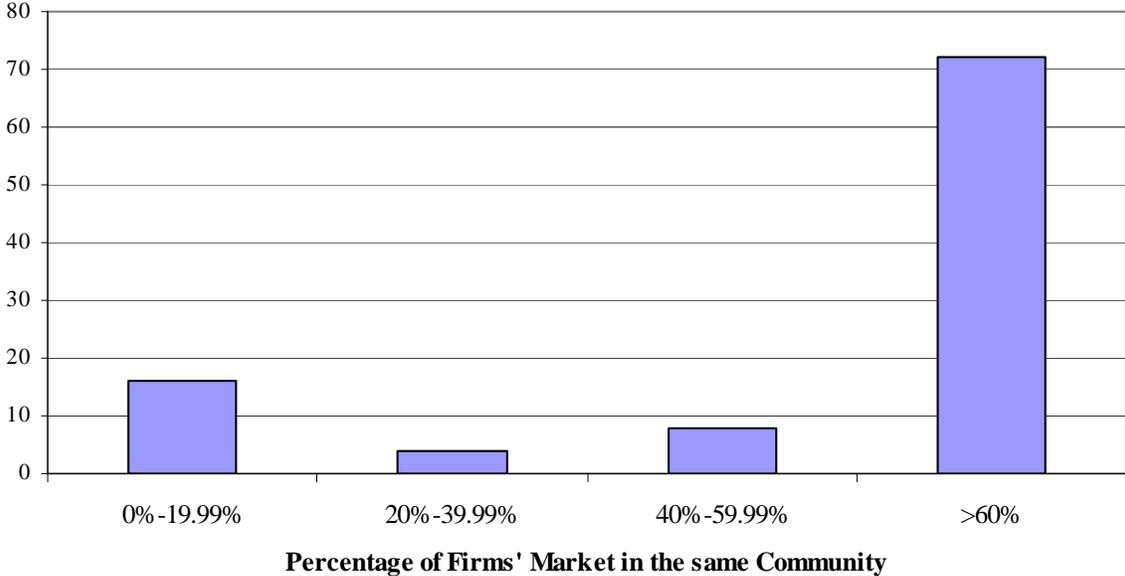
**5. Business Operation Characteristics**

**5.1. Market Focus (D6)**

Micro-enterprises are focussed on the local market. 73% of the firms have over 60% of their market concentrated in the local community; Only 16% of the firms depend on the local market for less than 20% of their business (Figure 12).

The main sectors with less than 20% of their market concentrated in local communities are Agriculture and Business Services. Agriculture with such a non-local focus is mainly found in Manitoba/Saskatchewan, while in Business Services, the main concentration of such firms is in Ontario.

**Figure 12. Percentage of Firms with Markets Concentrated in the Same Community**



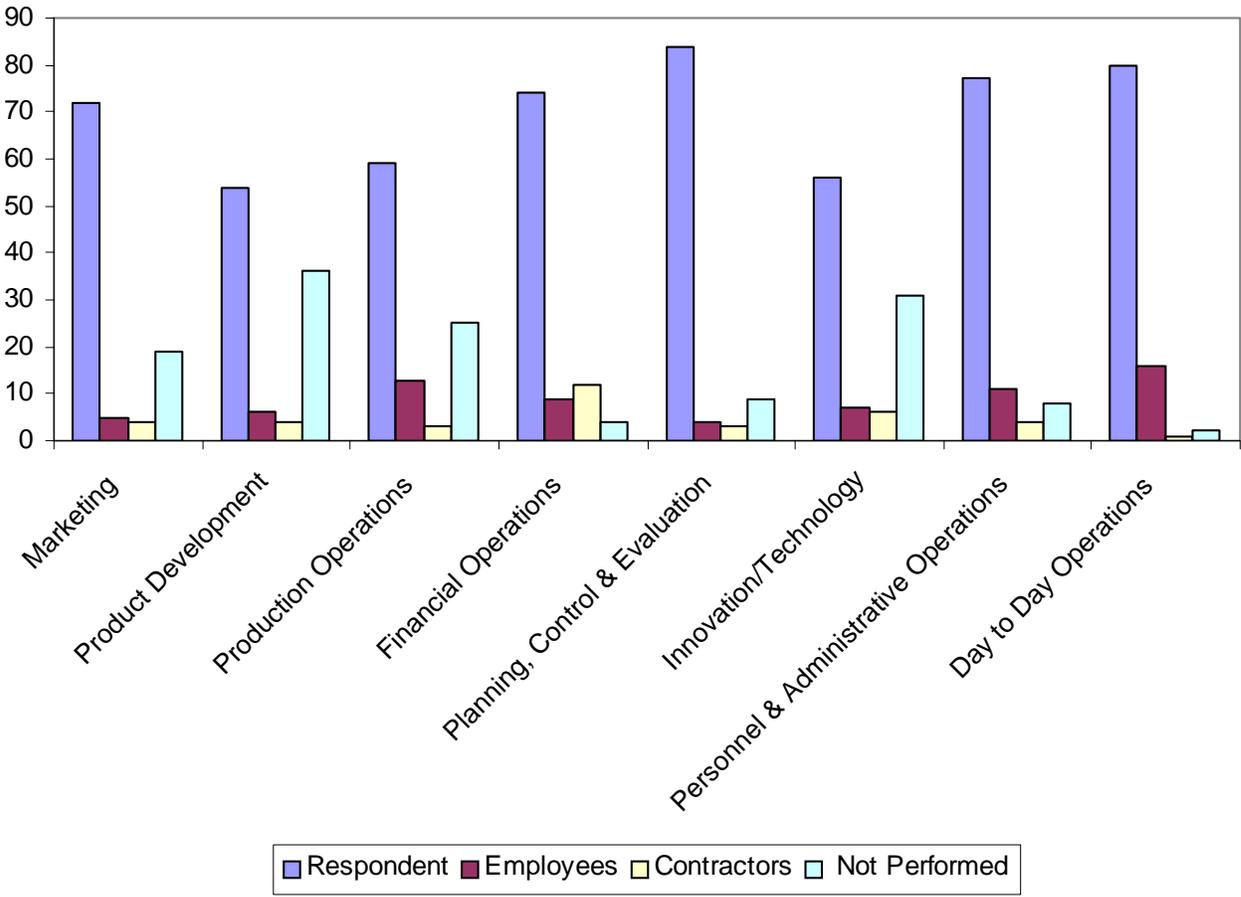
The outlook for future market growth in different geographic area is one of net growth. Forty five percent of the micro-enterprise owners believe that their market percentage in the local community will increase, 14% believe it will decrease, and 41% believe it will remain the same. For markets outside the local community, the majority of the micro-enterprise owners believe that their market percentage will remain the same but on the whole the perception is of net growth.

In the Local market, Agriculture is the main sector that foresees no market growth, while Business Services anticipates a net market growth. In the International market, the United States and the Rest of the World, Business Services again is the main sector that foresees net market growth while Finance and Insurance anticipates a market decline.

## **5.2. Division of Labour (C11)**

Business functions at the micro-enterprise are mostly conducted by the owner/manager of the firm (Figure 13). More than 50% of the operators stated that they perform each of the following business functions: marketing (72%), product development (54%), production operations (59%), financial operations (74%), planning, control and evaluation (84%), innovation/technology (56%), personnel and administrative operations (77%) and day to day operations (80%).

**Figure 13. Percentage of Business Functions Performed by : the Respondent, Employees, Contractors or Not Performed at the Micro-Enterprise**

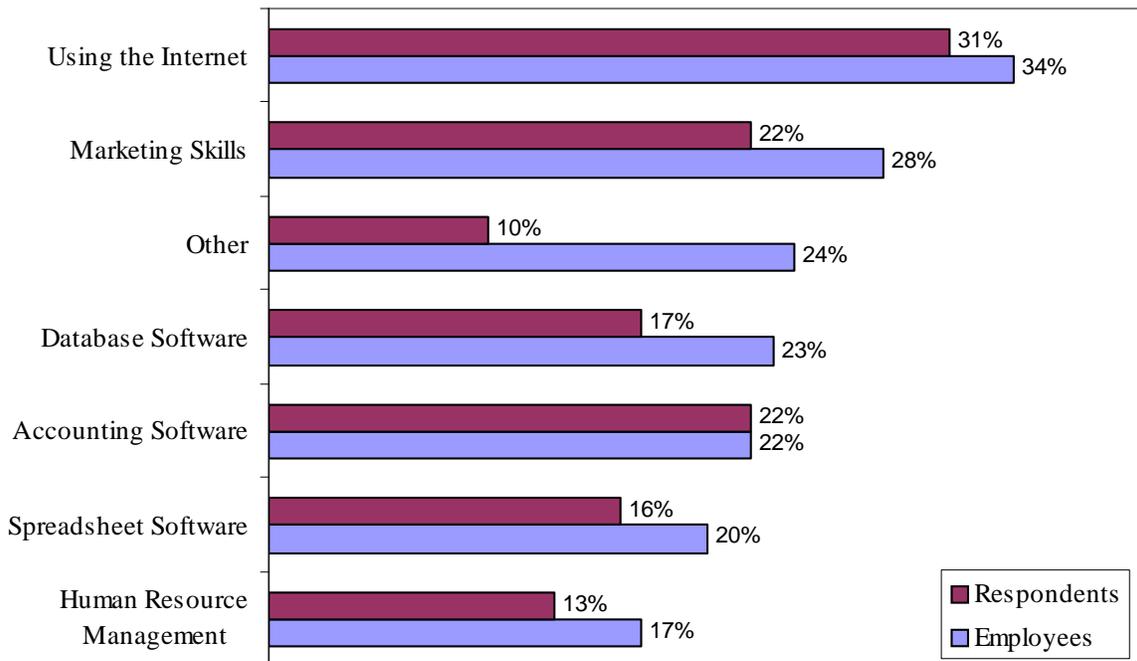


### 5.3. Training Requirements (C8, C9)

The training mostly required by the respondents is in Internet usage. Thirty one percent of the employers stated that they require training in this skill. Marketing skills comes in second place with 22%.

Fifty one percent of the respondents stated that their employees require training. Thirty four percent of these respondents stated that their employees require training in Internet usage and 28% in marketing skills (Figure 14). Finance and Insurance and Business Services most strongly indicated the need of their employees to be trained in Internet usage, marketing skills, and database software.

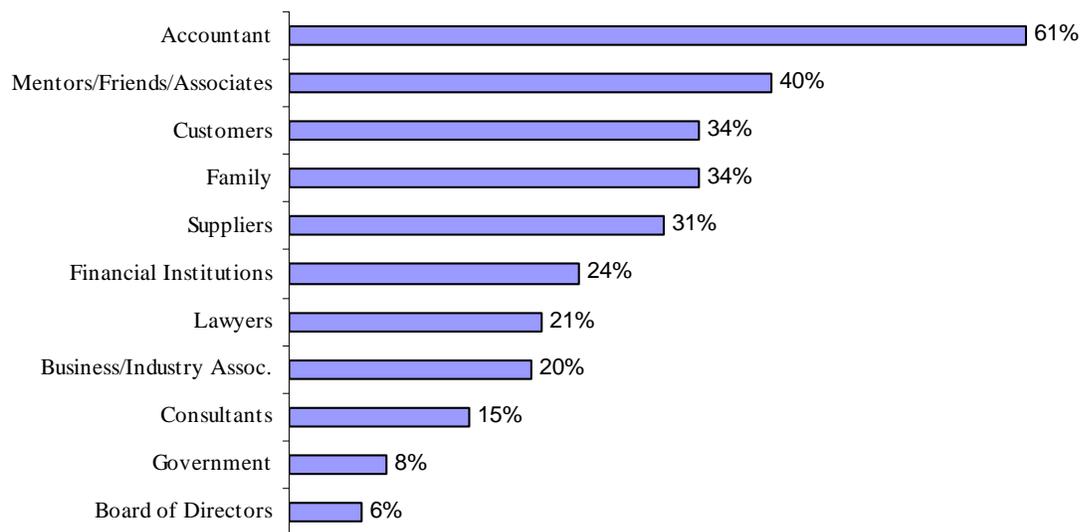
**Figure 14. Percent of Respondents Who Stated that They Require Training and, when applicable, that their Employees Requiring Training in Particular Skills**



#### 5.4. Sources of Business Advice (C10)

Significant business advice was most often sought from accountants, selected by 61% of the respondents. Least commonly sought out for advice were the government and the firm's Board of Directors (Figure 15).

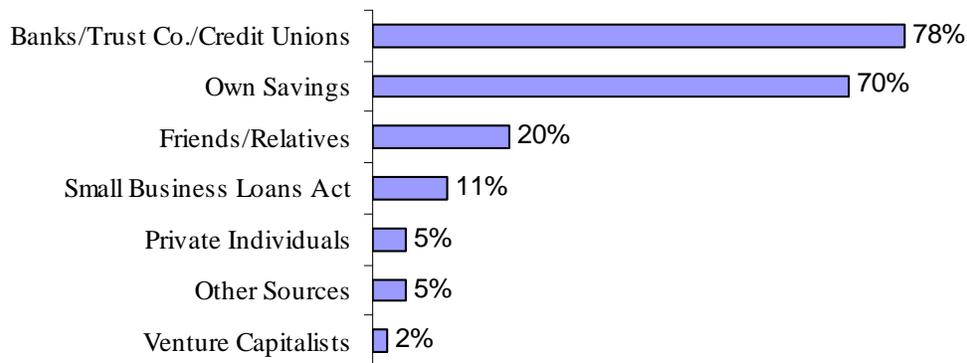
**Figure 15. Percentage of Times the Source of Business Advice is Selected**



### 5.5. Sources of Business Financing (D10)

Micro-firm owners tend to rely mostly on banks, trust companies and credit unions and on their own savings to finance their business. Venture capitalists were the least selected as a source of financing (Figure 16).

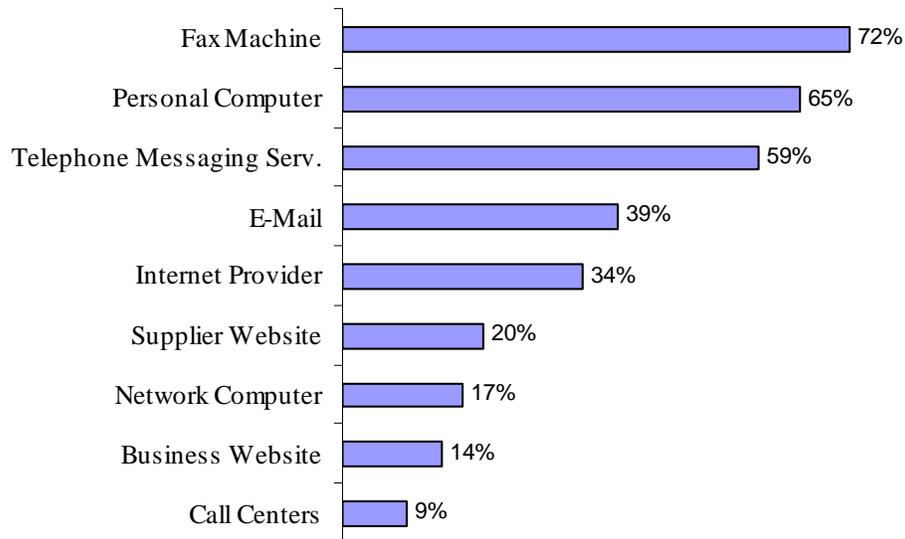
**Figure 16. Percentage of Firms that Used Sources of Business Financing**



### 5.6. Business Technologies (D12)

The fax machine, personal computer and telephone messaging are the most regularly used business technologies (Figure 17).

**Figure 17. Percentage of Firms Using Business Technologies**



### **5.7. Factors of Success (D9)**

More than 50% of the surveyed entrepreneurs said that each of the following factors are vitally important in determining whether or not the business succeeds: Business skills of employees (76%), management skills (63%), skills in using technology (61%), favourable market conditions (80%), clear vision for the business (76%), luck (51%), planning (78%), family/moral support (75%), good working relationships with business partners (78%), access to financing (69%), location (67%) and favourable tax and regulatory environment (80%) (Figure 18).

**Figure 18 . Factors of Success**



## 6. Next Steps

The literature on firm-level determinants of growth is rich and covers a wide spectrum of issues, such as the importance of firms' demographics or the impact of the beliefs, attitudes and perceptions of the firm's top management. Most previous studies of firm growth focus on the manufacturing sector and large firms. This study focuses on micro-enterprises in sectors like business services and retail trade.

The literature offers at least two theories for the growth of a firm: Gibrat's law and Jovanovic's model. Gibrat's law asserts that the probability of a proportionate increase in firm size over an interval in time is the same for all firms, regardless of their size at the beginning of the interval. Jovanovic's model predicts disproportionate growth across firms on the basis of age, positing an inverse relationship between firm age and growth.

As a next step, the study will investigate the relationship between firm-level employment growth and firm age and other factors such as whether the establishment is incorporated or not and the characteristics of the owner.

**References:**

Brander *et al.* 1998. "The Engine of Growth Hypothesis: On the Relationship between Firm Size and Employment Growth." University of British Columbia.

Evans, D. "The Relationship between Firm Growth, Size and Age: Estimates for 100 Manufacturing Industries." *Journal of Industrial Economics*. Vol. 35(1987a) 567-581.

Evans, D. "Tests of Alternative Theories of Firm Growth." *Journal of Political Economy*. Vol. 95 (1987b) 657-674.

Jovanovic, B. "Selection and Evolution of Industry." *Econometrica*. Vol.50 (1982) 649-670.

Variyam, J. & Kraybill, D. "Empirical Evidence on Determinants of Firm Growth." *Economics Letters*. Vol.38 (1992) 31-36.

You, J.-I. "Small Firms in Economic Theory." *Cambridge Journal of Economics*. Vol. 19 (1995) 441-462.

**Initial Call**

Hello, this is <name of interviewer> from Statistics Canada.

Have I reached <name of business>?

*Confirm name of business. If you are told that company is not the same as company above, ask if that company is in any way related to the company. (It could be that you have reached the company's private accountant, or that the company has merged or changed names.) Find out how you can get in touch with the right business.*

May I please speak with the majority owner of <name of business>? (This is the person with the highest proportion of ownership. If there are equal partners, the survey should be filled out by the one with the most involvement in the business.) If the majority owner is an absentee owner, may I please speak to an owner who is a hands-on operator of <name of business>?

*If yes, arrange to complete the interview with the person who has the highest proportion of ownership.*

A1 What is your name? \_\_\_\_\_

A2 What is your position title? \_\_\_\_\_

A3 What is your phone number? \_\_\_\_\_

A4 What is your gender? \_\_\_\_\_

**Survey Introduction**

Hello. This is <name of interviewer> from Statistics Canada. We are conducting a voluntary survey of small businesses on behalf of Industry Canada.

The purpose of the survey is to explore the factors and issues that impact on a business' ability to be successful. Industry Canada will use the information to improve its policies and services that promote and enhance small business's capacity to grow and create sustainable jobs.

While your participation is voluntary, your assistance is essential if the results are to be accurate. Your answers will be kept strictly confidential and used only for statistical purposes. My supervisor may listen in to evaluate the survey.

**Section B: Details on the Ownership of the Business**

First, I will ask some questions about the ownership of your business.

B1. How many years in total has <name of business> been in operation?

*Mark one only*

- Less than 7 years
- 7 to 15 years
- more than 15 years

B2. Is the business incorporated?

- Yes
- No ***Skip to B6***

B3 Is the business federally incorporated or provincially incorporated?

- Federal
- Provincial

B4. How many years has the business been incorporated?

- Less than one year
- 1 - 2 years
- 3 – 4 years
- 5 – 6 years
- 7 years or more

B5 Is the business a franchise?

- Yes
- No

B6. Is this a home-based business?

- Yes
- No

B7. When you became the owner, what was the percentage distribution of ownership?

- \_\_\_\_\_ % Yourself
- \_\_\_\_\_ % Other family members
- \_\_\_\_\_ % Other employees of the business or Business Partner
- \_\_\_\_\_ % Public shareholders
- \_\_\_\_\_ % Corporate parent
- \_\_\_\_\_ % **Total**

B8 What is the percentage distribution of ownership of the business today?

- Same
- \_\_\_\_\_ % Yourself
- \_\_\_\_\_ % Other family members
- \_\_\_\_\_ % Other employees of the business
- \_\_\_\_\_ % Public shareholders
- \_\_\_\_\_ % Corporate parent
- \_\_\_\_\_ % **Total**

B9. How did you become an owner of <name of business>?

*Mark one only*

- Started it from scratch **Skip to B12**
- Bought it from someone else as a successful business
- Bought it from someone else as an unsuccessful business
- Inherited it from a family member
- Spin off from another business
- Other (please specify) \_\_\_\_\_

B10. Did you have any relationship to the business before you became an owner? For example were you a customer, supplier or employee of the business or were you a relative of one of the previous owners?

- Yes
- No **Skip to B12**

B11. What was your relationship to the business before becoming an owner? Were you a (n)...

*Mark all that apply*

- employee?
- customer?
- supplier?
- relative?
- acquaintance of one of the previous owners?
- other (please specify) \_\_\_\_\_

B12. Are you **currently** employed by any business other than <name of business>?

- Yes
- No

B13. Are you **currently** a majority owner of any other businesses?

- Yes
- No

B14. In the last ten years, have you been a majority owner in any other business(es) of which you are no longer an owner?

- Yes
- No *Skip to C1*

B15. What were the **main** reasons why you ceased to be an owner of these businesses?

*Mark all that apply*

- Business sold to make a profit
- Business not profitable enough
- Business went bankrupt
- Other (please specify) \_\_\_\_\_

### Section C: Owner's personal and business goals

I would now like to ask you about your involvement in the business and to try and identify what goals you have set for <name of business> and how those goals interact with your personal goals.

C1. Which of the following is the **primary** reason why you became a business owner?

- To be your own boss
- You could not find suitable waged employment
- To realize a dream
- To realize a better financial position
- To enjoy a better quality of life
- Other (please specify) \_\_\_\_\_

For each of the following 2 statements, please indicate whether you agree, or disagree.

C2. I plan to spend significantly more time on my business so it will (hopefully) make more money.

- Agree
- Disagree

C3. I am prepared to risk my major personal assets (such as my house) if that is what it takes to make my business grow.

- Agree
- Disagree

C4. At which stage of development would you say your business is at present? (Choose only one.)

- EARLY START-UP stage, where your company is relatively young and is engaged in product development with anticipated sales, some time in the future.
- LATE-STAGE START-UP, where bringing the product to market is near and there are some initial confirmed sales.
- SURVIVAL stage, where your company is established in the marketplace, but still not profitable.
- GROWTH stage, where your company has an established market and is expanding.
- MATURE stage, where there is a high-degree of stability in your market.

C5. Are you planning to expand in the next 2 years?

- Yes
- No *Skip to C7*

C6 Which of the following elements are part of the expansion strategy? (*Yes or No*)

| Yes/No |   |
|--------|---|
| _____  | Adding a new product or service             |
| _____  | Improving existing products or services     |
| _____  | Seeking new domestic markets                |
| _____  | Seeking new international markets           |
| _____  | Selling over the internet                   |
| _____  | Expanding advertising and promotion         |
| _____  | Adding new equipment and/or operating space |
| _____  | Upgrading operations and computer systems   |
| _____  | Hiring employees                            |
| _____  | Seeking additional financing                |
| _____  | Seeking professional advice                 |

**SKIP to C8**

C7. Which of the following are reasons why you are not planning to expand in the next two years. (*Yes or No*)

| Yes/No |   |
|--------|---|
| _____  | Market not growing                            |
| _____  | Do not want to lose control over the business |
| _____  | Taxes will become too high                    |
| _____  | Lack of growth capital                        |
| _____  | Risks too high                                |
| _____  | Content with the way things are               |
| _____  | Other, (please specify) _____                 |

C8. Do you (owner/manager) require training in any of the following skills, during the next two years? (*Yes or No*)

| Yes/No |                               |
|--------|-------------------------------|
| _____  | Using the Internet            |
| _____  | Marketing skills              |
| _____  | Human resource management     |
| _____  | Spreadsheet software          |
| _____  | Database software             |
| _____  | Accounting software           |
| _____  | Other, (please specify) _____ |

C9. During the next two years, which of the following skills will your employees generally require training in? (*Yes or No*)

| Yes/No |                               |
|--------|-------------------------------|
| _____  | Using the Internet            |
| _____  | Marketing skills              |
| _____  | Human resource management     |
| _____  | Spreadsheet software          |
| _____  | Database software             |
| _____  | Accounting software           |
| _____  | Other, (please specify) _____ |

Not applicable (N/A) *Skip to C10*

C10. Did you get any significant business advice during the past year from the following sources: (*Yes or No*)

- \_\_\_\_\_ Accountant
- \_\_\_\_\_ Financial Institutions
- \_\_\_\_\_ Business or Industry Associations
- \_\_\_\_\_ Mentors/Friends/Associates
- \_\_\_\_\_ Consultants
- \_\_\_\_\_ Suppliers
- \_\_\_\_\_ Customers
- \_\_\_\_\_ Family
- \_\_\_\_\_ Lawyers
- \_\_\_\_\_ Government
- \_\_\_\_\_ Board of directors

C11. For the eight business functions listed below, please indicate if **(1)** you perform them yourself, **(2)** your employees perform, or are **(3)** contracted out.

- \_\_\_\_\_ Marketing
- \_\_\_\_\_ Product development
- \_\_\_\_\_ Production operations
- \_\_\_\_\_ Financial operations
- \_\_\_\_\_ Planning, control and evaluation
- \_\_\_\_\_ Innovation/Technology
- \_\_\_\_\_ Personnel and administrative operations
- \_\_\_\_\_ Day to day operations

**Section D: Characteristics of the company**

D1. What is the maximum amount that your sales have grown continuously over a 4- year period? (Please provide your best estimate)

*Mark one only*

- More than 200%
- 100% - 200%
- 50% - 100%
- 20% - 50%
- 0% - 20%
- Declined
- Do not know

D2. By how much do you expect your sales to grow over the next 4 years? (Please provide your best estimate)

*Mark one only*

- More than 200%
- 100% - 200%
- 50% - 100%
- 20% - 50%
- 0% - 20%
- Declined
- Do not know

D3. How many paid employees and/or contract workers does the business currently have?

- \_\_\_\_\_ Contract workers
- \_\_\_\_\_ Part-time employees (Emps. who work less than 30 hrs. per week)
- \_\_\_\_\_ Full-time employees (Emps. who work equal to, or more than 30 hrs. per week)

D4. How many paid employees and/or contract workers did the business have FOUR YEARS AGO?

- \_\_\_\_\_ Contract workers
- \_\_\_\_\_ Part-time employees (Emps. who work less than 30 hrs. per week)
- \_\_\_\_\_ Full-time employees (Emps. who work equal to, or more than 30 hrs. per week)

D5. How many paid employees and/or contract workers do you expect to have FOUR YEARS FROM NOW?

- \_\_\_\_\_ Contract workers
- \_\_\_\_\_ Part-time employees (Emps. who work less than 30 hrs. per week)
- \_\_\_\_\_ Full-time employees (Emps. who work equal to, or more than 30 hrs. per week)

D6. Over the past twelve months, approximately what percentage of your market was from each of the following geographic areas?

| Area  | % |
|---|---|
| Same Community as the business                |   |
| Out of the community but in the same province |   |
| In other provinces                            |   |
| United States                                 |   |
| Rest of world                                 |   |

D7 What percentage of your sales is made over the Internet?  
 \_\_\_\_\_ %

D8 In each of the following geographic areas, do you think your market percentage is **(G)** growing, or **(D)** declining?

| Area  | G or D |
|---|--------|
| Same Community as the business                |        |
| Out of the community but in the same province |        |
| In other provinces                            |        |
| United States                                 |        |
| Rest of world                                 |        |

D9. Are any of the following factors vitally important in determining whether or not your business succeeds? *(Mark all that apply)*

| Factor  | Yes/No |
|---|--------|
| Business skills of employees                      |        |
| Management skills of employees                    |        |
| Skills in using technology                        |        |
| Favorable market conditions                       |        |
| Clear vision for the business                     |        |
| Luck  |        |
| Planning (strategic/business)                     |        |
| Family/moral support                              |        |
| Good working relationships with business partners |        |
| Access to financing                               |        |
| Location  |        |
| Favourable tax & regulatory environment           |        |

D10. Please indicate whether your business has made use of the following sources of business financing.  
(Yes or No)

| Source of Financing                      | Y or N |
|--|--------|
| Banks, trust companies and credit unions |        |
| Financing from friends or relatives      |        |
| Financing from other private individuals |        |
| Venture capitalists                      |        |
| Own savings                              |        |
| Small Business Loans Act                 |        |
| Other sources (please specify)           |        |

D11. Are you planning to use the following sources of business financing?

| Y/N   | Source of Financing                      |
|-------|--|
| _____ | Banks, trust companies and credit unions |
| _____ | Financing from friends or relatives      |
| _____ | Financing from other private individuals |
| _____ | Venture capitalists                      |
| _____ | Own savings                              |
| _____ | Small Business Loans Act                 |
| _____ | Other Sources (please specify) _____     |

D12. Which of the following business technologies do you use on a regular basis for your business operations?

| Y/N   | Business Operations  |
|-------|--|
| _____ | Telephone messaging services   |
| _____ | Call Centres   |
| _____ | Internet Service Providers-general (i.e. Sympatico, CompuServe, AOL) |
| _____ | Personal computers   |
| _____ | Network computer (local area network)                                |
| _____ | Email  |
| _____ | Business website – do you have your own?                             |
| _____ | Suppliers website  |
| _____ | Fax machine  |

**Section A: Information on the Business and Management Experience of the Majority Owner  
(respondent) of the Business**

**I will now need to get some basic information about you as the majority owner of <name of business>.**

A5. In which of the following age ranges do you fall? Are you...

*Read each category and mark one only*

- Less than 30 years old?
- 30 – 39 years?
- 40 – 49 years?
- 50- 59 years?
- 60 years and over?

A6. Were you born in Canada or did you immigrate from another country?

- Born in Canada ***Skip to A8***
- Immigrant

A7. In what year did you immigrate to Canada?

\_\_\_\_\_

A8. Is <name of business> the ONLY source of income for your household?

- Yes ***Skip to A10***
- No

A9. Is <name of business> the MOST IMPORTANT source of income for your household?

- Yes
- No

A10. What was the highest level of education you completed?

*Mark one only*

- Did not finish high school ***Skip to A12***
- High school diploma ***Skip to A12***
- College certificate or diploma
- Bachelor's degree
- Master's degree
- PHD
- Other (please specify) ***Skip to A12*** \_\_\_\_\_

A11. What was your main field of study at college or university?

(Mark as many as applicable)

- Business
- IT (Information Technology)
- Other (please specify)\_\_\_\_\_

A12. Have you had any business training outside your formal education, such as workshops, or local economic development programs?

- Yes
- No

A13. Prior to becoming a business owner were you ever a paid employee of another business or organization?

- Yes
- No ***Skip to A18***

A14. In total, how many years did you work in full-time jobs?

- None  
\_\_\_\_\_ Years

A15. In total, how many years did you work in part-time jobs?

- None  
\_\_\_\_\_ Years

A16. In total, how many years did you work for employers operating in the same industry as your current business?

- None  
\_\_\_\_\_ Years

A17. In these previous jobs, which of the following skills did you obtain? (*Yes or No*)

- Sales and service
- Business planning
- Marketing (research or promotion)
- Financial management and accounting
- Human resource management
- Management of operations
- Information Technology
- Purchasing
- Other (please specify) \_\_\_\_\_

A18. During your childhood years, did any close members of your family (such as your parents or siblings) own a business?

- Yes
- No

A19. Statistics Canada has entered into a data-sharing agreement under Section 12 of the Statistics Act with Industry Canada. All your information will be kept strictly confidential by Industry Canada and used only for statistical purposes. Do you agree to share the information you have provided?

- Yes
- No

The interview is now complete. Thank you for taking the time to answer our questions. Do you have any comments concerning the survey?