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GoForth Institute National Entrepreneurship Sentiment Survey (2009)

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Executive Summary

Survey Design

The survey was conducted in partnership with Vision Critical to measure business sentiment and attitudes of Canadian micro-entrepreneurs. A total of 1,126 entrepreneurs were surveyed from August 21st to August 28th of 2009, with a margin of error of ±2.9 percent, 19 times out of twenty.

Influence of the current economy

- The economy has heavily influenced entrepreneurs over the past year, with three in five business owners indicating their business is down.
- The economy was by far the greatest challenge noted.

Expectations for the future

- Expectations for the future year are overwhelmingly positive where 39% of respondents expect to sell more products or services in the next 12 months, and 33% of entrepreneurs expect sales to stay consistent.
- Only 7% of respondents expect a drop in sales in the next 12 months.
- One in three nascent (not started) entrepreneurs also expect to create a new product, service or technology.
- 60% of entrepreneurs believe the current global recession is creating new opportunities for small business.
- Nine in 10 entrepreneurs surveyed also indicated that they feel proud when looking at the results they've achieved in their business, and even more felt that they are ultimately responsible for the success of their own businesses.
- 84% of respondents felt that whatever happens in their business, they will be able to handle it.

Challenges facing Canadian micro-entrepreneurs

- Issues such as business management, operations, funding, cash flow and profits followed closely behind as the top challenges for business owners.
- Other common challenges business owners indicated included income instability, balancing work and family, time management and lack of governmental support.
- Nascent entrepreneurs pointed out not knowing where to turn for help and developing the right skills and knowledge are challenging issues.

Table of contents

Acknowledgements

The author wishes to thank the survey participants who gave generously of their time, and to Chris Ferneyhough and Amy Egan for their support.

National Entrepreneurship Sentiment Survey

By Leslie P. Roberts, PhD

1 Introduction

Canada's entrepreneurship landscape is dotted with roughly two million registered and non-registered businesses. As of June, 2010 there were over 2.3 million business establishments operating in Canada. Ninety-eight percent of these businesses are small, employing fewer than 100 employees; seventy-five percent of these businesses employ less than 10 people; and over half of these businesses employ fewer than four people. Between 2002 and 2006, 140,000 new businesses, on average, were created in Canada annually. Small businesses are significant sources of job creation, new or significantly improved product or service innovations, and account, on average, for one quarter of the contribution to Canada's GDP annually. Small businesses are the engines of growth and economic development in our economy.

Yet, of the roughly 140,000 businesses started in any given year in Canada, one third will cease operations within the first year; only 38,000 will still be in business five years later; a staggering 70% small business failure rate. Studies of small business failure point to poor execution as the cause for firm failure: lack of a plan, poor timing, wrong product or service, poor differentiation in the marketplace, undercapitalization, poor target marketing, lack of founder skills and experience, and poor cash management.

The National Entrepreneurship Sentiment Study was conducted to assess the overall sentiment of our nation's entrepreneurs during a particularly challenging economic environment.

2 Research Objectives

The three main research objectives of the study were to:

1. Measure Entrepreneurship Sentiment

Assess business activity in the past 12 months and business intentions in the next 12 months as measure by attitudes toward:

- Innovation – new product, service or technology
- Market penetration – sell more to the same market
- Market development – sell the same products to different markets
- Diversification – new products and new markets
- Export

2. Measure the constellation of ten attitudes toward entrepreneurship in Canada:

- Innovation
- Achievement
- Personal Control
- Risk
- Skills

- Abilities
- Knowledge
- Experience
- Growth
- Opportunities

3. Understand the human capital and entrepreneurship characteristics of respondents

3 Methodology

- The study was conducted using Angus Reid Strategies – Vision Critical Online Panel methodology, hosted by Angus Reid Strategies.
- The sample was provided by the Angus Reid Forum, Canada's premier online panel of 120,000 Canadian adults.
- The sample was stratified by stage of business and a quote of 100 nascent entrepreneurs and 1000 entrepreneurs were surveyed.
- A total of 4059 panelists were invited to participate in this study, with 1126 completes, resulting in a completion rate of 27%, with a margin of error of ±2.9%, 19 times out of 20.
  - A total of 1026 Canadian entrepreneurs were surveyed, resulting in a margin of error of ±3.1%, 19 times out of 20.
  - 100 nascent entrepreneurs were also surveyed, for a margin of ±9.8%, 19 times out of 20.
  - The sample was also stratified by gender, split 50/50.
- The study was in the field from August 21 – August 28, 2009.
- The questionnaire was developed by Angus Reid Strategies in conjunction with Leslie P. Roberts from GoForth Institute.
- The study was programmed by Angus Reid Strategies.
- All data analysis was conducted by Angus Reid Strategies.

4 Sample Analysis

Due to quota sampling, the sample contained an equal number of males and females. Although the level of male full-time and part-time business ownership reported here (.76, n=855) exceeded that reported by Roberts et al. (1995) (.59, n=76) and Orser & Foster (1992) (.58, n=253), it was comparable to levels of male business ownership reported in other large sample studies (Bates, 1990; Robinson & Sexton, 1994), where $\chi^2 = 4.26$ (df=1, α =.05). Age of the individuals ($\bar{X} = 46.5$ years, n=1126) was also comparable to that reported in other studies of small business owners (Robinson & Sexton, 1994; Bates, 1995; Roberts & Robinson, 2010); and of white-collar workers (Robinson & Sexton, 1994; Cromie, 1987), where the majority of small business owners were between 25 and 55 years of age. The mean age of individuals in this study was also comparable to that of the general Canadian population, where $\chi^2 = .19$ (df=1125, α =.001) suggesting that the sample accurately reflects demographic characteristics of the Canadian entrepreneur population.

5 Detailed Findings

Three major themes emerged from the research – first that entrepreneurs have been hit heavily by the recent economic downturn; second that entrepreneurs in Canada are finding opportunities in the ensuing industry and market restructuring; and third that entrepreneurs have a strong desire to learn more about business in order to provide them with the skills to survive future economic downturns.

Economic Downturn

- The economy has heavily influenced entrepreneurs over the past year, with three-in-five (59%) indicating their business is down versus 14% who indicated business has improved.
  - Entrepreneurs have sold fewer products and/or services to the same market over the past 12 months than previously.
    - Current entrepreneurs plan to sell more products/services over the next 12 months.
    - Nascent entrepreneurs expect to create a new product, service, or technology in the next 12 months.

Faith in the Future

- Entrepreneurs indicate the following sentiments are important to them: personal control; skills; achievement; and taking risks.
  - There are some discrepancies between entrepreneurship status, with current entrepreneurs more likely to indicate the importance of achievement, knowledge, and experience. However, nascent entrepreneurs are more likely to agree with the importance of perceived opportunity, growth, and innovation.
  - Gender also plays a role in attitudes towards entrepreneurship in Canada, with males more likely to indicate the importance of self esteem and growth, than their female counterparts.

Thirst for Knowledge

- Entrepreneurs are often characterized as hard-working and determined business people, and the results support that depiction. Even after the effects of the global economic slowdown, entrepreneurs strongly felt that they have the right skills and abilities to run a small business successfully.
  - Nine out of 10 entrepreneurs surveyed also indicated that they feel proud when looking at the results they've achieved in their business, and even more felt that they are ultimately responsible for the success of their own businesses. A whopping 84% of respondents felt that whatever happens in their business, they will be able to handle it.

Challenges Facing Business Today

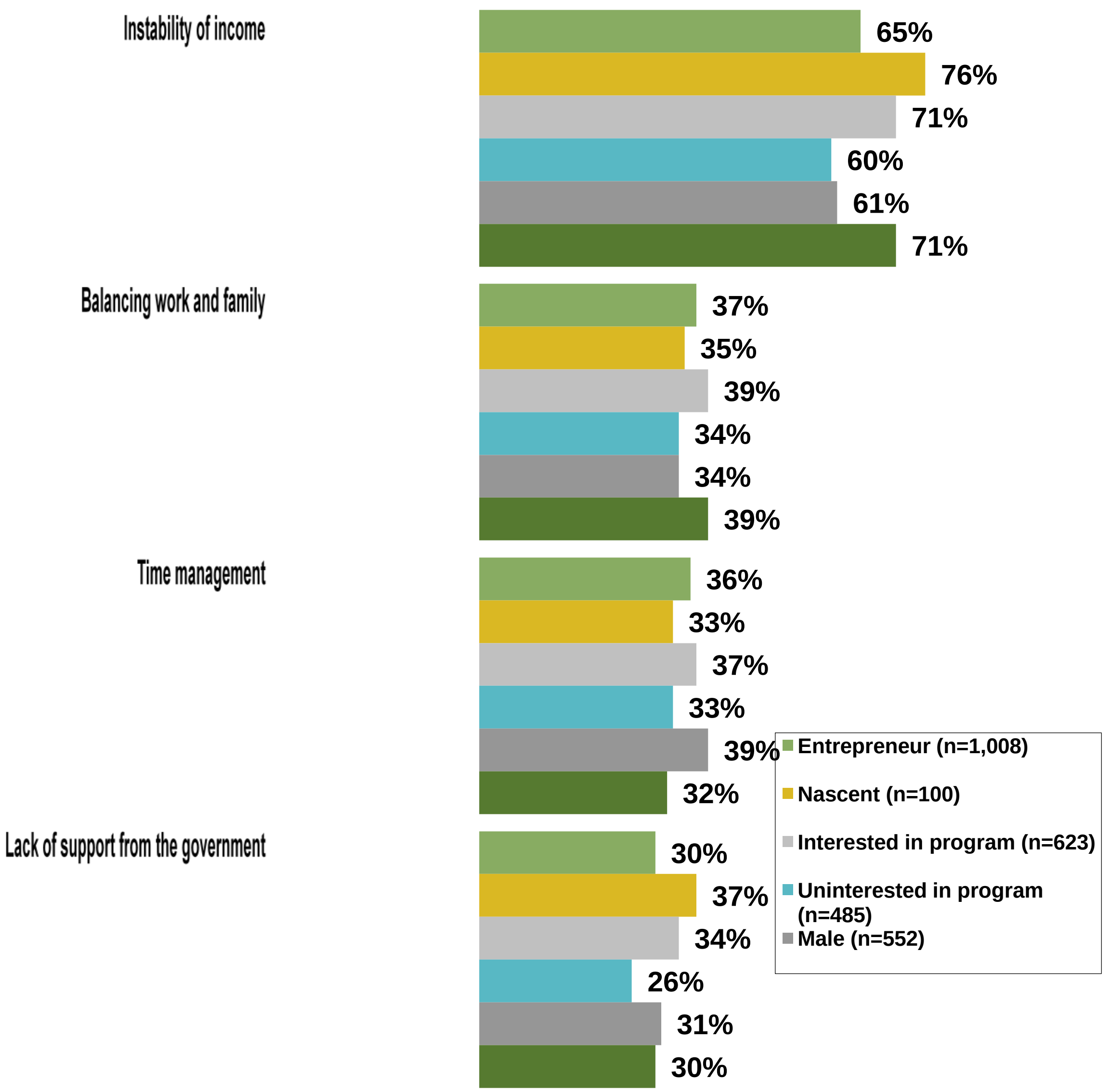
The economy is by far the greatest challenge facing current entrepreneurs. However, nascent entrepreneurs are more concerned with funding/cash flow/profits and business management/operation.

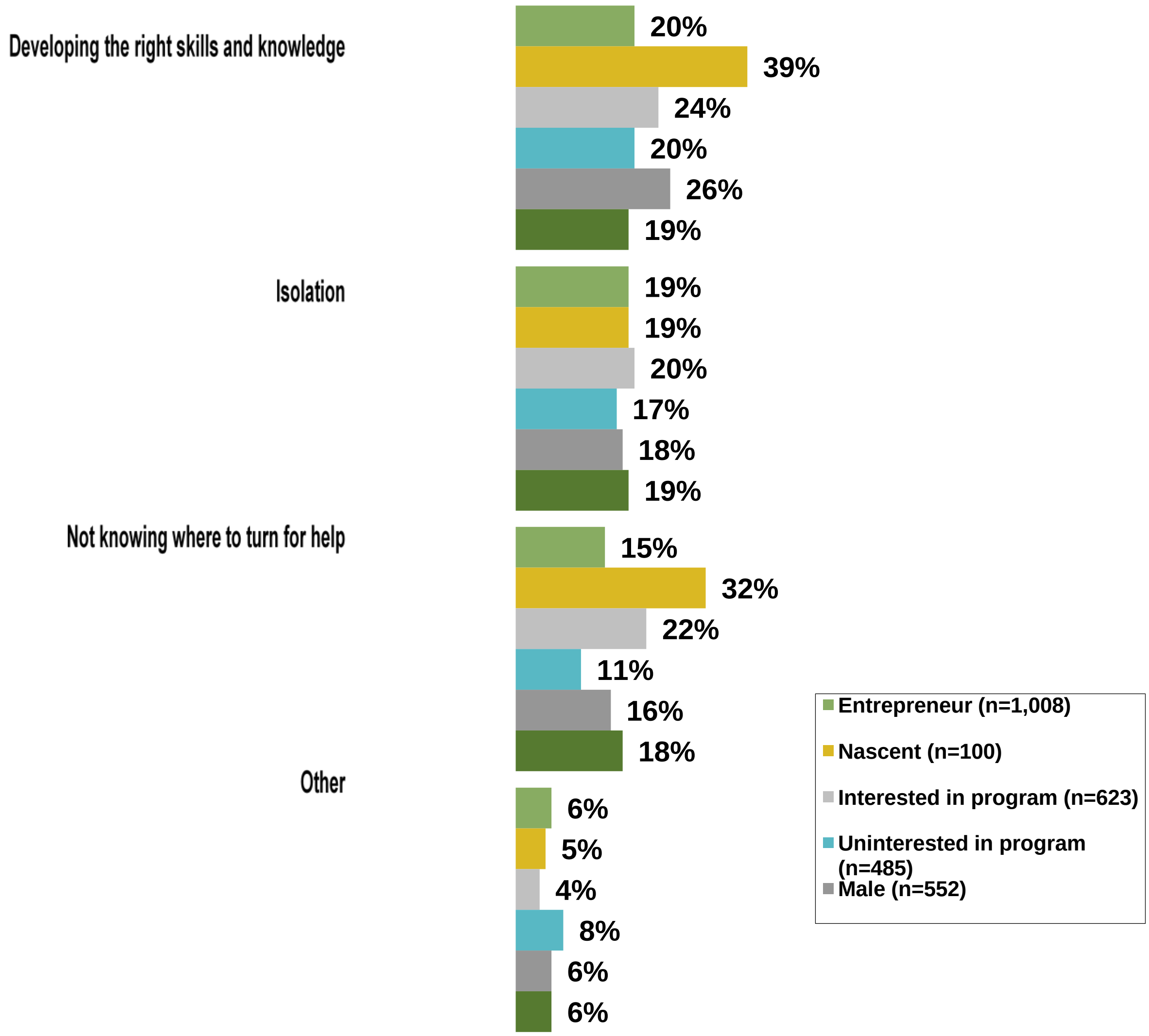
	Entrepreneur Status		Gender	
	Entrepreneur (n=1,008)	Nascent (n=100)	Male (n=552)	Female (n=556)
The Economy	50%	36%	51%	47%
Business Management / Operation	38%	57%	37%	43%
Funding / Cash Flow / Profits	29%	59%	34%	29%
Business Growth / Expansion	26%	24%	21%	31%
Operating Costs / Expenses	22%	14%	22%	21%
Government Regulations / Policies	19%	13%	24%	14%
Competition	16%	13%	16%	16%
Staff / Staffing / Employees	14%	12%	13%	15%
Other Mentions	8%	6%	8%	7%
Nothing	1%	0%	1%	2%
Don't know	1%	3%	1%	2%

Base: All respondents
Q7. In your opinion what are the top three challenges facing your business today?
Circles denote statistically significant differences

Greatest Challenges of Being an Entrepreneur

Income instability is agreed to be the greatest challenge of being an entrepreneur, with nascent entrepreneurs and females the most likely to agree with this challenge. Balancing work and family, time management and the lack of governmental support distantly follow income instability as key challenges.



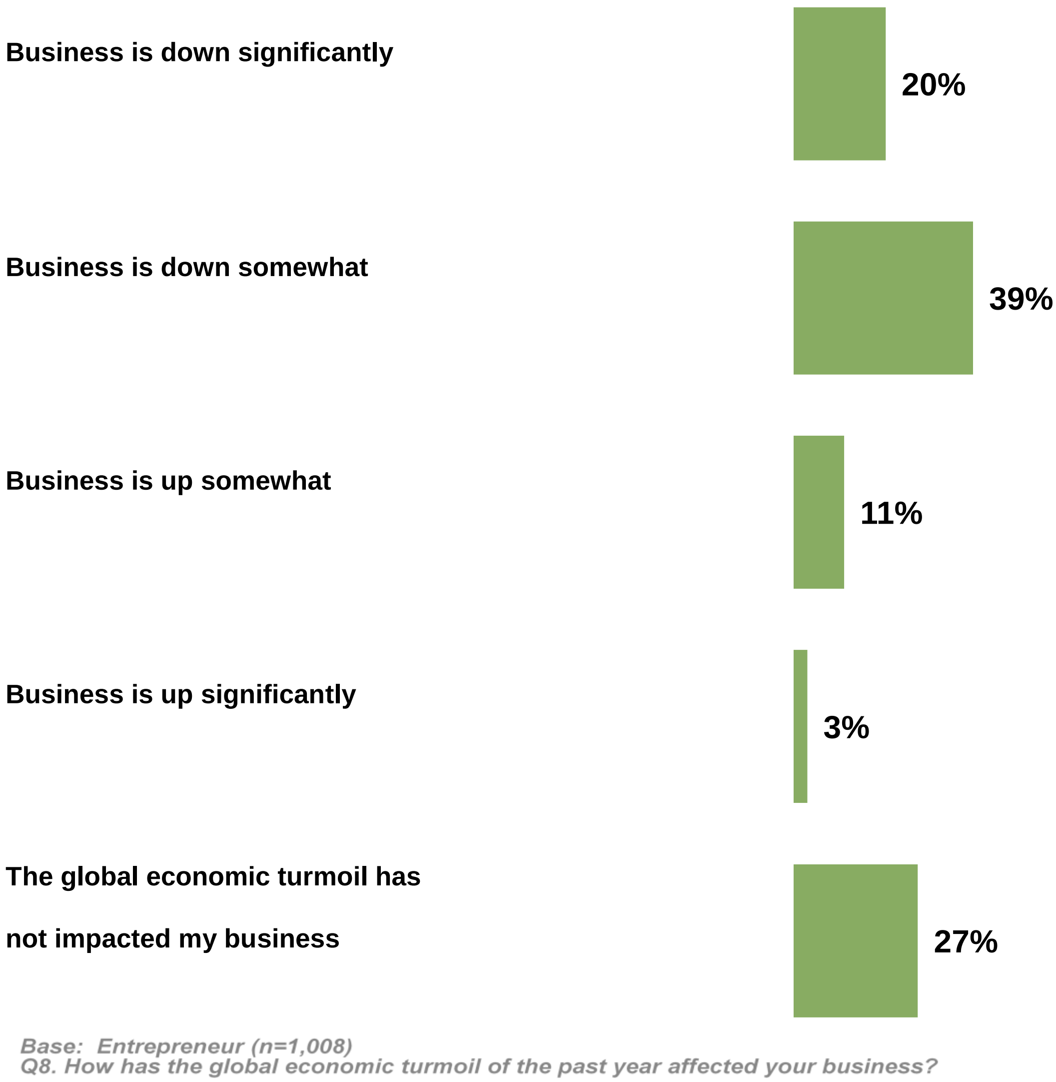


Base: All respondents
Q8a. What would you say are your greatest challenges of being an entrepreneur today?

Interestingly, nascent entrepreneurs are significantly more likely to agree challenges of being an entrepreneur include developing the right skills and knowledge; and not knowing where to turn for help than their counterparts.

Influence of Global Economy on Business in the Past Year

The global economic turmoil of the past year has negatively affected most entrepreneurs, with only 14% indicating their business is up.



Influence of Global Economy on Business by Industry

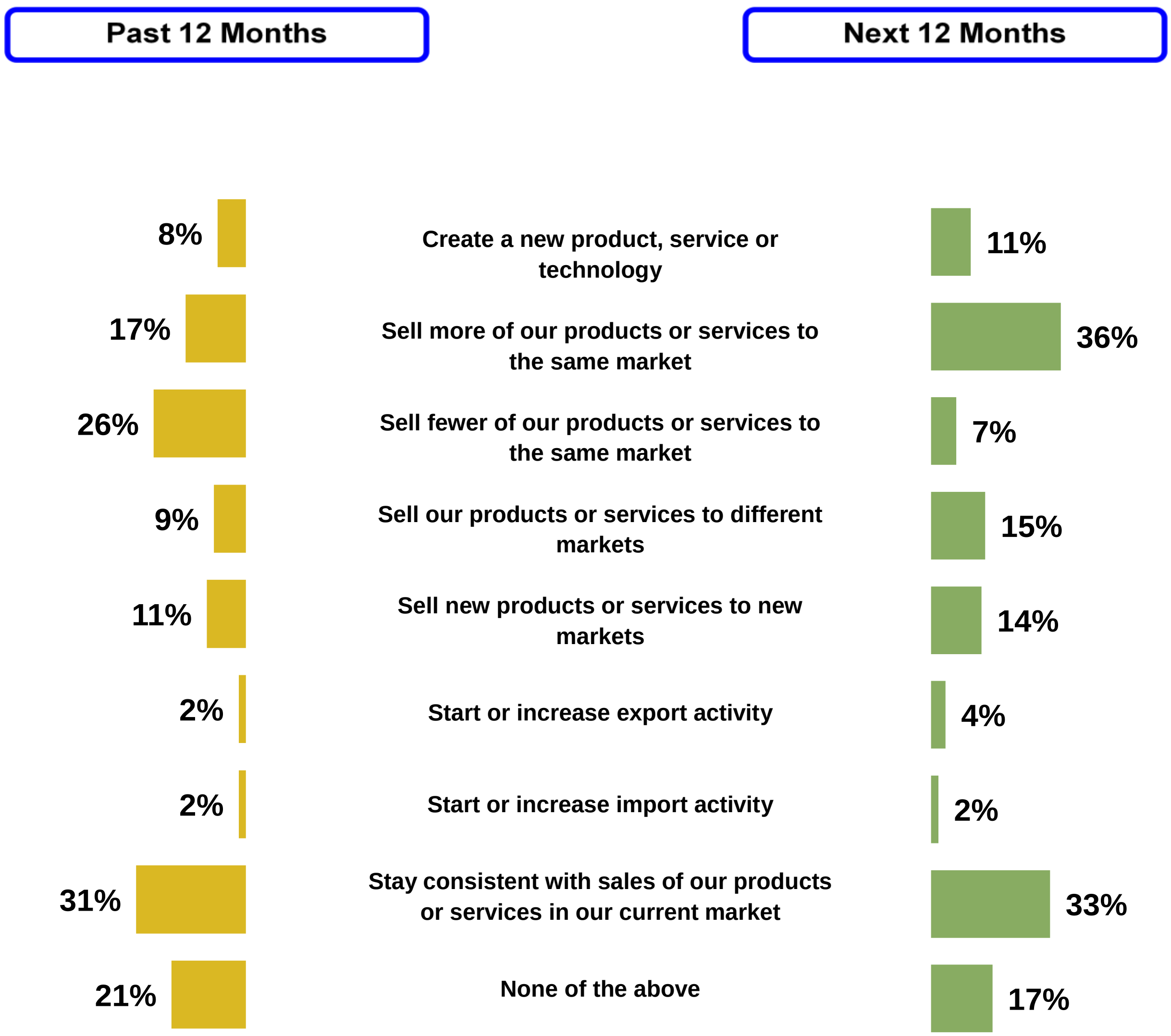
The economy has taken its toll on the manufacturing and mining & oil and gas sectors, as well as on the educational services sector. More buoyant industries are retail and the financial services and insurance sectors, as Canadians seek the guidance of financial services advisors and estate planners.

	Total (n=1,008)	Agriculture, Forestry, Mining Fishing & Hunting (n=37)	Mining & Oil & Gas Extraction (n=23*)	Con-struction (n=61)	Manu-facturing (n=24*)	Retail Trade (n=86)	Information & Cultural Industries (n=59)	Finance & Insurance (n=53)	Real Estate, Rental & Leasing (n=52)	Profes-sional, Scientific & Technical Services (n=134)	Educational Services (n=33)	Health Care & social assistance (n=47)	Arts, Enter-tainment & Recreation (n=62)	Other Services (n=72)	Other (n=171)
Business is down significantly	20%	16%	26%	20%	33%	33%	24%	13%	25%	22%	21%	11%	21%	22%	15%
Business is down somewhat	39%	43%	48%	41%	42%	35%	44%	42%	42%	37%	33%	23%	40%	39%	38%
Business is up somewhat	11%	8%	4%	15%	0%	15%	5%	15%	8%	13%	3%	15%	11%	3%	8%
Business is up significantly	3%	0%	0%	0%	4%	2%	2%	8%	2%	3%	0%	4%	0%	7%	4%
The global economic turmoil has not impacted my business	27%	32%	22%	25%	21%	15%	25%	23%	23%	25%	42%	47%	27%	29%	36%
Business down (NET)	***59%***	***59%***	***74%***	***61%***	***75%***	***67%***	***68%***	***55%***	***67%***	***59%***	***55%***	***34%***	***61%***	***61%***	***53%***
Business up (NET)	***14%***	***8%***	***4%***	***15%***	***4%***	***17%***	***7%***	***23%***	***10%***	***16%***	***3%***	***19%***	***11%***	***10%***	***12%***

*Base: Entrepreneur *Caution: Small base size Note: Bases 20 or less not shown*
Q8. How has the global economic turmoil of the past year affected your business?

Business Activity Over Past Year and Expectations for Future Year

The economy heavily influenced entrepreneur experiences in the past year; however, hope is held out for the next year: one-in-four sold fewer products over the past 12 months, whereas one-in-three expect to sell more products in the next 12 months.



Base: Entrepreneur (n=1,008)
Q5. Which of the following statements applies to you and/or your business? In the last 12 months I have…
Q6. Which of the following statements applies to you and/or your business? In the next 12 months, I expect to…

Business Activity Over the Past 12 Months by Sector

Business activity was measure by the extent to which companies were undertaking different marketing strategies: market penetration, product development, market development or diversification. Manufacturing and education services companies reported the highest level of innovation – creating a new product, service or technology. The manufacturing sector reported the highest level of diversification, or selling new product or services to new markets.

	Total (n=1,008)	Agriculture, Forestry, Mining Fishing & Hunting (n=37)	Mining & Oil & Gas Extraction (n=23)	Con-struction (n=61)	Manu-facturing (n=24)	Retail Trade (n=86)	Information & Cultural Industries (n=59)	Finance & Insurance (n=53)	Real Estate, Rental & Leasing (n=52)	Profes-sional, Scientific & Technical Services (n=134)	Educational Services (n=33)	Health Care & social assistance (n=47)	Arts, Enter-tainment & Recreation (n=62)	Other Services (n=72)	Other (n=171)
Created a new product, service or technology	8%	3%	4%	2%	17%	12%	17%	2%	4%	8%	18%	4%	13%	4%	8%
Sold more of our products or services to the same market	17%	16%	9%	15%	8%	27%	12%	36%	12%	18%	9%	19%	16%	17%	14%
Sold fewer of our products or services to the same market	26%	24%	26%	31%	54%	38%	36%	8%	29%	23%	27%	17%	31%	19%	20%
Sold our products or services to different markets	9%	14%	9%	5%	13%	9%	17%	8%	6%	9%	0%	2%	11%	7%	6%
Sold new products or services to new markets	11%	5%	4%	8%	29%	23%	15%	9%	6%	8%	9%	4%	13%	11%	5%
Started or increased export activity	2%	8%	0%	0%	4%	6%	2%	0%	0%	3%	0%	0%	2%	3%	1%
Started or increased import activity	2%	0%	0%	0%	4%	8%	2%	0%	0%	1%	0%	0%	2%	0%	3%
Stayed consistent with sales of our products or services in our current market	31%	51%	57%	25%	21%	26%	36%	34%	31%	32%	42%	36%	24%	28%	28%
None of the above	21%	8%	9%	30%	0%	6%	15%	21%	19%	19%	21%	32%	21%	28%	35%

Base: Entrepreneur
Q5. Which of the following statements applies to you and/or your business? In the last 12 months I have…

Expectations for Business Activity in Next 12 Months by Sector

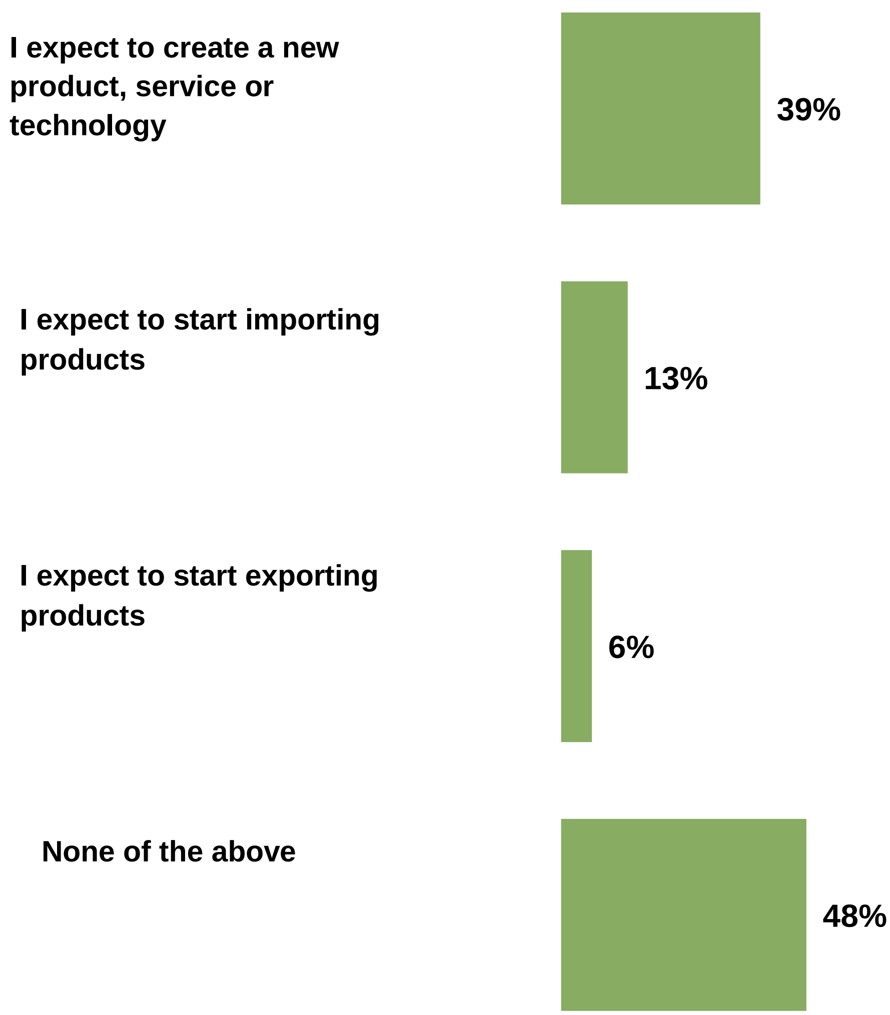
Expectations for the future show the level of resilience and optimism that permeates nearly all sectors, particularly information and cultural industries, manufacturing, and finance and insurance sectors. The dominant marketing strategy appears to be market penetration – selling more of the same products or services to the same markets.

	Total (n=1,008)	Agriculture, Forestry, Mining Fishing & Hunting (n=37)	Mining & Oil & Gas Extraction (n=23)	Con-struction (n=61)	Manu-facturing (n=24)	Retail Trade (n=86)	Information & Cultural Industries (n=59)	Finance & Insurance (n=53)	Real Estate, Rental & Leasing (n=52)	Profes-sional, Scientific & Technical Services (n=134)	Educational Services (n=33)	Health Care & social assistance (n=47)	Arts, Enter-tainment & Recreation (n=62)	Other Services (n=72)	Other (n=171)
Create a new product, service or technology	11%	0%	9%	5%	8%	9%	24%	2%	8%	11%	15%	4%	23%	11%	9%
Sell more of our products or services to the same market	36%	22%	48%	30%	63%	63%	32%	42%	38%	37%	33%	23%	34%	29%	32%
Sell fewer of our products or services to the same market	7%	8%	17%	10%	4%	9%	7%	2%	6%	9%	12%	4%	5%	4%	3%
Sell our products or services to different markets	15%	5%	4%	5%	33%	22%	17%	15%	10%	16%	18%	6%	23%	15%	11%
Sell new products or services to new markets	14%	5%	4%	11%	33%	26%	20%	9%	10%	11%	6%	6%	19%	17%	11%
Start or increase export activity	4%	3%	0%	0%	17%	9%	2%	0%	2%	4%	3%	0%	5%	1%	4%
Start or increase import activity	2%	0%	0%	0%	4%	10%	3%	0%	0%	1%	3%	0%	2%	3%	1%
Stay consistent with sales of our products or services in our current market	33%	49%	26%	38%	33%	23%	42%	42%	23%	33%	36%	40%	24%	38%	30%
None of the above	17%	14%	0%	20%	0%	5%	8%	17%	23%	11%	15%	26%	23%	21%	28%

Base: Entrepreneur
Q6. Which of the following statements applies to you and/or your business? In the next 12 months, I expect to…

Expectations for Business Activity

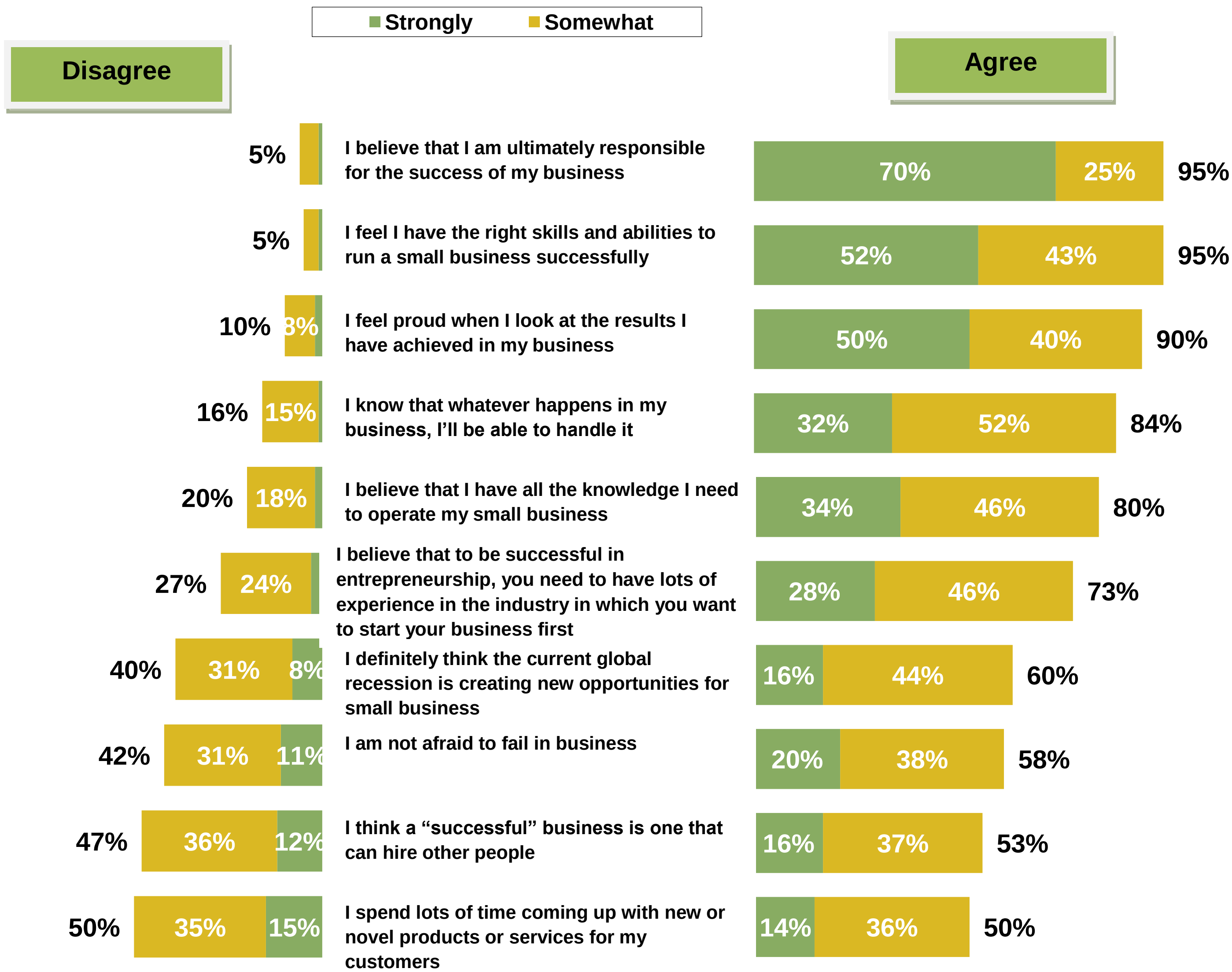
One-in-three nascent entrepreneurs expect to create a new product, service or technology with their business, distantly followed by the expectations of importing products, and exporting products, suggesting that those contemplating entrepreneurship have expectations of innovation.



Base: Nascent Entrepreneur (n=100)
Q6a. Which if the following describes your plans for your business in the next 12 months?

10 Attitudes Towards Entrepreneurship in Canada – Overall

The main attitudes nearly all respondents agree with are: they are ultimately responsible for the success of their business; they have the skills and abilities necessary to run a small business; and they take pride in the results they have achieved in business.



Base: All respondents (n=1,108)
Q10. Please indicate whether you agree or disagree with the following statements.

6 Conclusions

The results of GoForth Institute's National Entrepreneurship Sentiment Survey (2009) provide useful insight into the impact of the global economic downturn on our nation's micro business owners. The survey was conducted in partnership with Vision Critical in order to measure business sentiment and attitudes of over 1,100 Canadian micro-entrepreneurs, defined as owners or founders of businesses with fewer than five employees. After a tough year in business, entrepreneurs remain positive about the future of their businesses.

Results show the economy has heavily influenced entrepreneurs over the past year, with three in five business owners indicating their business is down. When asked for the top challenges micro-entrepreneurs face in their businesses today, the economy was by far the greatest challenge noted.

Although many entrepreneurs have suffered a difficult year, expectations for the future year are overwhelmingly positive. One in three entrepreneurs expects to sell more products or services in the next 12 months, and one in three entrepreneurs expect sales to stay consistent. Only 7% of respondents expect a drop in sales in the next 12 months. Aside from increased sales, one in three nascent entrepreneurs also expects to create a new product, service or technology. Although the recession has caused a tough year in business, the glass is seen as half full and not half empty - 60% of entrepreneurs believe the current global recession is creating new opportunities for small business.

Industries that most commonly reported a drop in business included manufacturing, oil & gas and information and cultural industries. Industries most commonly indicating an upturn in business, however, included finance, insurance, health care and social assistance.

Aside from the economy, issues such as business management, operations, funding, cash flow and profits followed closely behind as the top challenges for business owners. Other common challenges business owners indicated included income instability, balancing work and family, time management and lack of governmental support. In particular, nascent entrepreneurs pointed out not knowing where to turn for help and developing the right skills and knowledge are challenging issues.

Even after the effects of the global economic slowdown, entrepreneurs strongly felt that they have the right skills and abilities to run a small business successfully. Nine in 10 entrepreneurs surveyed also indicated that they feel proud when looking at the results they've achieved in their business, and even more felt that they are ultimately responsible for the success of their own businesses. A significant 84% of respondents felt that whatever happens in their business, they will be able to handle it.

Micro-entrepreneurs are the engines of growth in any economy due to their ability to create jobs, innovate and contribute to economic development and diversity. The results of this study show that Canadian micro-entrepreneurs are resilient and are anticipating future growth in markets, products and services.

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