

**Small Business Information Needs
Assessment Survey**

Report to Industry Canada

February 2001

**COMPAS Inc.
Multi-Audience Research
Ottawa and Toronto**

Contents

Executive Summary	i
Introduction.....	1
Research Design.....	1
Business Characteristics of Participants.....	4
Key Characteristics	4
Other Business Characteristics.....	9
Respondent Characteristics.....	11
Business Challenges and Opportunities.....	13
Information Needs and Sources	18
Awareness and Use of Government Information Services	27
Internet Usage.....	34
Information Preferences.....	38

Executive Summary

- ◆ Industry Canada commissioned COMPAS to conduct a survey of managers and operators of small businesses in Canada (defined as under 100 employees). The purpose was to better understand the needs, particularly information needs, attitudes and behaviours of small businesses, including their main sources of information and preferred delivery methods.
- ◆ In total, 1,000 interviews were conducted with business owners and senior managers in January-February 2001. After quotas were set to provide for sufficient interviews in certain business sizes and regions, the results were weighted to ensure that they were representative of the small business community in Canada (using data from Statistics Canada's Business Registry).

Business Challenges and Opportunities

- ◆ Growth-related issues were identified as the most important issues or challenges facing small businesses at this time. This includes attracting new customers (11%), general growth issues, including how to grow (9%), access to capital and financing (9%), recruiting new employees (8%) and managing growth (4%) (multiple responses accepted). Competition was also identified with some frequency (13%).
- ◆ 88% said that growth or expansion over the next few years was important to their business (55% said *very* important). Only 13% acknowledged that growth is not important to them.
- ◆ When participants were asked to rate a number of potential issues or challenges in terms of their importance to their business (7-point scale, 1 = not important at all, 7 = very important), employee-related issues topped the list and appear to dominate the thinking or focus of small businesses. Three of the top four challenges involve the retention, recruitment and training of employees:
 - 73% identified keeping or retaining valued employees as important.
 - 62% training and skills development.
 - 58% recruiting new employees with the skills needed.
 - 57% government regulations and the cost of compliance.
 - 52% access to financing and capital.



Fewer than half identified two technology-related issues as important:

- Technology issues in general (i.e. adoption and use of tech.) (48%).
- Development and use of e-business (30%).

Information Needs and Sources

- ◆ When asked to rate various information sources in terms of their importance to their business as a source of business information (7-point scale, where 1 = not important at all, 7 = very important), business managers pointed most often, by far, to 'informal' sources – their clients, suppliers and colleagues:
 - 86% identified clients as important (most say *very* important)
 - 73% suppliers
 - 56% business managers and colleagues

- ◆ Business managers were divided in terms of the importance of three other potential sources – banks and other financial institutions, industry or trade associations, and the media. Approximately equal numbers view these as important and unimportant. For all other potential information sources, more people gave low ratings than high ones. Private sector consultants ranked lowest. The federal government, the Internet, and provincial governments rated slightly higher, but are nevertheless seen to be sources of information with little or no importance to more than half of the small businesses.

- ◆ Small business managers were divided in terms of how well the information they obtain from their various sources meets their needs as a business operator: 32% feel that their current sources perform well (scores of 6-7 on 7-point scale), slightly more than one-third were only moderately satisfied, and one-third offered relatively poor assessments (scores of 4 or less).

- ◆ When asked how active they were, as a business, in looking for information to help them address the challenges and opportunities facing them, business managers were moderately positive. Almost 40% consider themselves to be relatively active (scores of 6-7 on 7-point scale). In total, two-third gave themselves a positive self-assessment in this area. At the other end of the spectrum, almost one-third offered neutral or negative scores on the scale.



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- ◆ Most 'types' of information were seen to be moderately important. When rating various types of business information in terms of their importance to their business (7-point scale, where 1 = not important at all, 7 = very important):
 - 68% identified information about their industry or sector as important.
 - 67% pointed to innovation.
 - 62% management skills.
 - 62% business trends.
 - 59% benchmarking.
 - 58% new technologies.
 - 52% access to capital and financing.
 - 52% wages and salaries.

Business managers were almost equally divided over the importance of information about government services to business, while just over one-third considered labour market information (LMI) to be important. Over two-thirds considered information on international markets to be unimportant.

- ◆ Most business managers think they know where to go if they need business information. However, few look to government. When asked to express their level of agreement with a number of statements using a 7-point scale (1 = strongly disagree, 7 = strongly agree):
 - 63% were confident that they know where to go for information if they need it. Moreover, 45% felt quite strongly about this (scores of 6-7). Almost one-quarter disagreed.
 - 50% do not really think of government as a provider of useful business information. At the other end, one-third disagreed with this statement, indicating their view that government does come to mind as a source of useful information.

Slightly more people agree than disagree that most of the information they receive does not apply to them, and people are split between those who find it difficult to keep up with what they need to know and those who do not, with many in the middle.



Awareness and Use of Government Information Services

- ◆ Almost one-quarter (23%) of small businesses have contacted the Government of Canada in the last year for information or assistance for their business. This does not include contacting the Canada Customs and Revenue Agency, previously Revenue Canada, about taxation, the GST or similar matters.
- ◆ Managers of businesses that have contacted the federal government cited access to financing or capital as the main type of assistance they were seeking (19%). Also identified with some frequency were labour market information (14%), sector-specific information (12%), and salary/compensation information (11%).
- ◆ By a wide margin, small businesses sought the government assistance/information they needed by phone (57%). Used with diminishing frequency were the Internet, including email (19%), printed material, such as brochures or publications (19%), and fax (14%). Relatively few dealt with the federal government in person (10%) or by mail (7%).
- ◆ Small business managers that obtained information from the federal government offered moderately positive assessments of the information they received. Almost two-thirds (63%) rated the information as good or very good in terms of its value or usefulness. Near-identical ratings were offered in terms of the clarity and ease of understanding of the information.
- ◆ One-third of small business managers claimed to have heard or read about Canada Business Service Centres. Only 16% of those who claimed to have heard about CBSCs said they have used any of their products or services.
- ◆ 13% of business managers said they have attended a small business info-fair. Only 4% have used the services of a federal government economic development agency.
- ◆ One-third of business managers claim to be aware of federal government websites that provide business-related information. Of those who claimed awareness, almost half (48%) could not identify any sites. Specific Government of Canada websites were identified very infrequently.



Internet Usage

- ◆ Business managers indicated a relatively low level of use of the Internet by their businesses. Fully 45% said they do not use the Internet at all for business purposes, while about half of the rest report only minimal usage. Only one-quarter provided scores above the mid-point on the scale (7-point scale: 1 = use not at all; 7 = a great deal).
- ◆ Managers of small businesses that use the Internet at least a little (i.e. all but scores of 1-2) were asked to identify which of a number of things their business has done using the Internet during the past year. Despite the low level of overall use of the Internet by small businesses, the range of activities they undertake via the Internet is relatively varied:
 - 83% have used it to look for business information.
 - 77% have communicated with clients.
 - 50% have bought products or services, while 33% have sold them via the Internet.
 - 50% have visited government websites.
 - 16% have used on-line recruitment or employment services.
- ◆ Managers of small business that look for business information on-line were asked to identify the sites they visit most often to try to find useful information. In response, they pointed most often to trade/industry-related sites (16%) and supplier sites (15%), followed by search engines (10%) and government sites (9%) (multiple responses accepted).
- ◆ Almost two-thirds of business managers that look for business information on-line said they are always (12%) or often (51%) able to find the information they need. Few said that this is rarely or never the case. Those who have visited government sites were asked the same question. Here, 45% said they always or often find the information they need from government sites.



Information Preferences

- ◆ In line with the relatively low use of Internet use, business managers express a clear preference for printed material (40%) including mail (37%), as their preferred way to receive business information (two responses accepted). One-third (32%) prefer the Internet. Also mentioned with some frequency were fax and the telephone.
- ◆ Asked directly about whether they prefer receiving information electronically or in hard copy, business managers express a strong preference for hard copy (78%).
- ◆ The small business community is somewhat divided between majority preference for receiving information on a pro-active basis (55%), and a considerable minority that want it only when it has been requested (41%).

Conclusions and Implications

The portrait that emerges is one of a business community focused on growth. While managers point to a range of items when identifying the top issue or challenge facing their business, growth-related issues overshadow others. This includes attracting new customers, better understanding how to grow, access to capital and financing, recruiting new employees and managing growth. When asked directly, business managers confirmed a strong growth pre-occupation. In short, the small business community is clearly focused on growth, directly so for most, more peripherally for many of the rest.

Employee-related issues – ensuring that their business retains, recruits and develops the skills it needs – are also an area of central concern for many businesses (and of moderate concern to many others). Technology issues, particularly e-business, are of much less importance to many firms.

The implications for product development is that information products and services that help small businesses deal with growth and address their employment challenges can be expected to be of interest to many businesses.

In terms of information sources, business managers look most often to ‘informal’ sources – their clients, suppliers and colleagues. That this should be so points to the informal nature of the information itself that business seems to value most. Information



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and learning from clients, suppliers and colleagues often comes through personal contact, whether by phone, in person, or email. Such sources are less known for offering access to articles, reports or 'information documents' in other form.

Much lower down were governments. Both the federal and provincial levels were seen to be important as sources of useful business information by about one-third of the businesses. For most of the small business community, government is not on the radar screen when thinking of business information.

The current information sources and patterns of behaviour appear to be serving the needs of small businesses only moderately well. A significant portion express doubt about the sufficiency of their current information habits and venues, including a third that think they serve poorly. This suggests that many small businesses would be open to considering new information providers. Reinforcing this is the majority preference that was expressed for receiving information on a pro-active basis (presuming it is of value to them). (In marketing terms, messaging might 'play' on this doubt, asking businesses to look at the adequacy of their current sources of business information, and inviting them to take a look at what the federal government provides).

Most managers see themselves as fairly active in terms of seeking out business information to help them with the challenges they face. However, fewer than half see themselves as truly pro-active, and almost one-third offered moderate-low to poor self-assessments. The community appears to be quite segmented in terms of its effort in looking for needed information.

Most managers also feel they know where to go for information if they need it, with half expressing strong confidence in this. One-quarter disagreed, and are not confident they know where to go.

Relatively few of those looking for information would turn to government to provide it. Half expressed agreement that they "don't really think of government as a provider of useful business information" (one-third view government as a source of useful business information).

The extent of the challenge Industry Canada faces is evidenced in the contrasting proportions of business managers that attributed moderate-to-strong importance to innovation information (66%) and the handful (2%) that contacted the government in the past year for such information. This against a backdrop where one of the federal government's main communications themes targeted to business is about innovation. Another less central point of comparison is the three percent who contacted government



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about management skills development and the 62% who view such information as moderately or very important to their business. Small businesses are not coming to government for business information of importance to them.

Small businesses exhibited a moderate level of interest in most types of information, albeit in varying degrees. Compared to other rankings, there was a much more gradual decline in terms of the value attributed to the items. While interest in industry/sector and innovation information was highest, this was followed closely by information about developing management skills, business trends, new technologies, access to capital and benchmarking.

The relatively high level of interest in information about new technologies should be seen in light of the lower priority focus given to this issue in general by small businesses (recall the low ranking of this item when respondents rated issues/challenges facing their business). As well, the lack of importance of e-business to most small businesses suggests that businesses are not looking here when thinking about technology or innovation information (two of the top three ranked information types).

Access to financing or capital topped the list of reasons why businesses contacted the federal government. It is noteworthy that many small businesses look to government as a source or conduit of funding, not information. This is a paradigm of government relevant to Industry Canada, where the department itself has moved away from direct funding to the provision of information.

When small businesses do come to the federal government for information or assistance, most come away satisfied with what they receive. That said, a significant minority do not. This underscores the need to provide quality information products and services to small businesses that do turn to government for support. One would expect that the large minority that were less than satisfied would be more reluctant to return to government to address their information needs.

The data suggest a relatively low level of use of the Internet by small businesses. Not only do almost half the population say they don't use it at all for business purposes, approximately half the rest report only minimal usage. This suggests that the relatively high levels of Internet *access* reported by small businesses here and elsewhere may overstate the *volume* of business activity actually pursued on-line by small businesses.

Despite the low level of Internet use, the *range* of on-line activities undertaken by businesses is relatively varied. Fully 70% have undertaken three or more of the on-line



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A COMPAS Report to Industry Canada*

activities we explored, led by looking for business information and communicating with clients, and including buying and selling products or services over the Internet.

In terms of how they would like to receive information, business managers express a clear preference for printed material, including mail (one-third prefer the Internet). When asked directly, managers express a resounding preference for hard copy over electronic information.

This speaks to the challenge facing the department in terms of providing electronic information products to a small business community that exhibits a low level of Internet use, does not look to government for business information, and has a clear preference for printed material over electronic. The reliance of small businesses on the phone when turning to government for information or assistance, combined with low awareness and use of federal websites, underscore this challenge. Only one-in-five used the Internet, including email, to contact the federal government (similar numbers for printed material and fax).



Introduction

Industry Canada commissioned COMPAS to undertake a survey among managers and operators of small businesses in Canada. In the summer of 2000, the department conducted qualitative research to assess the needs of the small business community in order to guide the development of new information products and services. That study was Phase One of the department's research efforts in this area. This survey represents Phase two.

Industry Canada wished to proceed with a quantitative survey to validate the findings of Phase One. Objectives included:

- ❑ To better understand the information needs, attitudes and behaviours of small businesses, including their main sources of information and preferred delivery methods, and
- ❑ To obtain target-market feedback to support the development of web-based information products.

Research Design

The following specifications applied to this research:

- ❑ A total of 1,014 interviews were conducted by telephone across Canada with small business owners, managers, or operators between January 19 and February 1, 2001. Interviews averaged 17 minutes in length.
- ❑ Based on a sample of this size, the overall findings can be considered to be accurate within +/- 3.1%, 19 times out of 20 (most conservative estimate).
- ❑ The sample for this study was drawn from the population of Canadian businesses with fewer than 100 employees.
- ❑ A mix of sectors was included in the sample in relative proportion to their distribution in the small business community.



- There were four variables of particular importance to Industry Canada. These variables were defined in the following way in this study:

- **Region:**

- Atlantic Canada;
- Quebec;
- Ontario;
- Western Canada.

- **Size of firm** (based on size categories used by Statistics Canada):

- 1 to 4 employees;
- 5 to 20 employees;
- 21 to 50 employees;
- 51 to -100 employees.

- **Urban vs. rural:**

Since relatively few businesses are actually located in truly rural locations, “urban” in this study means larger urban centres, while “rural” means communities with populations of 20,000 or less.

- **Business stage:**

The following categories used to describe the various business stages were developed by the Small Business Policy Branch within Industry Canada:

- *Early start-up stage*, where the business is relatively young and is either engaged in product development with anticipated sales in the future, or bringing the product to market is near and there are some initial confirmed sales.
- *Survival stage*, where the business is established in the marketplace, but still not profitable.
- *Growth stage*, where the business has an established market and is expanding.
- *Mature stage*, where the business has a high-degree of stability in the market.



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- Target quotas of completed interviews were established for the first three variables listed above (region, size, urban/rural) to ensure sufficient representation in all subcategories. The data collected were then weighted at the time of analysis to recreate an accurate representation of the small business community. Data from Statistics Canada's Business Registry were used to determine the appropriate weights to apply to the collected data.
- Since the incidence rates in the population for the different stages of business development are not known, it was not possible to pre-set quotas for the fourth variable (business stage). Business stage was nevertheless used in the analysis. After collecting the data, it was necessary to collapse the first two business development stages (start up and survival) since the number of respondents in these categories was small.
- A pre-test of the survey (15 in English and 15 in French) was conducted to help finalize the questionnaire.

The results presented in this report are weighted to recreate an accurate representation of the small business community in Canada. However, the respondent and business characteristics in the first section are presented without weights to give a clear picture of the actual sample included in the survey. They were then weighted, when appropriate, for the analyses. The percentages of "Don't Know/Refuse" answers are included in the top-line results, but are excluded from the analyses of the scale questions when *means* are involved.

For editorial purposes, the terms 'respondents' and 'business managers' are used interchangeably to denote survey participants. Appended to this report is a copy of the questionnaire, as well as the full list of websites visited most often for business-related information and the list of government websites people were aware of.



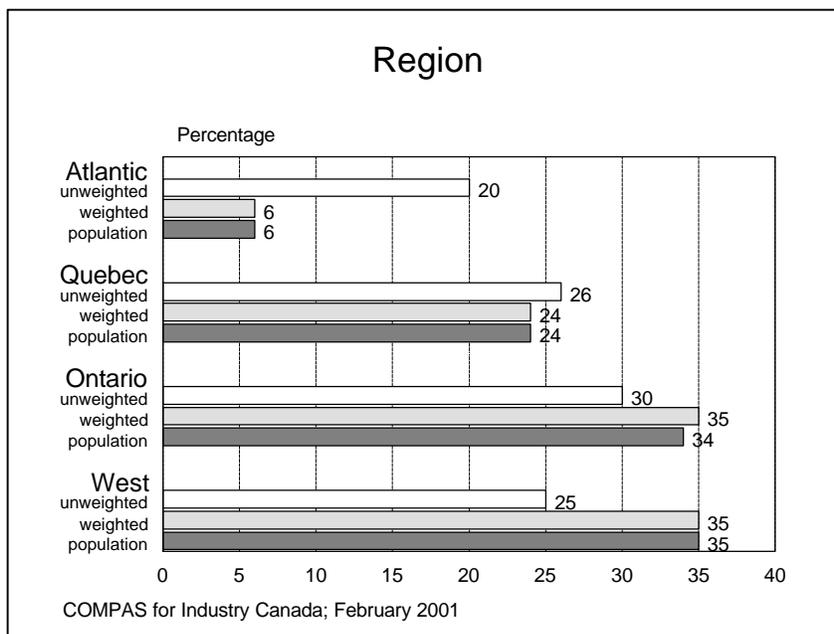
Business Characteristics of Participants

(Results presented are not weighted, unless otherwise specified.)

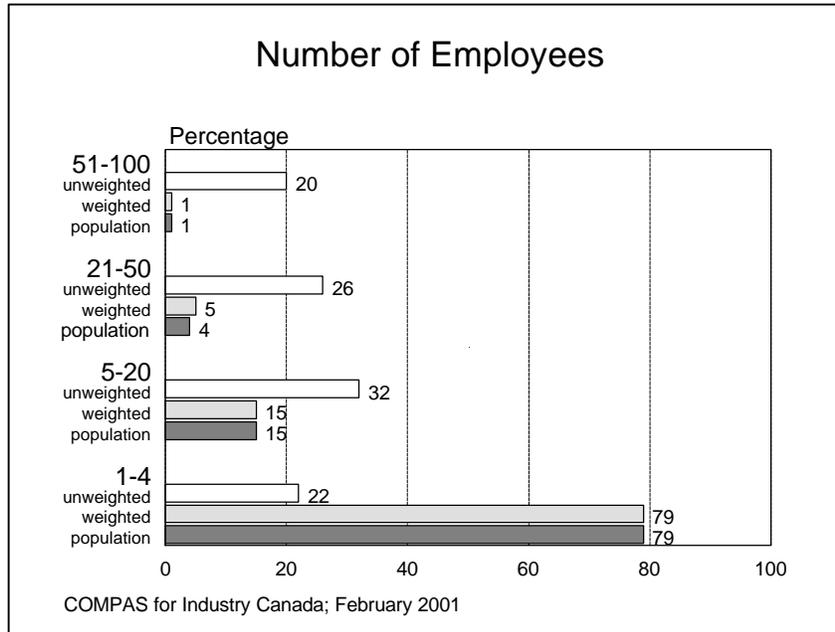
Key Characteristics

Data about region, size and urban/rural locations of small businesses were taken from Statistics Canada's Business Registry to determine the actual distribution of these characteristics among small businesses in Canada (defined as under 100 employees). This information was used to develop appropriate weights to apply to the data to make it representative of the small business community.

The graphs below present the characteristics of the survey sample. They do this in three ways, showing the distribution of completed interviews, the weighted data, and the actual distribution among the business population in Canada (to show how closely the weighted data reflects the actual business population). The numbers may not add up to 100% due to rounding.



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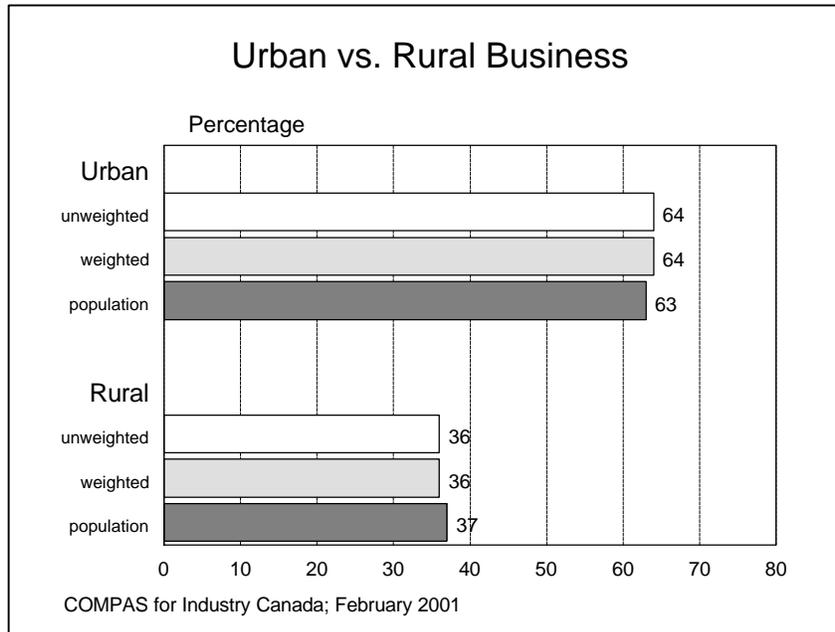


The corresponding margins of error for each size category are as follows (at the 95% confidence level; i.e. 19 times out of 20):

Size categories				
	1 to 4	5 to 19	20 to 49	50 to 99
Completed interviews	224	323	265	202
Unweighted data	6.5%	5.4%	6.0%	6.9%
Weighted data	3.5%	8.0%	14.6%	26.2%

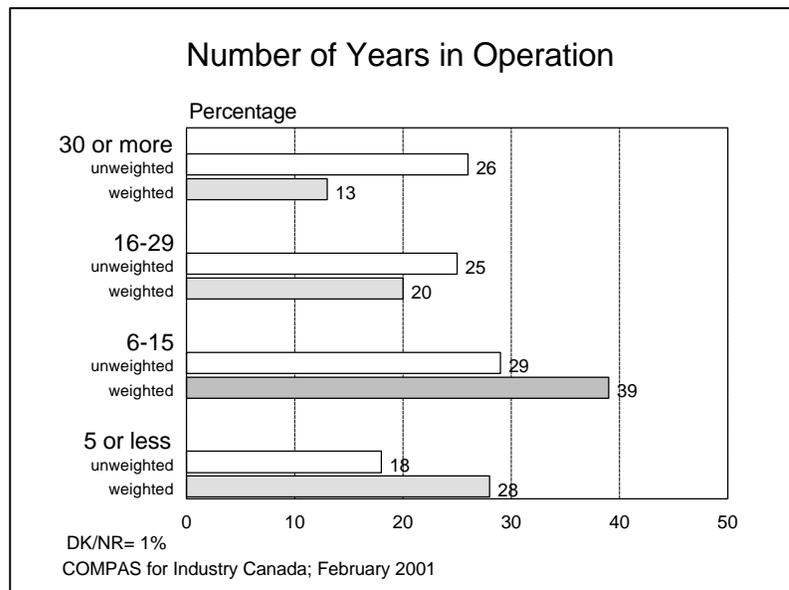


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Considerable Variety in Age of Small Businesses

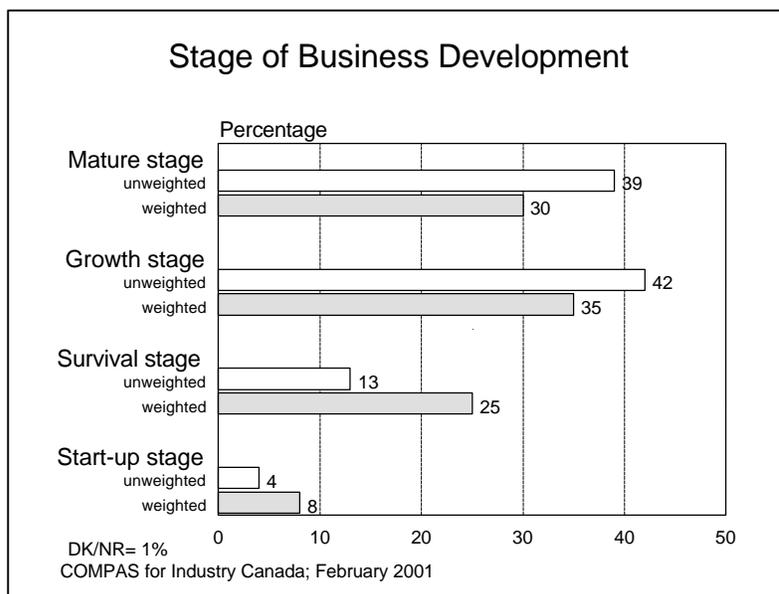
There was considerable variety in the length of time the small businesses have been in operation. Indeed, they were quite evenly distributed across four time periods: roughly one-quarter of the businesses have been in operation for 1-5 years, 6-15 years, 16-29 years and 30 years or more, although somewhat fewer are in the youngest category.



Vast Majority of Businesses in Growth or Mature Stage

Not surprisingly, the large majority of business managers described their business as being in the growth (42%) or mature stage (39%). Relatively few viewed themselves as in the survival stage (13%), or as an early start up (4%).

For this and the other questions, the weighted data is the actual interview data with appropriate weighting applied to ensure that the overall results are representative of the small business population as a whole. Since we only used pre-set quotas for business size, region, and rural-urban location, only these variables were weighted to bring the data in line with the actual distribution of Canadian small businesses.



Note on Estimated Incidence of Stages of Development in Small Business Population:

It is reasonable to believe that the weighted results for stages of business development (and number of years in operation) are also representative of the small business population. If this is indeed true, then the actual proportions of businesses in the start up/survival, growth, and mature stages of development are approximately equal (33%, 35%, and 30% respectively). However, the only way to be absolutely sure of the incidence in the population would be to survey a purely random sample of small Canadian businesses with no preset quotas of any kind.



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As noted, the study has quotas to oversample certain regions and size categories to ensure sufficient representation in each of the subgroups. Because of this, we cannot know with certainty the actual incidence of the business population that are in each stage of development.

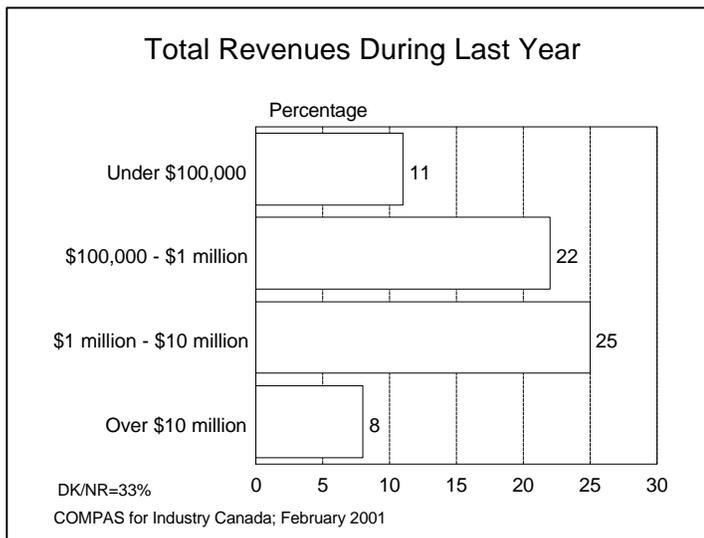
The first two stages of business development (start-up and survival) were combined together for analytical purposes (due to the small sample sizes).



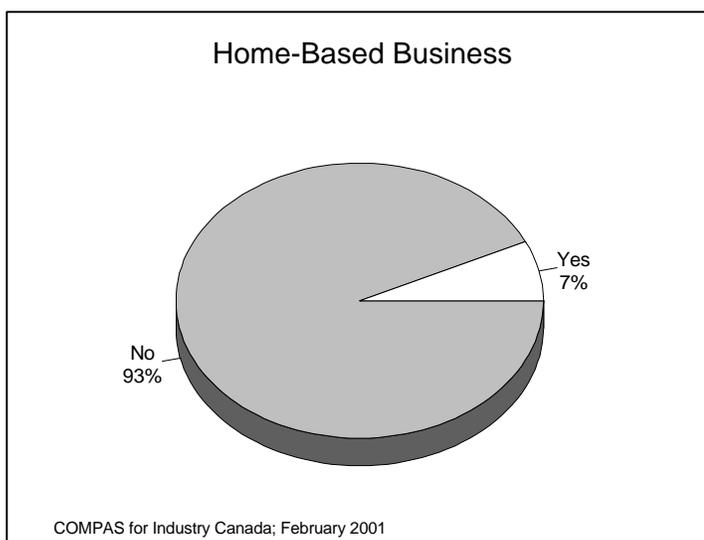
Other Business Characteristics

Presented below are additional characteristics of the small businesses included in this research. The graphs present the unweighted data. That is, the distribution of survey respondents.

One-third of surveyed businesses said they earned one million dollars or more in the last calendar year, from all sources (before taxes and deductions). An equal number earned less than this. Completing the symmetry, a third did not reveal their business' annual revenues, either not knowing or declining to share this information.

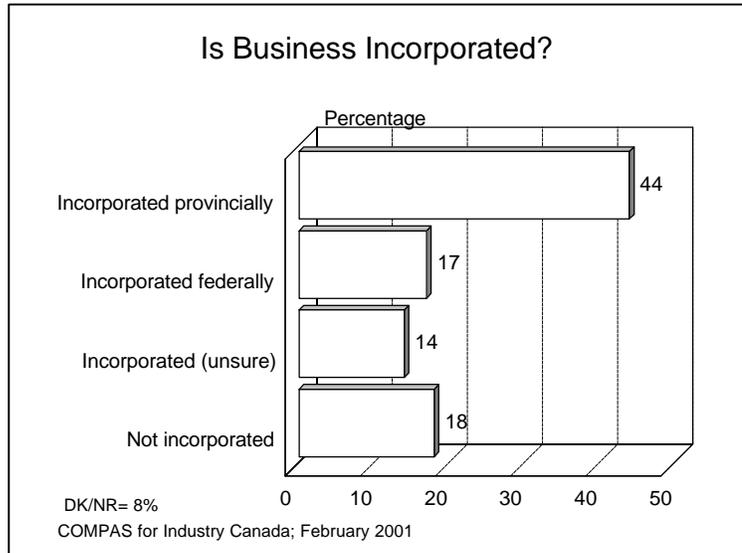


Only 7% of the businesses surveyed were home-based businesses. However, this increases to 24% of small businesses once the data is weighted (and therefore representative of the small business community as a whole).

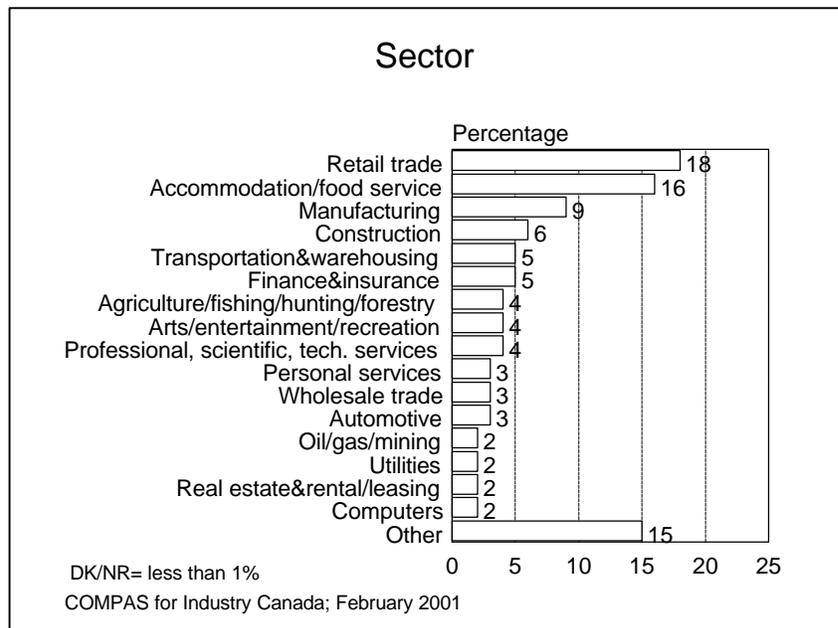


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A COMPAS Report to Industry Canada*

Up to 75% of businesses were incorporated, with most of these (44%) incorporated provincially.



The most prevalent sectors were retail and accommodation/food services.



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The following table presents a comparison between the characteristics of survey respondents and the distribution of sectors in Canada for small businesses with fewer than 100 employees.

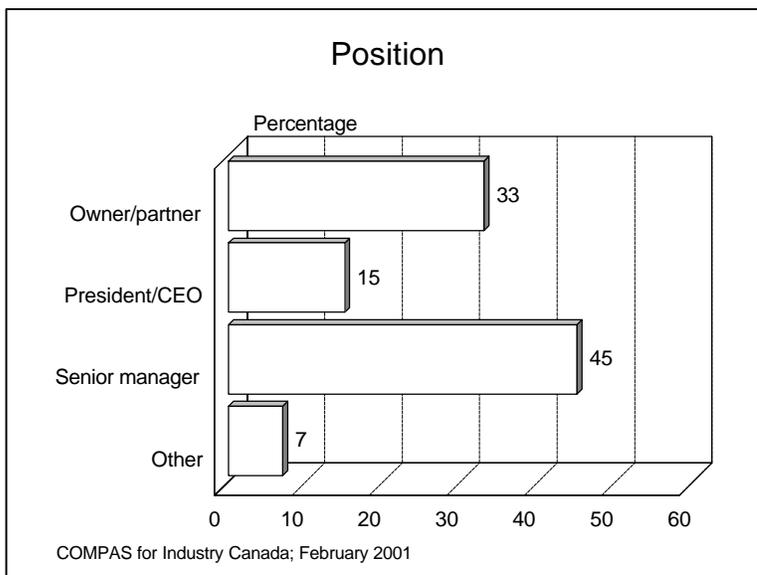
Sector	Population %	Sample (weighted) %	Sample (unweighted) %
Retail trade	11	20	18
Accommodation/ food service	6	10	16
Manufacturing	5	6	9
Construction	12	5	6
Transportation & warehousing	5	2	5
Finance & insurance	5	5	5
Agriculture/fishing/ Hunting/forestry	10	4	4
Arts/entertainment/ recreation	2	4	4
Professional, scientific, Technical services	12	6	4
Personal services	-	5	3
Wholesale trade	6	3	3
Automotive		3	3
Oil/gas/mining	1	2	2
Utilities	.1	2	2
Real estate & rental/ leasing	8	2	2
Computers	-	2	2



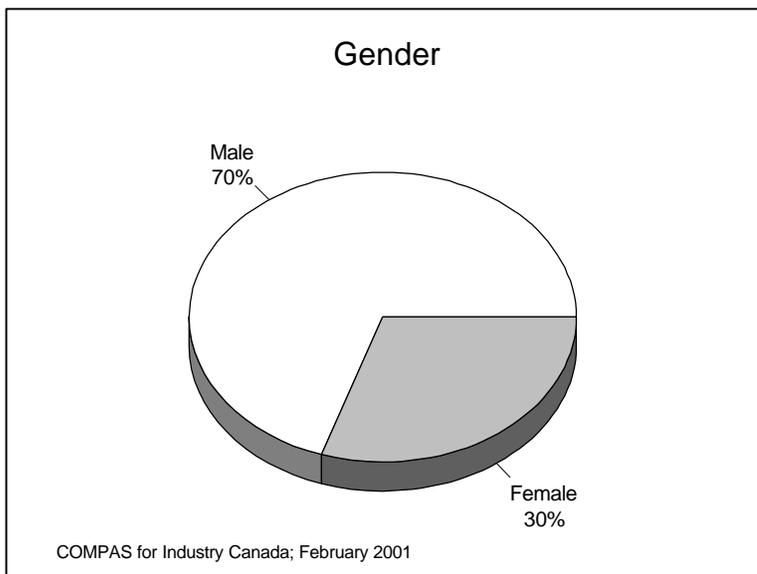
Respondent Characteristics

Survey Participants Exclusively Senior Management, Largely Male

The sample was designed to obtain the participation of the top decision makers in the small businesses. One-third of survey respondents own their business or are partners in it, followed by 15% who are presidents or CEOs. The largest group – 45% – are senior managers. Included in the other category are director of client services, sales and marketing coordinator, supervisor of personnel, and director of finance and administration.



In total, 70% of the survey participants were male.



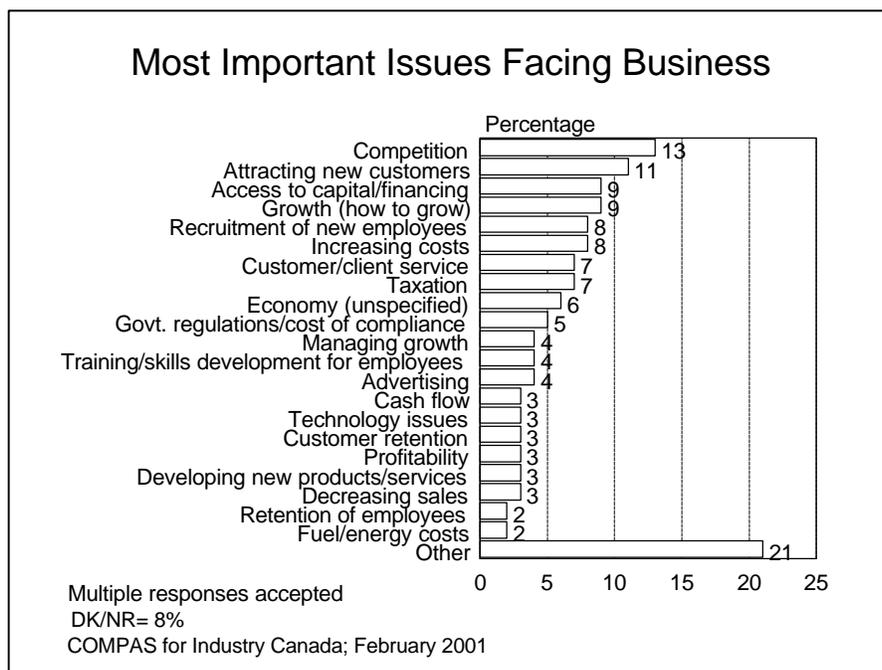
Business Challenges and Opportunities

(Results presented are weighted, unless otherwise specified for the remainder of the report.)

Businesses Focus on Varied Issues, Growth a Key Concern

Business managers point to a considerable range of items when asked to identify the most important issue or challenge facing their business at this time. However, growth-related issues top the list, including attracting new customers (11%), general growth issues, including how to grow (9%), access to capital and financing (9%), recruiting new employees (8%) and managing growth (4%) (multiple responses accepted).

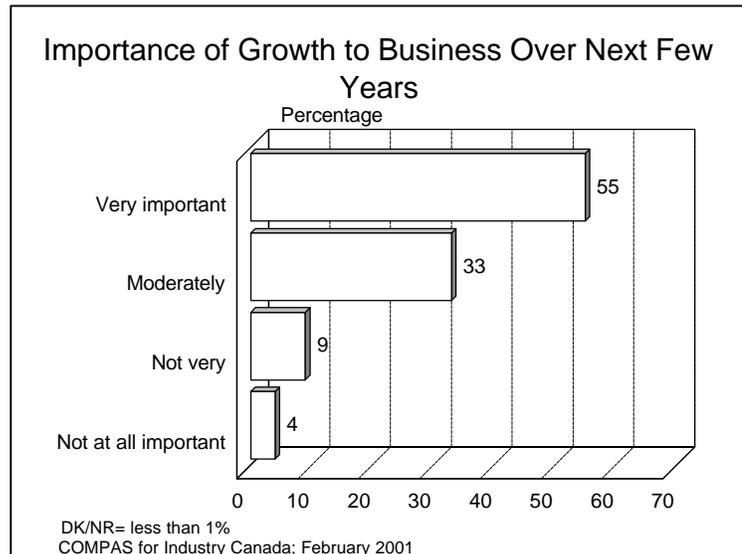
Outside of growth issues, competition was the single issue identified most often (13%). A total of 12% pointed to government in the form of taxation (7%) or regulations and the cost of compliance (5%). Costs (8%), customer service (7%) and the state of the economy (6%) also emerge as concerns. A large number of other issues were cited by small numbers. Included in the other category are human resource issues, partnership agreements, market limitations, location, industry regulations, too much work, maintaining the status quo, and expansion.



Growth Important to Most Businesses

When asked directly how important growth or expansion was for their business over the next few years, business managers confirmed a strong growth pre-occupation. More than half (55%) said it was very important, with most of the rest viewing it as moderately important. Only 13% acknowledged that growth is not important to them.

Clearly, the small business community is focused on growth, directly so for most, more peripherally for many of the rest.



Employee Issues Prime Focus, Technology Lower in Perceived Importance

In addition to growth, employee-related concerns tend to dominate the thinking or focus of small businesses. Three of the top four challenges, as rated by respondents, involve the retention, recruitment and training of employees.

Business executives were asked to rate the importance of a number of issues or challenges facing businesses in Canada in terms of their importance to their business (using a 7-point scale, where 1 = not important at all, 7 = very important).

Potential challenges included:

- Recruiting new employees with the skills you need.
- Keeping or retaining valued employees.
- Access to financing and capital.
- Training and skills development.
- Technology issues.



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A COMPAS Report to Industry Canada*

- The development and use of e-business by your business.
- Domestic or international competition
- Government regulations and the cost of compliance

In the graphs, we present the results in two ways:

- 1) Using mean scores on the 7-point scale. This makes it visually easier to view the relative ranking of the issues; and
- 2) Presenting the more detailed ratings on the scale (i.e. the scores themselves, although the two top and bottom scores at each end of the scale have been combined). This provides readers with the actual breakdown of responses.

Our use of dual graphs to present the data in different ways is done elsewhere in this report, but this information will not be repeated.

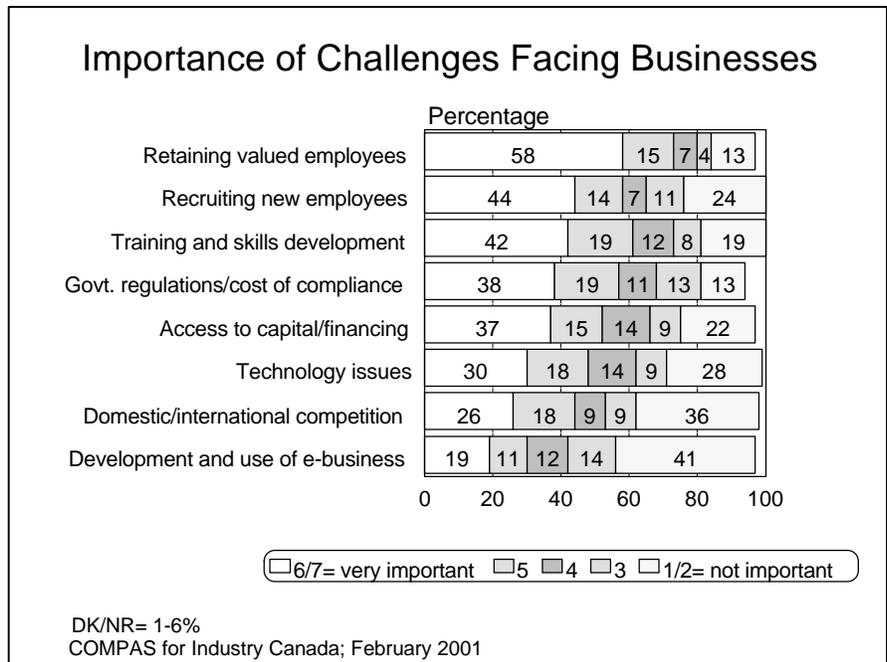


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Retaining valued employees ranked highest. Almost three-quarters said it was of at least moderate importance to their business, providing positive scores on the scale. Moreover, 58% rated it as very important (scores of 6-7). Somewhat fewer attributed importance to training and skills development (61%) and the recruitment of new staff (58%). Still, over 40% viewed each of these as very important.



Government regulations and the cost of compliance also have some prominence among a majority (57%), as does access to capital and financing (52%). The latter is of strong importance to over a third (38%).



Two technology issues received among the lowest ratings in terms of perceived importance. Not quite half rated the adoption and use of technology by their firm as at least moderately important, while more than one-third (37%) gave it little importance (scores of 3 or less).



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More than half indicated that the development and use of e-business by their business was not important to them (55%, scores of 3 or less). Only 19% attributed strong importance to this.

The fact that competition ranks low may be misleading. This may be a result of the inclusion of the word “international” in the definition of competition. Some people may have interpreted the question to mean that both domestic and international competition had to be important to the business for a high ranking (we were trying for an inclusive definition of competition, meaning any form of competition, but some may have used a restrictive one, thinking that it had to include both types).

The findings suggest that employee-related issues, ensuring that their business retains, recruits and develops the skills it needs, is an area of central concern for many businesses, and of moderate concern to many others. Conversely, technology issues, particularly e-business, are areas of much less importance to many firms.



Information Needs and Sources

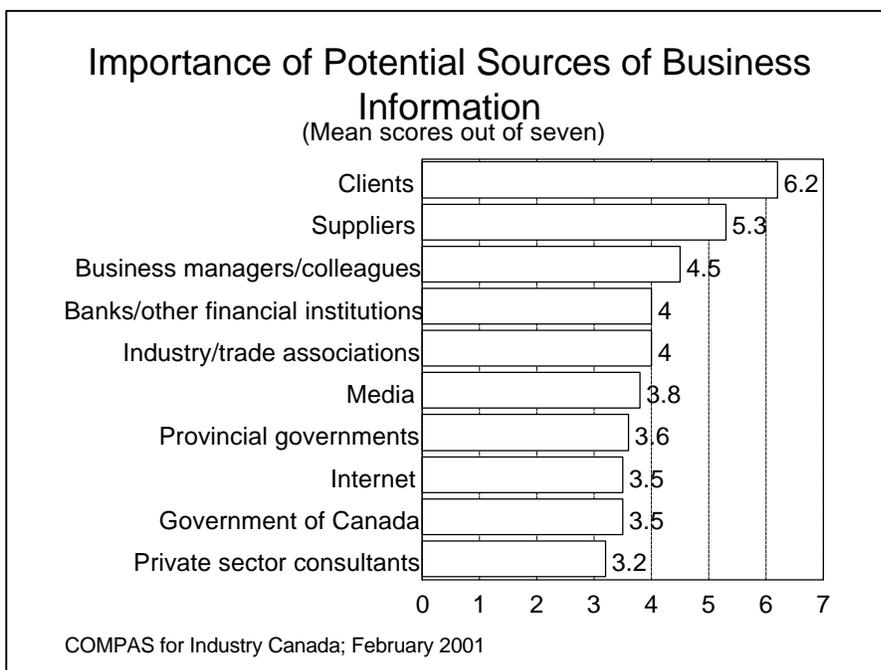
‘Informal’ Sources Seen as Most Useful – Clients, Suppliers & Colleagues

When asked to identify their most important sources of information, business managers pointed most often, by far, to ‘informal’ sources – their clients, suppliers and colleagues. Respondents were asked to rate various information sources in terms of their importance as a source of business-related information for their business (using a 7-point scale, where 1 = not important at all, 7 = very important).



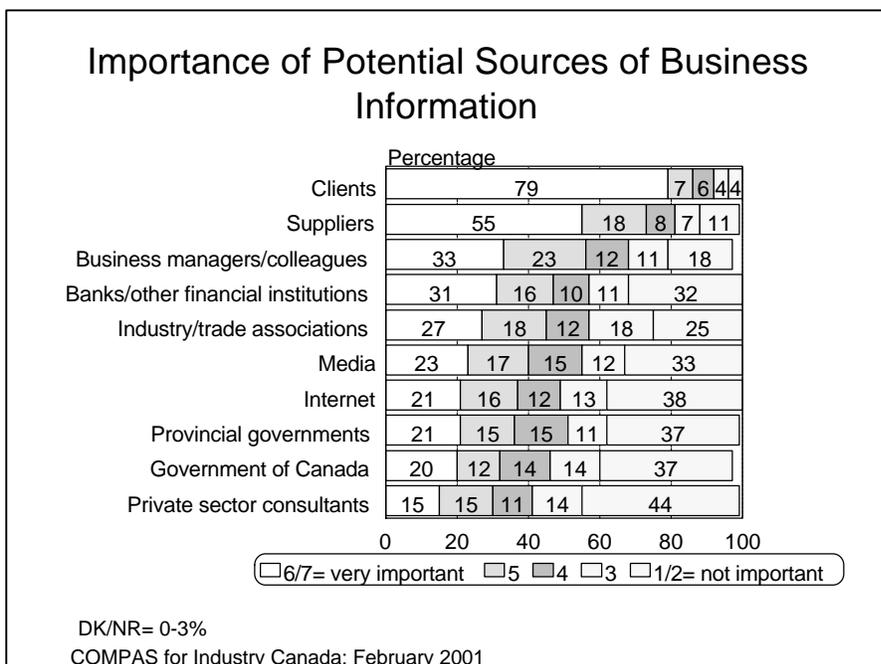
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Almost 80% attributed strong importance to clients (i.e. scores of 6-7). This may be more of a reflection of the importance of *what* clients have to say, rather than regarding the *amount* of information that comes from them. A little more than half (55%) attributed significant importance to suppliers, while one-third did so to other business managers or colleagues. Still, more than half (56%) viewed that latter as being of at least moderate importance.



These are the only information sources to have received positive overall ratings from small business managers (i.e. mean scores of more than 4).

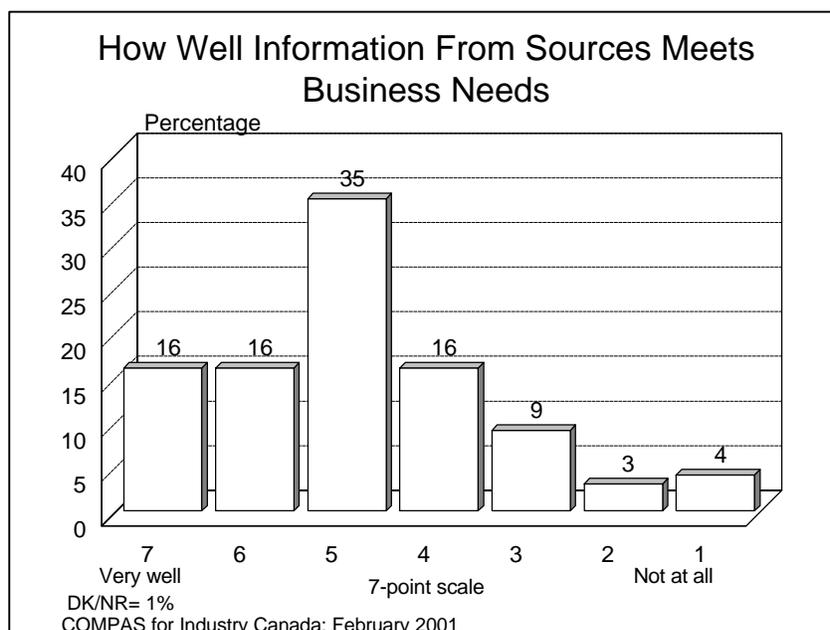
Business managers were divided in terms of the importance of two other potential sources – banks and other financial institutions, and industry or trade associations. Approximately equal numbers view these as important and unimportant. The media (TV, newspapers and magazines) fares almost the same.



For all other potential information sources, more people gave low ratings than high ones. Private sector consultants ranked lowest. The federal government, the Internet, and provincial governments rated slightly higher, but are nevertheless considered to be sources of information with little or no importance to more than half of the businesses. One-third provided positive scores on the 7-point scale when rating the importance of the federal government as a source of business information for their business.

Small Businesses Divided Over Adequacy of Current Sources

Small business managers were divided in terms of how well the information they obtain from their various sources meets their needs as a business operator. While one-third (32%) feel that their current sources perform well (scores of 6-7 on 7-point scale: 1 = not at all, 7 = very well), slightly more were only moderately satisfied, and one-third offered relatively poor assessments (scores of 4 or less).

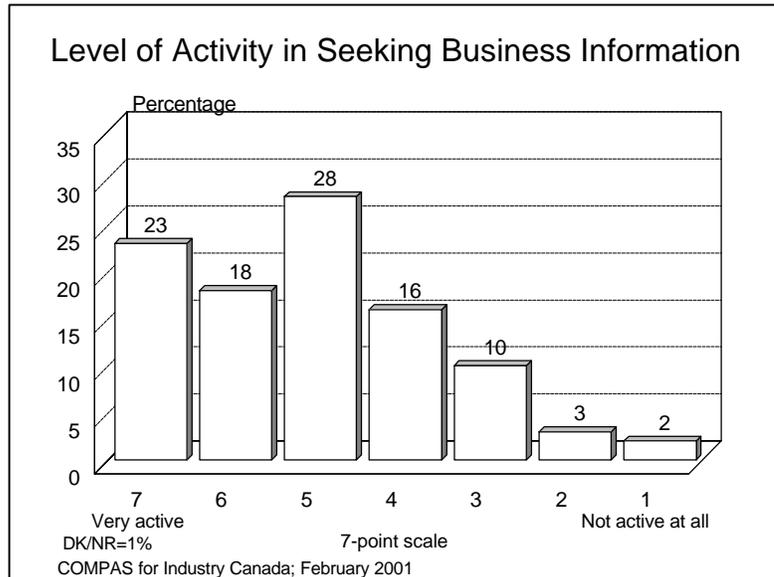


Overall, the current sources appear to be serving the needs of small businesses *moderately* well. That said, a significant portion of the small business community has varying levels of doubt about the sufficiency of their current information habits and venues, and might be expected to be open to considering new information providers.



Most Businesses Claim to be Moderately Active in Looking for Information

When asked how active they were, as a business, in looking for information to help them address the challenges and opportunities facing them, respondents were moderately positive. Just over 40% consider themselves to be relatively active (scores of 6-7 on 7-point scale: 1 = not active at all, 7 = very active). In total, two-third gave themselves a positive self-assessment in this area. At the other end of the spectrum, almost one-third offered neutral or negative scores on the scale.



Most Types of Information Seen to be Moderately Important

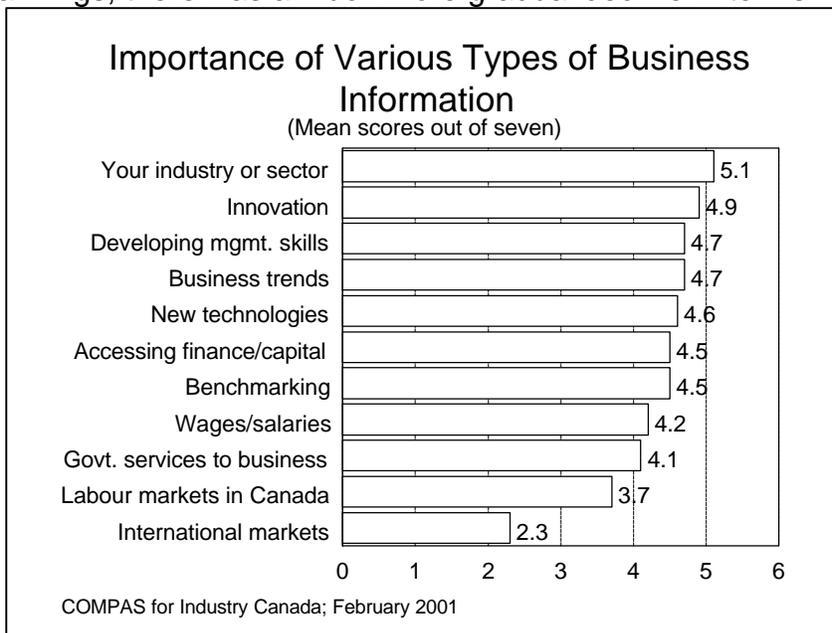
Business managers were asked to rate various 'types' of business information in terms of their importance to their business (using a 7-point scale, where 1 = not important at all, 7 = very important). Types of information included:

- ❑ Accessing finance or capital.
- ❑ Developing management skills.
- ❑ Benchmarking, to compare your performance in various areas with other businesses in your field.
- ❑ Labour markets in Canada, such as unemployment rates, job descriptions, and career projections.
- ❑ Wages or salaries for different positions.
- ❑ Business trends.
- ❑ New technologies.
- ❑ Your industry or sector.
- ❑ Innovation.
- ❑ Markets in other countries.
- ❑ Government services available to businesses.



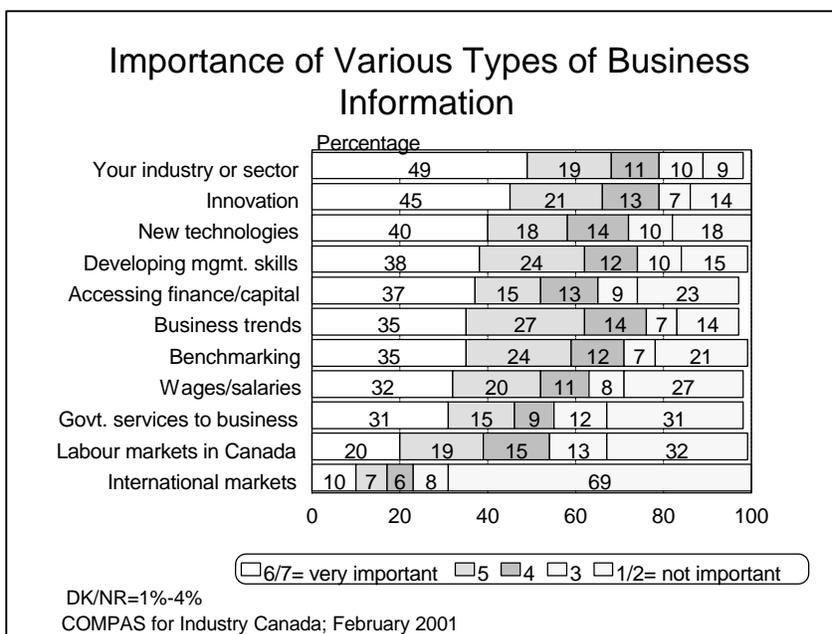
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Compared to the other rankings, there was a much more gradual decline in terms of the value attributed to the various items. While interest in industry/sector and innovation information was highest (66-68% positive scores), this was followed closely by many other types including developing management skills, business trends, new technologies, access to capital and benchmarking. Between one half and one-third rate these things as very important (scores of 6-7). Approximately 60% viewed them to be of at least moderate importance.



Overall, this translates into a moderate level of interest (i.e. perceived importance) in most types of information exhibited by small businesses, albeit in varying degrees.

The relatively high level of interest in information about new technologies contrasts with the lower priority focus given to this issue in general by small businesses (recall the low ranking of this item when respondents rated issues/challenges facing their business).



As well, the lack of importance of e-business to most small businesses (also noted above) suggests that businesses are not referring to e-business when



thinking about technology or innovation information (two of the top three ranked information types).

Most Know Where to Find Business Information, Few Look to Government

Business managers were asked to express their level of agreement with a number of statements using a 7-point scale (1 = strongly disagree, 7 = strongly agree). There were four statements:

- Most of the information I receive does not apply to my situation.
- I don't really think of government as a provider of useful business information.
- When I need information to help me with a business problem, I know where to go to get it.
- I find it extremely hard to keep up with all the things I need to know for my business.

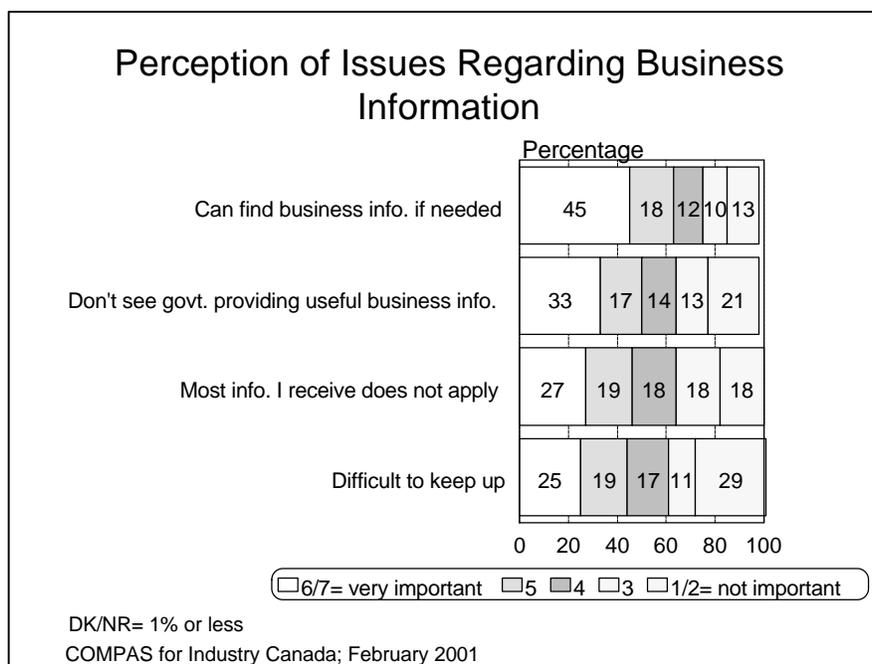
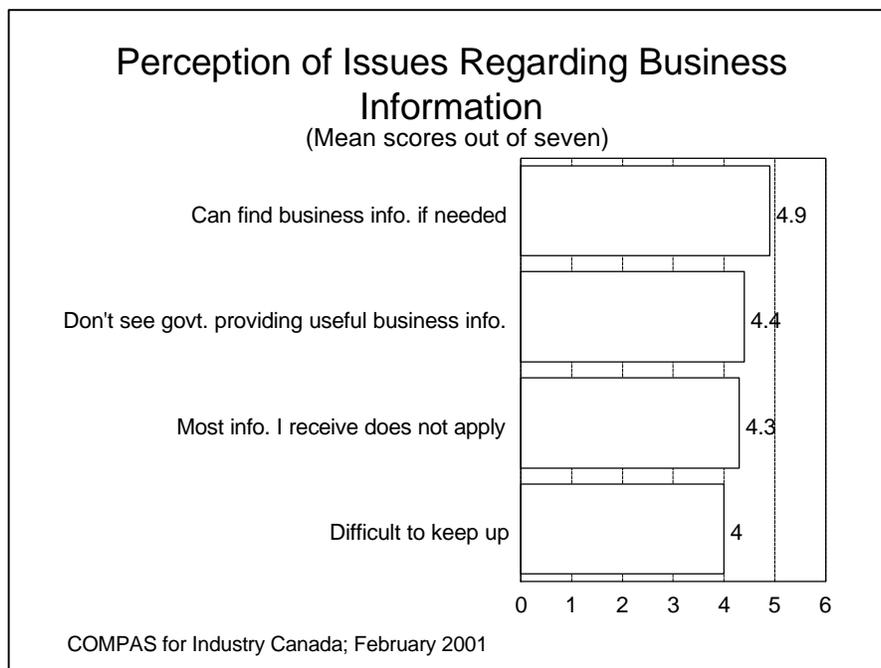


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Almost half (45%) felt quite strongly that they know where to go for information if they need it (scores of 6-7). Overall, almost two-thirds (63%) were reasonably confident about this. Conversely, almost a quarter disagreed that they would know where to go for information to confront specific business situations.

Most small business managers searching for business information would not look to government to provide it. Exactly half expressed agreement that they “don’t really think of government as a provider of useful business information”. At the other end, one-third disagree, indicating their view that government does come to mind as a source of useful information.

Opinion is more divided for the other two ideas. Slightly more people agree than disagree that most of the information they receive does not apply to them, and people are split between those who find it difficult to keep up with what they need to know and those who don’t, with many in the



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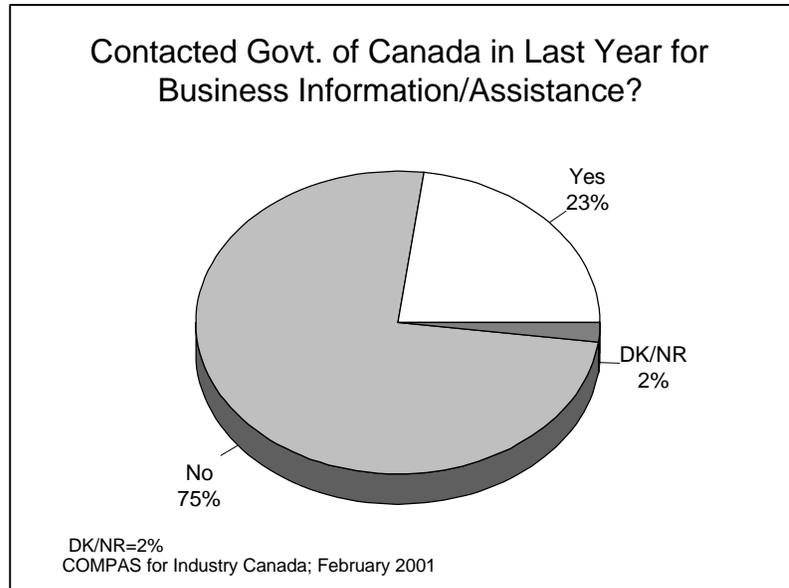
middle. This suggests a demand for more tailored information applicable to individual small businesses (consistent with the importance of sectoral information – the highest ranking information type).



Awareness and Use of Government Information Services

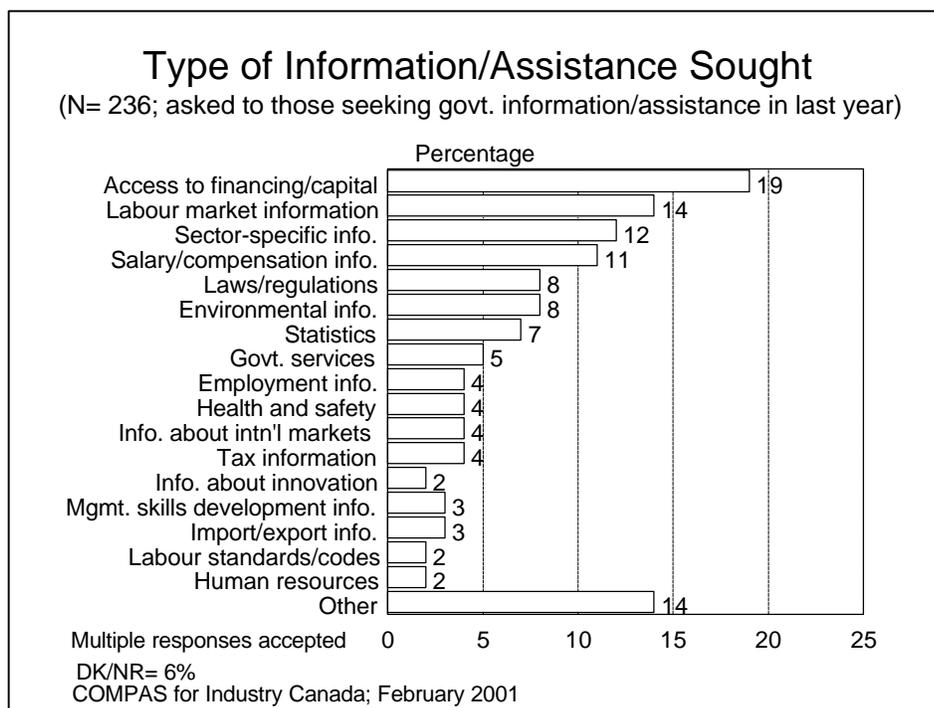
One-Quarter Have Contacted Government of Canada

Almost one-quarter (23%) of small businesses have contacted the Government of Canada in the last year for information or assistance for their business. This does not include contacting the Canada Customs and Revenue Agency, previously Revenue Canada, about taxation, the GST or similar matters.



Top Requirements – Access to Capital, Followed by LMI, Sector & Salary Information

Managers of businesses that have contacted the federal government were asked to identify the type of information or assistance they were looking for. Access to financing or capital topped the list, cited by 19% of these businesses. It is noteworthy that many small businesses still look to government as a source or conduit of funding, not information. This is a paradigm of government particular to Industry Canada, where the department itself has moved away from direct funding to the provision of information.



Also identified with some frequency were labour market information (14%), sector specific information (12%), and salary/compensation information (11%). A wide range of other issues were identified by relatively small and diminishing numbers.

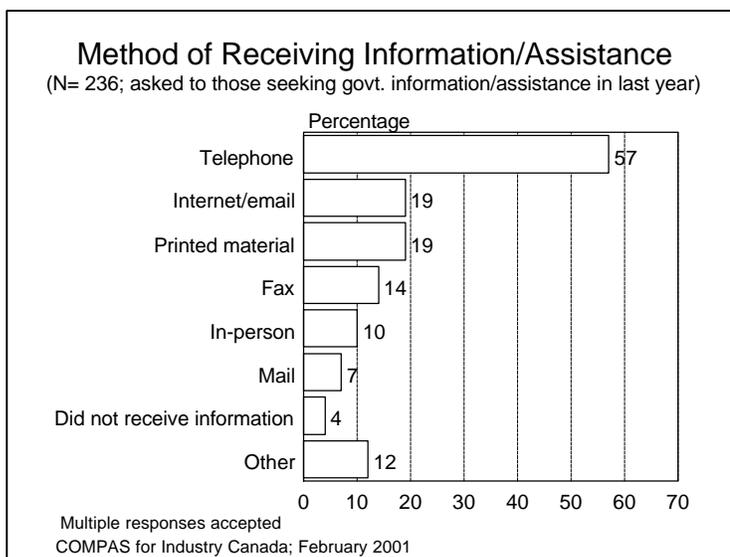
Contrast the proportion of business managers that previously attributed at least moderate importance to innovation information (66%) with the handful (2%) who have contacted the government in the past year for information about innovation. This is against a backdrop where one of the federal government's main communications strategies targeted to business is about innovation. Another point of comparison is the three percent who contacted government about management skills development with the 62% who view such information as at least moderately important to their business. This is further evidence that small businesses are not coming to the federal government for business information of importance to them.



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Telephone – Main Means of Contact

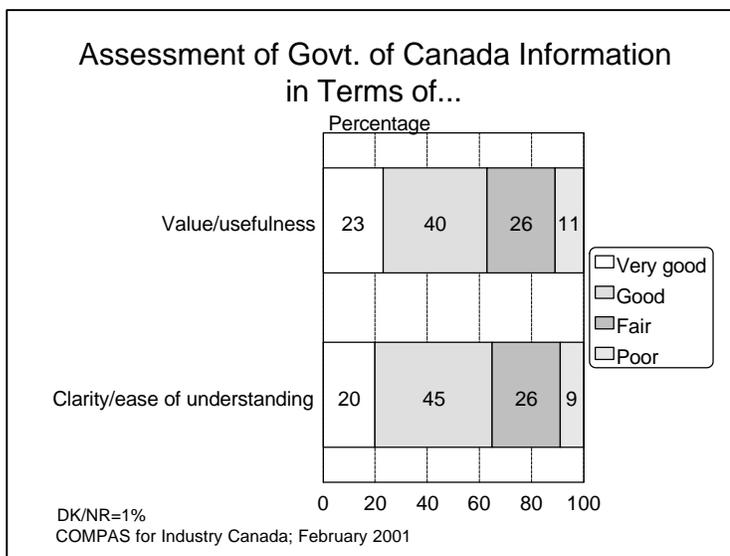
By a wide margin, small businesses sought the assistance or information they needed by phone. Fully 57% did this (multiple responses accepted). Also used with diminishing frequency were the Internet, including email (19%), printed material (19%), and fax (14%). Printed material includes things like brochures, pamphlets and other types of publications. Relatively few dealt with the federal government in person (10%) or by mail (7%). Included in the other category are staffed kiosks, employment offices, verbal correspondence, and workshops and seminars.



Moderately Positive Assessment of Government Information

Small businesses that obtained information from the federal government offered moderately positive assessments of the information they received. Almost two-thirds (63%) rated the information as good or very good in terms of its value or usefulness. Near-identical ratings were offered in terms of the clarity and ease of understanding of the information.

Most of the business managers expressed satisfaction with the material received. However, over one-third (35-37%),

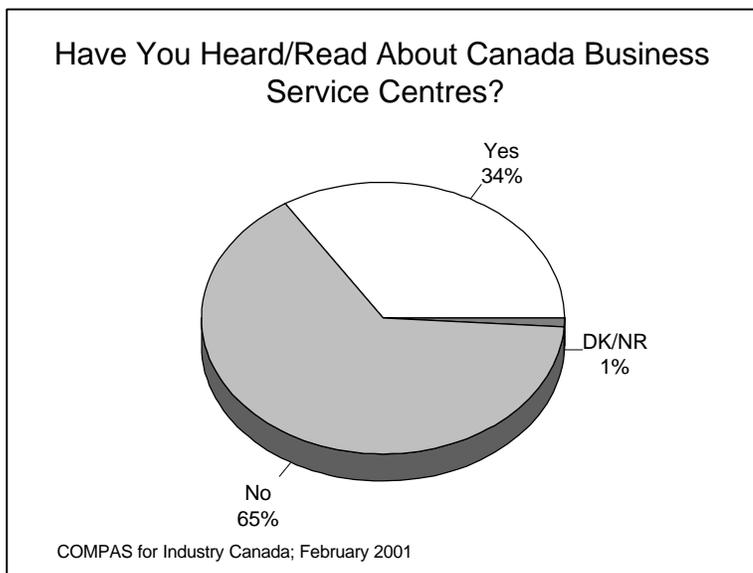


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depending on the measure) assessed it as fair at best. A significant minority of small businesses that approached the federal government were not satisfied with the government response.

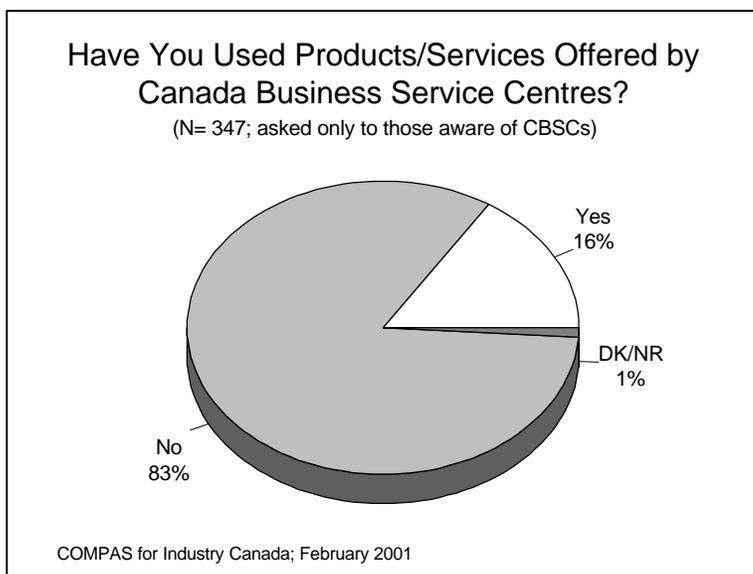
One-Third Claim Awareness of Canada Business Service Centres

One-third of small business managers claimed to have heard or read about Canada Business Service Centres. Respondents were told that these offices are located in each province and 'provide a wide range of information about government services, programs and regulations, and answer questions about starting a new business or improving an existing one'.



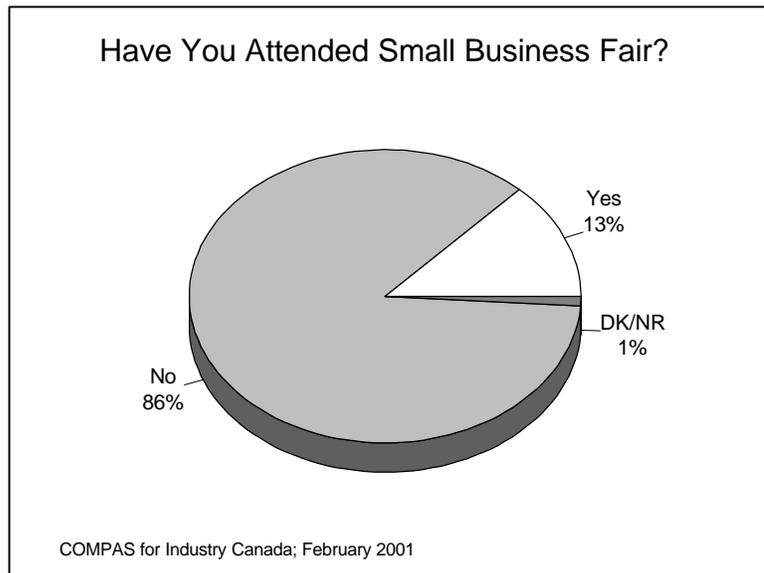
Few of Those Aware of CBSCs Have Used One

Only 16% of those who claimed to have heard about Canada Business Service Centres said they have used any of their products or services.



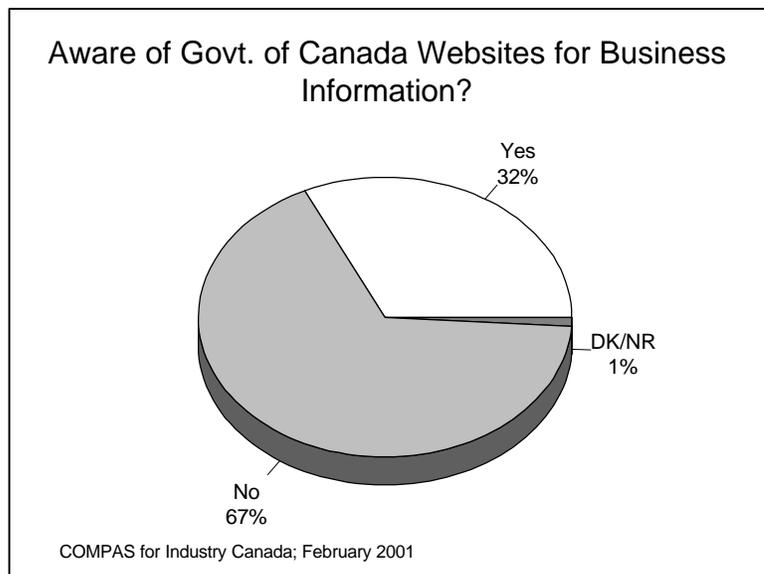
Few Have Attended Small Business Info-Fair

Only 13% of business managers said they have attended a small business info-fair. These were described as providing 'information and how-to seminars for business people who attend'. Note that this should not be interpreted as being an accurate reflection of the proportion of small business people who have attended federal government-sponsored fairs, but rather of the numbers who have attended these types of events in general, whomever the sponsor. As such, it is somewhat surprising that 86% have never attended one.



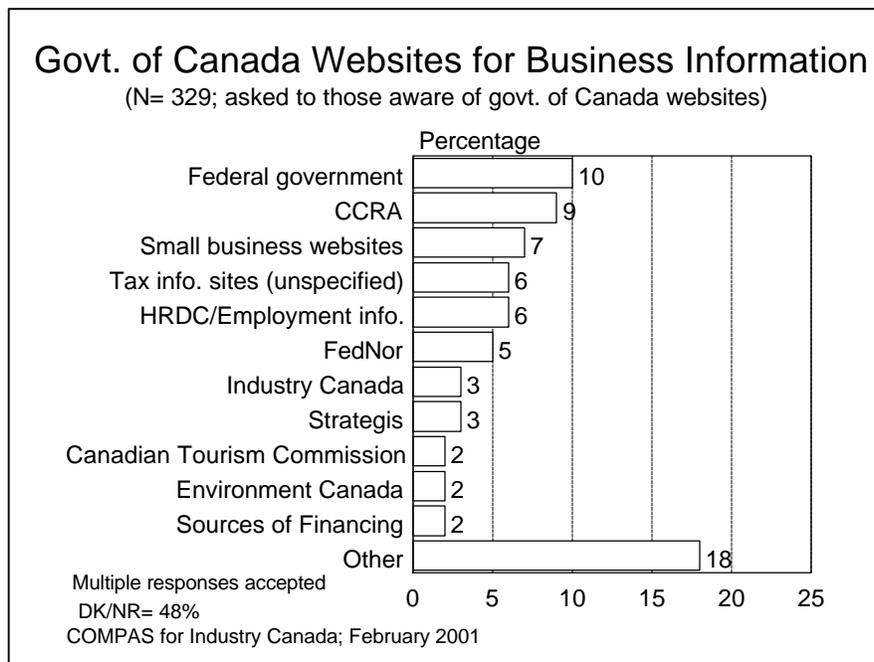
One-Third Claim Awareness of Government of Canada Websites

One-third (32%) of business managers claim to be aware of federal government websites that provide business-related information.



Small Business Information Needs Assessment Survey:
A COMPAS Report to Industry Canada

Of those who claimed to be aware of one or more sites, approximately half (48%) could not identify any Government of Canada websites that provided business information. Among those who could, 10% identified federal government sites. Included here were references to the federal government or the federal government website (in general), specific web addresses such as www.canada.gc.ca, the geological survey, and the Receiver General.



This was followed by specific references to the Canada Customs and Revenue Agency (9%), small business websites (7%), tax information sites (unspecified) and Human Resources Development Canada (6% each). Sites identified infrequently (5% or less) included FedNor, Industry Canada, *Strategis*, the Canadian Tourism Commission, Environment Canada and Sources of Financing. Included in the other category were Canada Business Service centres, DFAIT, Canadian Economic Development for Quebec Regions, Western Economic Diversification, Agriculture Canada, MERX, and Statistics Canada.

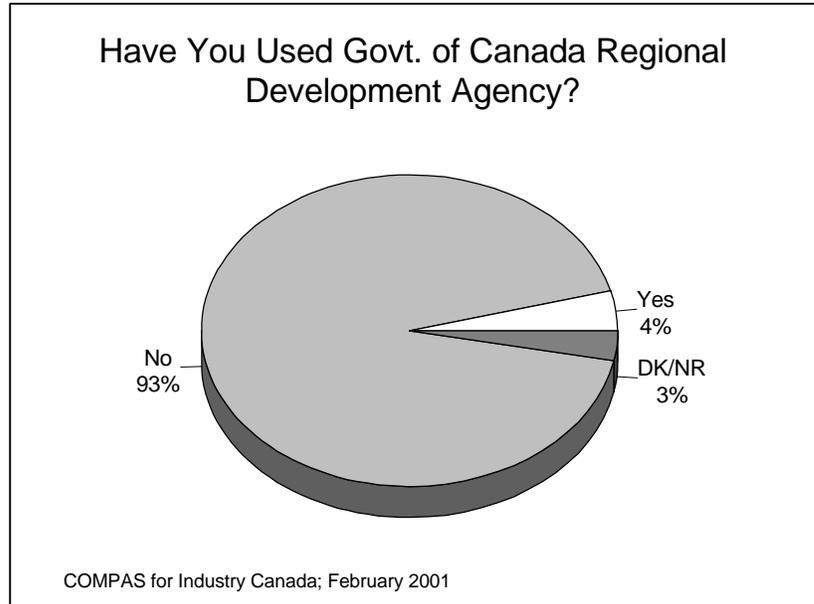
Appended to this report is the full list of federal government websites identified by business managers.



Minimal Use of Regional Development Agencies

Only 4% have used the services of a federal regional development agency. In the question, the agency for the respondent's region was inserted as an example, one of:

- ❑ Canada Economic Development for Quebec Regions
- ❑ Atlantic Canada Opportunities Agency
- ❑ Western Economic Diversification
- ❑ Federal Economic Development Initiative in Northern Ontario

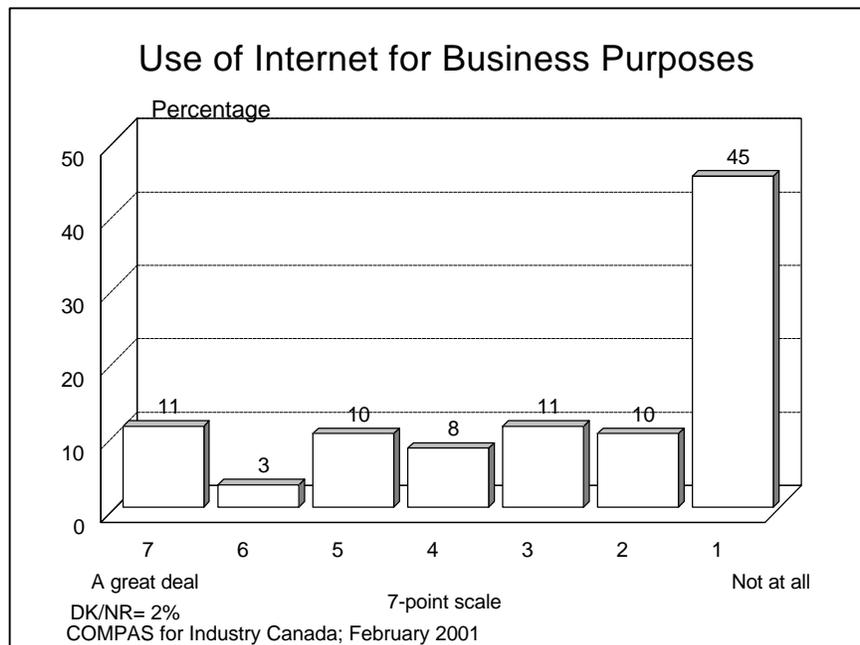


Internet Usage

Low Level of Internet Use by Small Businesses

Business managers indicated a relatively low level of use of the Internet by their businesses. People were asked to assess the extent to which their business uses the Internet for business purposes, not including employees using it for personal reasons (7-point scale: '1' is not at all and '7' is a great deal).

Not only do almost half the population say they do not use it at all for business purposes, about half of the rest report only minimal usage. Only one-quarter provided scores above the mid-point on the scale (and just 14% use it a lot, scores of 6-7). This suggests that the relatively high levels of Internet access reported by small businesses here and elsewhere may significantly overstate the *volume* of business activity actually pursued on-line by small businesses.



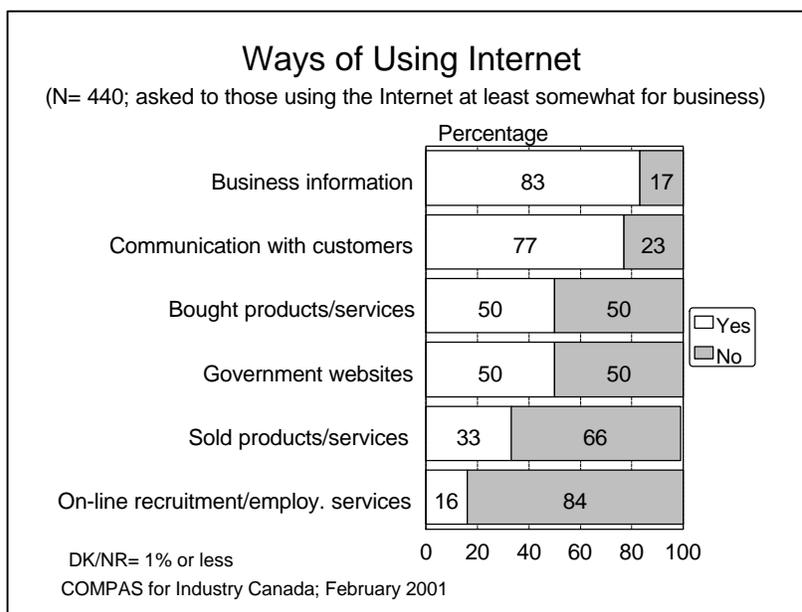
Business Information, Client Communications – Top Business Uses

Managers of small businesses that use the Internet at least a little (i.e. all but scores of 1-2) were asked to identify which of a number of things their business has done using the Internet during the past year. The large majority (83%) have used the Internet to look for business information. Contrast this with the 50% that have visited one or more government websites.

Approximately three-quarters (77%) have communicated with clients.

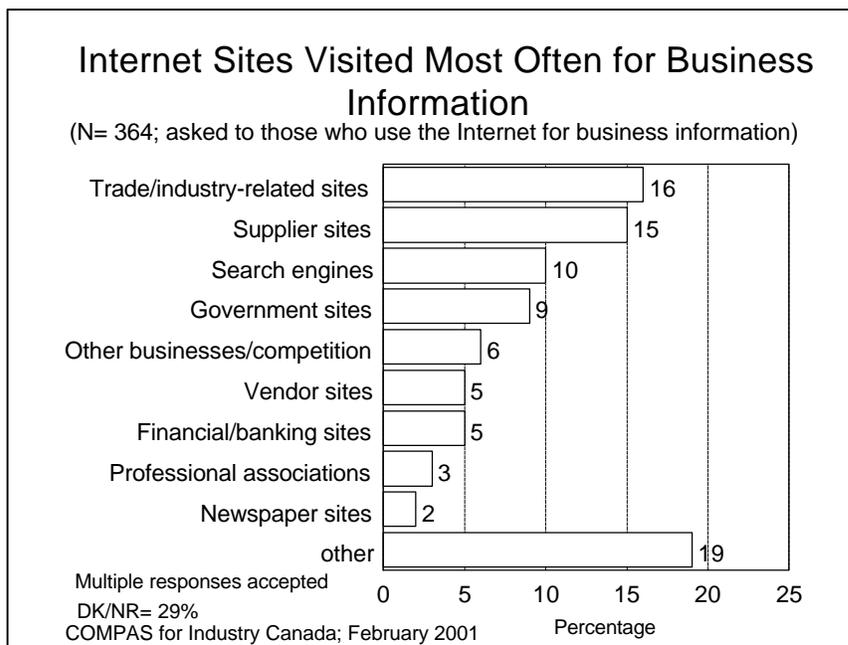
Half have bought products or services over the Internet, while a third have sold them via the Internet. A much smaller percentage (16%) have used on-line recruitment or employment services.

Despite the low level of overall use of the Internet by small businesses, the range of activities they undertake via the Internet is relatively varied. Moreover, the large majority of businesses who use the Internet at least a little, use it for a variety of purposes. Fully 70% indicated that they use the Internet in at least three of the ways asked about.



Business Internet Sites Visited Most Often

Managers of small business that look for business information on-line were asked to identify the sites they visit most often to try to find useful business information. In response, they pointed most often to trade/industry-related sites in general (16%) and supplier sites (15%), followed by search engines (10%) and government sites (9%) (multiple responses accepted). Mentioned less often were sites of other businesses, including the competition, vendor sites, financial or banking sites, professional associations, and newspaper sites. Included in the other category were university and college sites, MERX, tourism and travel sites, technical sites (unspecified), and the CFIB site.



Over one-quarter of business managers who used the Internet for business information (29%) did not identify any site.

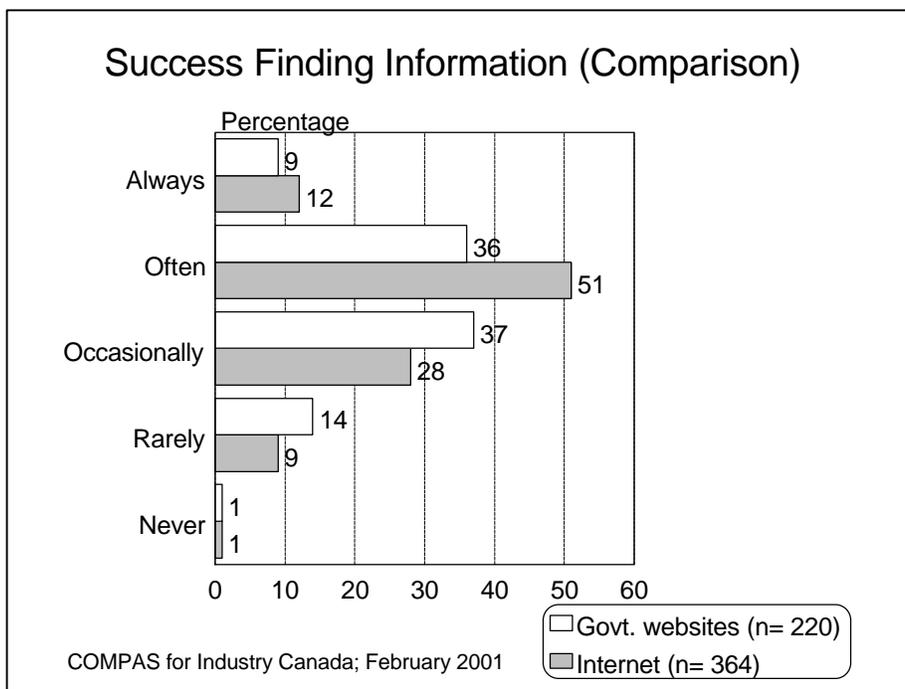
Appended to this report is the full list of websites identified by business managers.



Moderate Success Rate at Finding Information

Almost two-thirds of business managers that look for business information on-line said they are always (12%) or often (51%) able to find the information they need. Few said that this is rarely or never the case.

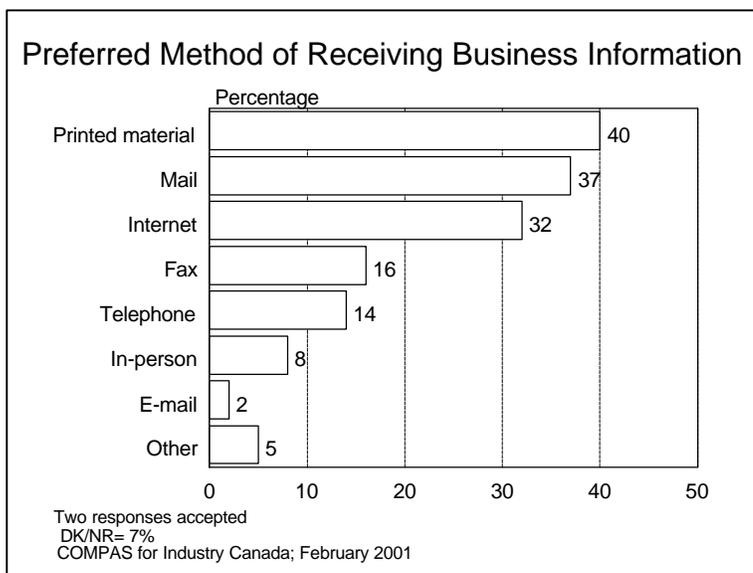
Those who have visited government sites were asked the same question. Here, 45% said they always or often find the information they need from government sites.



Information Preferences

Printed Format Widely Preferred

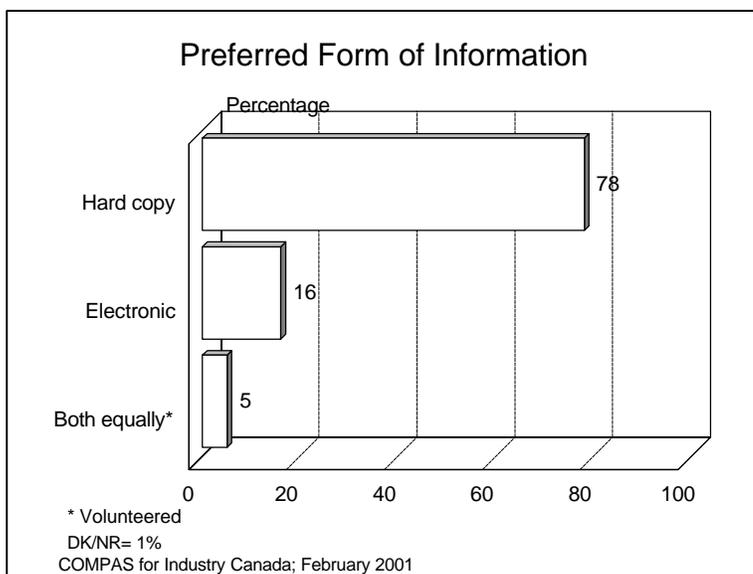
In line with the relatively low use of Internet use, business managers express a clear preference for printed material (40%) including mail (37%), as their preferred way to receive business information (two responses accepted). One-third (32%) prefer the Internet. Also mentioned with some frequency were fax and the telephone.



Strong Preference for Hard Copy Over Electronic

Asked directly about whether they prefer receiving information electronically or in hard copy, business managers express a resounding preference for hard copy (78%).

This speaks to the challenge facing the department of providing electronic information products to a small business community that exhibits a low level of Internet use for business purposes, does not look to government for business



information, and has a clear preference for printed material over electronic information.

Most Open to Pro-Active Receipt of Information

The small business community is somewhat divided between majority preference for receiving information on a pro-active basis (55%) and a considerable minority that want it only when it has been requested (41%). Clearly, many are open to receiving unsolicited information (presuming it is of value to them).

