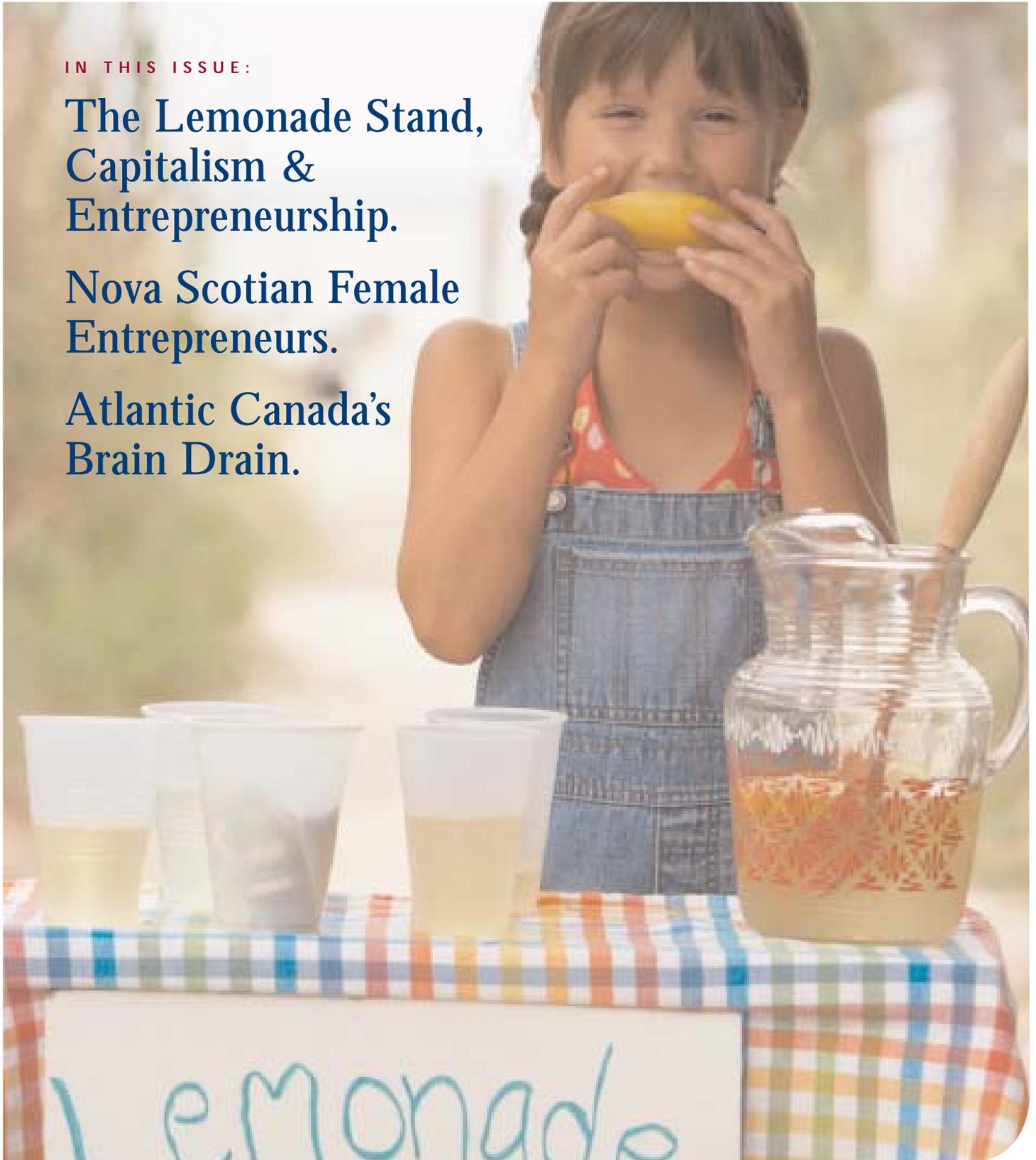


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The Lemonade Stand,
Capitalism &
Entrepreneurship.

Nova Scotian Female
Entrepreneurs.

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Brain Drain.



Better Workplaces

Better Workplaces is a research initiative of the Sobey School of Business. It is a key focus in our ongoing effort to produce research that has a meaningful impact on the way we do business. The *Better Workplaces* research agenda is aimed at developing insights into the balance of factors that encourage positive organizational outcomes, including improved organizational performance and customer care, employee health and safety, good community-workplace relations, and ethical business practices.

One of the initiatives under the Better Workplaces umbrella is the introduction of this new electronic journal – *The Workplace Review*.

Mission

The mission of *The Workplace Review* is to become a regional forum where people can explore different perspectives of work.

The Workplace Review will emphasize research that is current and relevant, with a high potential for immediate application and impact.

Scope of the eJournal

The Workplace Review showcases the strength of international faculty who are in touch with day-to-day workplace challenges. Drawing upon our diverse community of researchers, from the Sobey School of Business and other Atlantic Canadian universities, the journal will reflect developing issues in the functional specialties of marketing, finance, operations, information systems, economics, accounting, and management. It will address issues such as personnel staffing and selection, human resource management, leadership and coaching, occupational health, industrial relations, spirituality, diversity management, corporate governance and business ethics. The journal will remain flexible enough to incorporate future or emerging issues. All articles will focus on the central theme of the challenges and opportunities surrounding work, working and the workplace, but will not necessarily reflect the views of Saint Mary's University and the Sobey School of Business.



the workplace review

DISCOVER, SHARE, TRANSFORM

May 2007

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IF YOU HAVE SOMETHING YOU WANT TO SAY, research or information you want to share, or comments or reactions to articles you've read in this issue, please write to the managing editor: anthony.yue@smu.ca



Letter *from* the Editor

BY ALBERT J. MILLS

When we think of a review of cutting edge issues in the workplace (hence “Workplace Review”) we tend to think of particular spaces – offices, buildings, sites - where people work. However, as in the case of entrepreneurs, such spaces are not always so obvious or so concrete. As we demonstrate in this issue, the workspaces of the entrepreneur range far and wide and, in the process, confront entrepreneurs with complex environments that need to be navigated to establish and maintain a business.

In our opening article Robert Sexty evokes images of childhood and the influence of the lemonade stand on the development of the budding entrepreneur. In a fascinating reflection, Sexty takes us on a search for the source of the lemonade stand as an exemplar of modern-day entrepreneurship and capitalism.

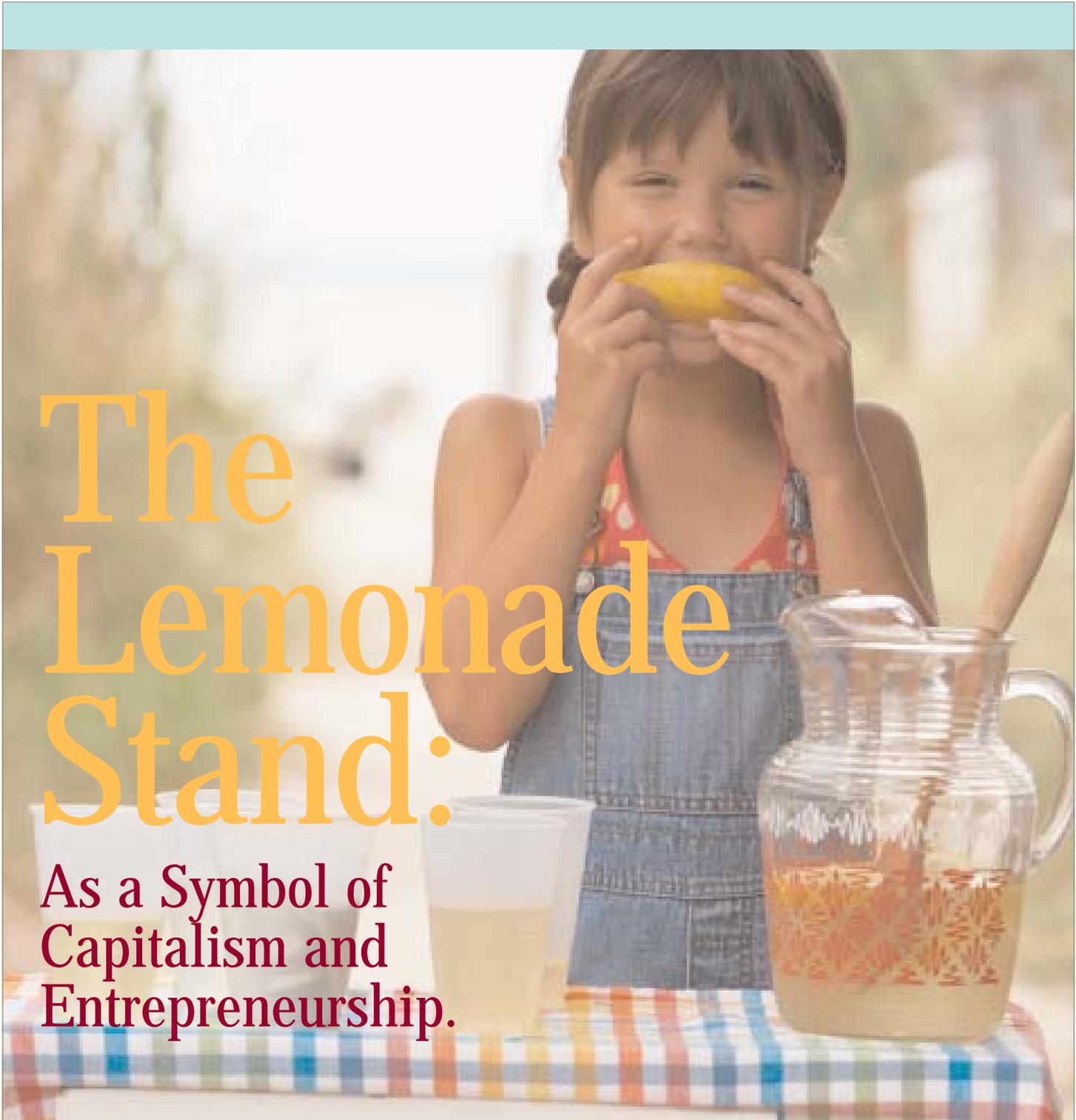
While lemonade stands conjure up images of innocence and times past Wendy Carroll and Conor Vibert remind us that the present day entrepreneur faces a variety of challenges, not least of which is navigating gender. In an insightful focus on female entrepreneurs in Nova Scotia, Carroll and Vibert reveal some of the challenges of making it at home and abroad through interviews with Carroll Bower, the Vice President of Halifax’s *Wooden Monkey* restaurant and Cassandra Dorrington, the President of Vale Associates Human Resources Management & Consulting.

In a far reaching study of Atlantic Canada’s “brain drain” Johann Vallerand, Jill Hiscock, and Silvie Berthelot examine the career choices of the region’s students and explore the potential of entrepreneurship to reverse the trend. In a related article, Wojciech Nasierowshi reports on a study of people’s perceptions of innovation and how this influences entrepreneurship activity in the region.

Our final articles by, respectively, Ellen Farrell and Mengsteab Tesayohannes, move us to an examination of the financing problems of small businesses. In the first of these article, Farrell focuses on the dilemma confronting entrepreneurs as they face asymmetries of information that make investors reluctant to invest - creating a financing “gap” for early-stage firms. Through an evaluation of UK initiatives, Farrell argues for the introduction of “exit-oriented incentives” alongside front-end incentives already in place in Atlantic Canada. In our final article, Tesatohannes examines the problem of promoting government outreach to small business financing in Atlantic Canada.

We hope that this entrepreneurship issue will provide insights into some of the challenges faced by entrepreneurs as they attempt to develop what will become workspaces that others will come to regard as their workplaces.

Finally, in lieu of a book review, I’ll leave you with a somewhat weighty but worthwhile read on the impact of entrepreneurship on the development of capitalism – Max Weber’s “The Protestant Ethic and the Spirit of Capitalism”: London: Allen & Unwin, 1967. ○—



The Lemonade Stand:

As a Symbol of
Capitalism and
Entrepreneurship.

WHEN THERE IS ANY DISCUSSION OF A PERSON'S FIRST ENTREPRENEURIAL ENDEAVOUR, THE LEMONADE STAND IS INEVITABLY MENTIONED. YET, THERE DOES NOT APPEAR TO BE A DEFINITE SOURCE OF WHEN THE LEMONADE STAND BECAME A SYMBOL OF CAPITALISM AND ENTREPRENEURSHIP. THIS ARTICLE ATTEMPTS TO DISCOVER THIS SOURCE, BUT FIRST WILL IDENTIFY THE PREVALENCE OF THE LEMONADE STAND EXEMPLIFYING CAPITALISM AND ENTREPRENEURSHIP.

BY ROBERT W. SIXTY

Contemporary Usage of the Lemonade Stand

Monitoring of the popular media or literature will uncover numerous references to the lemonade stand:

NEWSPAPER AND MAGAZINE CARTOONS Single frame cartoons in newspapers and magazines have made extensive use of the lemonade stand. Cartoons such as Bizarro, Speed Bump, and Drawn and Quartered and newspaper and magazine editorial cartoons often feature the lemonade stand. Even Calvin and Hobbes featured the lemonade stand to illustrate several business issues in a multi-frame cartoon.

MEDIA STORIES Every summer, print and broadcast media cover incidents where a child has set up a lemonade stand only to be shut down by enforcement of municipal bylaws.

WEB SITES The Internet has thousands of references to “lemonade stand.” Many web sites are selling games to individuals for recreational purposes, simulations and exercises to educational institutions, and fundraising packages usually for schools. All focus on the desirability of teaching children about entrepreneurship. None of the web sites identified the history or origins of the lemonade stand although some did discuss the history of lemons.

BOOKS A search of books at Amazon.com resulted in 1,658 items containing the words “lemonade stand” in titles. Although not all these titles were examined, analysis of a sample found that most were children’s story books or “how-to” books on entrepreneurship usually for children. A more specific search for “lemonade stand’ history” yielded nine results. These books were searched for references to lemonade stands, none of which generated any information on its history or origins.

TELEVISION PROGRAM The first episode of The Apprentice involved a competition or challenge to sell the most lemonade. Donald Trump challenged the gender-based teams to sell the most lemonade on the streets of New York. Each team was given a start-up fund of \$250. The men doubled their money while the women quadrupled theirs. The winning team got a tour of Trump’s apartment atop the Trump Tower and the losers went to the Board Room and one member was fired.

This discussion has established the common usage of the term “lemonade stand” and its connection as a symbol of entrepreneurship associated with children. None of the examples from the various sources resulted in any information on its history or origins.

Researching the Origins of the Lemonade Stand

The absence of information on the origins of using the lemonade stand as a symbol of entrepreneurship and capitalism presents a challenge. The following efforts were undertaken to resolve the lack of information on the origins of the term.

Usually this type of term or expression is defined and its derivation given in etymological dictionaries. With the assistance of a librarian, all such sources available to the author in the university library were searched without results. Librarians undertook special searches for information but were unsuccessful. In the *Words and Phrases Index* [1] there was no reference to lemonade stand, but the entry for lemonade identified the earliest mentions as being in 1663. Another authoritative source, *The Oxford English Dictionary* [2] also referenced early usage of lemonade first in 1663 and 1697, but did not mention lemonade stands.

Apparently the expression “lemonade stand” did not merit inclusion in the usual reference sources despite its widespread usage. However, the references of first or common usages given in the etymological dictionaries suggested an approach for tracing the first usage of the phrase. Periodicals, especially popular magazines and newspapers, are another source for identifying the common usage of words and phrases.

Searchable databases now allow access to mentions of the term. Such searches were undertaken for *The New York Times* and *The Globe and Mail*. These two newspapers were selected for their continuous publication and for their comprehensive coverage. Newspapers reflect the “pop culture” and are the most likely source of information on day-to-day life. These newspapers also represent two countries.

The search of *The New York Times* covered the period from September 1851 to October 2005 and generated 256 references of which only a sample are reviewed. None provided any light on the origins of the lemonade stand but some articles illustrate the association to business or capitalism and entrepreneurship. The first reference was found in 1879 in an article about various stands blocking sidewalks and preventing pedestrians from passing by:

A shop-keeper erected a lemonade stand in front of his store-door. It was made altogether within the inner four feet; did not obtrude on the ten-foot strip at all. But his lemonade was so popular as to keep a little crowd of purchasers waiting in front of the stand, and, as these occupied the ten-foot strip and hindered people from passing, the town officers ordered the shop-keeper to remove the stand. He refused. They undertook to make him, and there was quite a little fight. The court decided in favour of the stand-owner. [3]

The quotation illustrates the association of lemonade stands with small business, and the outcome was a victory for the entrepreneur over agencies enforcing laws and regulations. This theme reoccurs annually in North American communities.

In an 1880 article discussing the extremely hot weather in New York, an insight is provided into why lemonade began to be sold from stands:

This cheap lemonade business has come very much to the front in New York within the last year or two, and it is an excellent idea. Before, if a thirsty soul wanted a glass of lemonade, on a hot day, he had to go into some bar-room and pay 15 cents for it. Now, at any one of these lemonade-stands – and scores of them have been established - a customer can have a glass of ice-cold lemonade, made before his eyes, for 5 cents. [4]

The article continues by mentioning how lemonade was adversely affecting the soda-water business which now had three rivals, lemonade, beer, and ice-water. A similar story the next year about the hot weather in New York also mentioned the popularity of lemonade being sold from a stand. Included in *The New York Times'* articles were several stories of children practicing free enterprise by setting up lemonade stands.

The search of *The Globe and Mail* between 1844 and 2005 provided 24 mentions of lemonade stand. These mentions are summarized with the years when mentioned:

Stands at exhibitions or for children as a summer activity
(1898, 1964, 1979, 1980, 1984, 1985, 1995, 1996, 1997)

Reminisces to past summers (1973)

Experiences of those who started their own businesses (1980, 1994)

Featured in advertisements (1954, 1987, 1998)

Comparison of small versus large business (1960, 2001)

As a method of fundraising (1964)

Games based upon (1961, 1984)

As example of why government should not operate businesses (1994, 1996)

Reference in literature (Hemingway's *Snows of Killimanjaro*) (1986)

There was no mention of the origins of the lemonade stand, and mention of it did not appear until 1898 about twenty years after mention in *The New York Times*. However, many of the topics summarized above do relate to business and entrepreneurship: starting and operating businesses and a child's first exposure to business.

With regard to books, the first reference was found in the autobiography of Edward Bok (1923) as he discusses his involvement with lemonade stands at a young age and gives some insights into their possible origin. Bok was born in the Netherlands in 1863 and died in Florida in 1930. He had a distinguished career as an innovative women's periodical editor including thirty years with *Ladies Home Journal*. Bok's first jobs and entrepreneurial ventures between 1873 and 1876 were described in the book. One venture was selling water and then lemonade to passengers in horse drawn street cars while at a water stop for the horses. The lemonade business alternative was prompted when other boys started selling water at 1 cent cutting into Bok's business. The autobiography states:

Edward immediately met the challenge; he squeezed half a dozen lemons into each pail of water, added some sugar, tripled his charge, and continued his monopoly by selling "Lemonade, three cents a glass." [5]

Although a lemonade stand as such was not involved, Bok was positioned on a street location. The autobiography does not state the year of Bok's involvement in the lemonade business but was most likely in the mid 1870s when Bok was a youngster. The incident is early evidence of lemonade's association with entrepreneurship and one reason why lemonade stands today are associated with a child's first business venture.

What the “Lemonade Stand” Represents

The purpose of these searches was to identify the earliest mention of the lemonade stand and to establish its origins. From this research, the best estimate is that lemonade stands first appeared in the 1870s in the United States. None of the materials reviewed explicitly stated how or when lemonade stands emerged as a commercial venture.

The lemonade stand has become associated with entrepreneurship and small business, and in particular youth entrepreneurs. It is identified as the first business venture of young people and is frequently mentioned as a summer activity. The lessons learnt in these first ventures may endure to later endeavours. An article describing the success of entrepreneurs who participated in Junior Achievement programs as children states “The lessons kids learn at ‘the lemonade stand’ stay with them when they enter the workforce and provide a solid foundation from which to grow”. [6]

In addition, the references to lemonade stands identified in this paper represent various aspects of business operations and related issues. Some of the more common are:



The influence of government on business, in particular, taxation, subsidization, and bureaucracy



Marketing practices such as niche marketing and pricing



Inappropriate accounting practices



Mergers and takeovers



The reality and uncertainties of the marketplace, for example influence of environmental factors such as the weather, competition, employee downsizing



Greed and monopoly

Also clearly established is the use of the lemonade stand as a learning or teaching tool. It translates very well into games for children, simulations and classroom exercises for most grades. Many children's storybooks develop story plots around the lemonade stand and it is used extensively as a model for fundraising. Finally, advertising agencies have used the concept in advertising copy.

It is important to observe that, as a symbol of capitalism, the lemonade stand has endured despite the changes in drink preferences. After more than 125 years, it still appears in cartoons, newspaper and children's stories, and is used in educational materials. It is often used as a symbol against government bureaucracy or red tape, and interference in the business system. The next section examines possible reasons for the symbol's endurance.

Concluding Comment

The lemonade stand as a symbol of capitalism and entrepreneurship is as relevant today as it was for entrepreneurs in the 1800s. One possible explanation of its durability is that the lemonade stand lends itself well to romanticising the past and reminisces of other times. Earliest references were associated with youth entrepreneurship and apparently lemonade stands were easy to establish with parents being the principal providers of supplies and infrastructure, that is the table or stand. Children can understand the transactions necessary for the operation of stands. The stand could also be set up in almost any location despite zoning regulations that have interfered with their operation from earliest times. As a result, the lemonade stand apparently lends itself to story telling, game development, and educational tools aimed at a youthful audience.

Despite extensive research, it was not possible to learn much about why the lemonade stand has been a popular symbol for capitalism during the past 125 years. Research covered etymological references for the modern English language and sources of media sources since the 1850s. It can be concluded that the meaning of the symbol may be taken for granted as everyone assumes that they understand what it means and to what it refers.

It is necessary to point out that the research for this paper only uncovered North American sources. There was no evidence that the symbol was used in other parts of the world. This is most likely because capitalism is most prominent in North America. The use of the symbol is consistent over the 125 years and it is most likely more prominent today as anytime in its history. It will most likely continue to endure in the future. ○—

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Profile:

Dr. Sexty is a Professor of Business Administration at Memorial University of Newfoundland where he has been since 1968. He holds bachelor, masters, and doctoral degrees in Business Administration from the University of Alberta, Queen's University, and the University of Colorado respectively. Dr. Sexty teaches Strategic Management, and Business and Society (Business Ethics) courses at the undergraduate and graduate levels. He has taught dozens of management development seminars and workshops on many management topics, including strategic management. Dr. Sexty is a past recipient (2001-2002) of the "Leaders in Management in Education Awards" sponsored by the National Post and PricewaterhouseCoopers.

Capital Gains-free Business Angel Investments Produce Significant Increase in Equity Capital for Entrepreneurs.

BY ELLEN FARRELL

This article outlines the classic dilemma confronting entrepreneurs. Faced with large asymmetries of information, investors are reluctant to invest in entrepreneurial ventures creating a financing “gap” for early-stage firms and their founders. Business angels help reduce the size and severity of the equity gap, particularly with the help of enabling legislation. The author argues for the introduction of exit-oriented incentives to accompany front-end incentives already in place in Atlantic Canada. An evaluation of a similar program in the UK indicates a significant increase in business angel activity. In an entrepreneurial climate where the Council of Atlantic Premiers has made access to capital a priority, other jurisdictions have shown that the movement towards upgrading investment incentives improved the supply of informal private equity by 52 to 62 percent.

THE ENTREPRENEURS’ DILEMMA – WHEN ENTREPRENEURS KNOW MORE THAN THEIR INVESTORS

Relationships between entrepreneurs and their potential investors are characterised by information asymmetry. Information asymmetry exists when entrepreneurs have more information about their own character, abilities, and work habits, as well as more information about the venture, its customers and its potential than the potential investors do. Furthermore,

entrepreneurs may intentionally, or unintentionally, withhold information. Unlike publicly traded firms — which have very specific accounting information such as securities exchange filing requirements, up-to-the-minute transaction prices, and dozens of industry and securities analysts — entrepreneurial firms do not have the management, employees nor the professionals to generate systems to increase the firms’ timely and accurate accounting of its activities. [1]

Information asymmetry can cause investors to make poor investment decisions. It is difficult for investors to determine the abilities and effort that entrepreneurs will devote to developing the firm. [2] Specialised investigations during the investment appraisal process (due diligence) can reduce the probability of adverse selection, but cannot eliminate it. Furthermore, self-serving actions by entrepreneurs cannot be easily observed by investors. For example, it

is not always obvious to investors whether entrepreneurs are applying themselves to the necessary tasks using all of their facilities. Without effective monitoring, entrepreneurs may partake of frivolous expenditures because they are purchased in part by funds provided by investors. [3] These, and other types of self-interest seeking behaviour, are difficult for investors to observe.

ENTREPRENEURIAL EQUITY GAP AND BUSINESS ANGELS

The conditions noted here are very real impediments to investment in local entrepreneurs by local investors causing the provision of outside finance for new founders, venture teams and entrepreneurs to be a sore spot. Information asymmetries cause most financiers to avoid early-stage businesses and entrepreneurs. This

firms (with smaller potential growth prospects) bereft of financing options. Whether it is debt or equity, there never seems to be enough finance to satisfy the demand by entrepreneurs. Supply never expands to meet the demand required by entrepreneurs. Firms seeking funds of \$50,000 to \$2,000,000 are said to be in the equity gap.

Informal venture capital is one of the sources of finance that is aimed directly at the equity gap. Otherwise known as business angels, informal venture capitalists are instrumental where debt and formal venture capital are unavailable. Business angels are private individuals who invest in the equity of young and growing firms. This is not a career, but rather a part of an investment strategy, and a hobby of sorts for some. Their

Because business angels invest in entrepreneurial firms that are considered to be unworthy candidates for bank loans or formal venture capital, they are highly desired and sought by early-stage entrepreneurs. Furthermore, the introduction of an outside investor often has a positive influence on the entrepreneurial team as it exacts a discipline on the entrepreneurs. Business angels often bring significant business and financial support to the young firm.

POLICY MANIPULATIONS SHOULD INCLUDE EXIT-ORIENTED INCENTIVES SUCH AS CAPITAL GAINS-FREE INCENTIVES

The importance of the firm stage where business angels normally invest has caused governments to create legislation to encourage business angel investments by improving the

The tax revenue losses of capital gains-free sales of shares are more than offset by the taxes paid by the successful activities of the entrepreneurial firm.

situation has been observed locally and internationally over the past several decades. Banks are happy to supply loans to experienced firms or founders with collateral, and venture capitalists are happy to supply funds to candidates with very high growth potential and management experienced in their industry. However, the information asymmetries noted above have left most start-ups (with no historical transactions) and young

interests and motivations are similar to those of the entrepreneurs because many of them were entrepreneurs at one point in their careers. Some informal venture capitalists are cashed-out entrepreneurs. Their inclinations are to invest alone, or with a group of similarly minded individuals, and their investments range from \$25,000 to \$500,000. In Atlantic Canada, approximately \$85 million annually is invested in local firms by local investors. [4]

effective rate of return. Provincial governments in Atlantic Canada provide income tax incentives for business angels who invest in local entrepreneurs. These "front end" incentives reduce the amount of provincial tax paid by a business angel by up to as much as \$17,500. [5] These policy manipulations have the ability to improve the supply of informal private equity because the willingness of individuals to invest is expected to

respond to the expected rate of return on investments. [6]

However, while there is uptake for these programs, there is little evidence that front-end investment tax-incentive programs contribute to the long term success of the firm. Front-end tax incentives motivate the investor by providing for an investment that costs less than the face value. The benefit to the investor is completely exhausted in the year the investment is made. Theoretically, the expensing of the tax credit quickly may allow angels to “forget” about these investments.

In the UK, front-end tax-incentive programs have been combined with exit-oriented capital gains relief programs. [7] Exit-oriented incentive programs reward the investor upon the successful exit at the end of the investment rather than at the beginning of the investment. In the UK example, business angels who invested with an entrepreneur can sell their investments completely capital gains-free in the future.

The success orientation of capital gains tax relief programs gives incentive to business angels to assist investees and help them build successful firms because the potential windfall of a successful exit without the penalty of capital gains is significant, but occurs at the end. This differs from front-end relief where the incentive is realised quickly (when the investment is made) and then dissipates.

More dramatic supply effects are expected for exit-oriented incentives

than for front-end incentives for informal venture capital. In personal interviews with business angels in Atlantic Canada, the penalty of capital gains (upon the rare event of a successful exit) is perceived as unduly punishing. Indeed, in the UK, the intent of the exit-oriented incentive is intended to reward the individuals who supplied equity finance at a time when there were few other options available to the entrepreneurs.

WHAT DOES THE PUBLIC STAND TO LOSE?

The tax revenue losses of capital gains-free sales of shares are more than offset by the taxes paid by the successful activities of the entrepreneurial firm. The losses to the government, in order to pay for such a program, are the capital gains taxes on the subsequent sale of the original shares by business angels. However, by the time an investee (the entrepreneurial firms) is sufficiently successful for a business angel to market their shares profitably, the firm is successful and paying taxes, the firm has dozens (maybe hundreds) of employees all paying taxes, and the firm contributes to the community paying municipal taxes. The net contribution to the public coffers by the success of the firm far outweighs the capital gains foregone by the government. Furthermore, the exit tax relief only comes into effect if the business is successful.

A UK program, called the Enterprise Investment Scheme, raised £2.2 billion of investment funds during an eight-year period. [8] The cumulative cost of the program which included

front-end and exit-oriented incentives was equal to 3.5 percent of the funds raised. Estimates gauge that 52 – 62 percent of the funds raised were over and above what would have been expected to have been invested without the programs front-end and exit-oriented incentives. For every £1 million of tax foregone, the effect on participating companies were: a market value of £4.4 million, revenues of £3.3 million, net assets of £1.5 million, profits of £0.1 million, and 65 jobs. [7]

Similar initiatives in Canada would have the ability to: 1) increase the amount of informal private equity available for entrepreneurs, 2) reduce the amount of direct government intervention by way of special programs and initiatives, 3) encourage equity investment rather than debt, and 4) improve the informal equity capitalists' motivations to assist entrepreneurs since the potential return from a successful exit is tax free.

Some business angel groups voice opposition to the creation of exit-oriented incentives. In my experience, angel groups that are opposed to capital gains-free (exit-oriented) incentives are located in provinces that do not yet support business angels with front-end tax credit programs. If given a choice, they see the provincially funded front-end incentives as more probable (because exit-oriented incentives would require federal participation) and opt for the more immediate source. As in the UK's Enterprise Investment Scheme, I propose the adoption of both types of incentives.

WIN/WIN/WIN SCENARIO

Movement towards a capital gains free incentive for early-stage equity investors is a win/win/win scenario. Entrepreneurs win by having outside financiers play a long-term, supportive role helping entrepreneurs overcome hurdles that are hard to surmount alone. The business angel wins by successfully financing a fledgling firm or founder during the most difficult period of a young firm's growth, the early-stage capital acquisition and subsequent growth. The angel reaps their benefit years later in the form of a capital gains-free exit. The government wins in two ways. Firstly, the exit-orientation means the effect of the tax foregone only becomes apparent if the entrepreneur and the

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Any loss of revenue to the government by way of foregone capital gains is recovered and multiplied by the success of the firm and its tax contribution to the community.

angel are successful. Secondly, by the time the firm is flourishing sufficiently for an angel to exit successfully, the firm is profitable (and paying taxes), the founders are successful (and paying taxes), and dozens, if not hundreds, of employees are employed (and paying taxes). Any loss of revenue to the government by way of foregone capital gains is recovered and multiplied by the success of the firm and its tax contribution to the community. ○—

Profile:

Dr. Farrell came to Saint Mary's via a career in the public and private industry and has contributed to building three firms. Dr. Farrell completed her doctoral studies at the University of Nottingham in the UK and is a leading entrepreneurship educator in the region. Her approachable manner with students has made her a popular professor, and she has coached many teams in national and international competitions. Collectively, her students have won more than \$100,000 in prizes. Dr. Farrell's research interests are in early-stage equity finance, particularly both informal and formal venture capital.



The New Economy and Atlantic Canada's Brain Drain: Can We Do Something About It?

BY JOHANN VALLERAND, JILL HISCOCK, AND SYLVIE BERTHELOT

The prediction of a new economic era is certainly not recent. For more than 20 years numerous bestseller books have been forecasting, upcoming fundamental changes in the industrial world. [1] What was predicted is now reality and consequently we must face these changes which are real, worldwide, and affecting many industrial sectors.

Within the new economy, the concept of "hyper-competition" was born. Hyper-competition is fierce, intense, and extensive. This, along with other factors, has contributed to making the transition to the new economy the most strategic challenge that has faced every country in the world.

The Organization for Economic Cooperation and Development (OECD) publications are among the most relevant literature to highlight the real power of this new economy (appropriately named the "knowledge economy"). According to the OECD, the knowledge economy is now causing major gaps among the 52 countries which are monitored by the OECD. Europe, Asia, and North America are all facing this problem, and everyone is focusing upon the same goal as a top priority; that is to be competitive.

Like other countries, Canada has invested substantially to position itself on this new strategic chessboard. In 2000, a first report, *Canadian Competitiveness; Nine Years after the Crossroads* [2], traces a path that must be followed to face the challenges of the knowledge economy. In 2002, another Canadian government document was published: *Achieving Excellence: Investing in People, Knowledge and Opportunity*. [3] In that report, the conclusion is simple: to better face the new economy, we must invest in our workforce. In that same period, the Canadian government published a second document: *Knowledge Matters: Skills and Learning for Canadians*. [4] That document calls for a collaborative approach among all sectors of our society to ensure that Canadians have the tools they need to participate in Canada's workplace. The paper outlines a series of national goals and milestones for children and youth, students, the adult labour force, and immigration.

In line with the broader Canadian studies on how to achieve a better understanding and knowledge of this economy, the Atlantic Provinces also provided a contribution. Early in 1994, De Benedetti and Lamarche [5] outlined some recommendations in their book entitled: *Shock Waves: The Maritime Urban System in the New Economy*. Most notably, the authors suggest that it is very important to create associations and regional partnerships among the government, the industrial sector, the universities, and the research and development organizations. Subsequently, in June 1999, the Policy Research Initiative Secretariat, Industry Canada, Human Resources Development Canada, Atlantic Provinces Economic Council (APEC) and Atlantic Canada Opportunities Agency (ACOA) hosted a conference. The goal of that conference was to examine the current state of employability skills in domestic and international labor markets, matched specifically to the needs of enterprises operating in the knowledge economy. The speakers attending this conference presented similar conclusions to those found in previous studies: the Atlantic Provinces, like the rest of the world, must establish a partnership among government, industry, the academic community, and the research and development community. In 2002, a study by Bourgeois and LeBlanc [6] examined the capabilities of Atlantic Canadians to cope with knowledge development and its requirements. They confirmed the strong link which must exist between innovation and economic growth. Furthermore, they emphasized that the innovation process cannot come by itself and that a highly skilled workforce is needed.

Many studies have come to a consensus; the key success factor to compete successfully in this knowledge economy is to have a large group of well-educated and qualified workers. Like most economies in the world, Atlantic Canada needs to be active and play an important role in the knowledge economy. Educational, political, and business leaders are well aware that being active in building a well-educated workforce is challenging, yet this has been vital in contributing to growth in Europe, Asia, and North America. For that reason, the Atlantic Provinces' community leaders realize that they have no choice now but to follow a similar direction.

Unfortunately, successful participation in the knowledge economy cannot be achieved without causing major difficulties to numerous countries, including Canada. The primary goal of creating a sustained, large group of highly skilled and educated individuals is not easy to achieve. In the knowledge economy, which is global in nature, these individuals are increasingly mobile. Complicating matters, the new workforce identified as generation Y [7], is not likely to behave like its predecessor, generation X. Better educated and eager to learn, the generation Y group does not plan to remain in one place for an extended period of time and they seek a top position right away, whether they are experienced or not. The members of this generation are told from a young age, through both the media and home, that they can have it all.

In order to contribute to the creation of a large group of well-educated and qualified workers, we invest, as a country, in post secondary education. The global budget for post-secondary education in the Atlantic Provinces in 2006 was \$152,600,500 (representing \$837.30 per capita). [8] Interestingly, the global post-secondary education budget for the rest of Canada, excluding the Atlantic Provinces, was more than \$30,324,910,000 (representing \$985.52 per capita). Despite the lesser investment in the Atlantic Region, some questions still remain. Were these investments fruitful? What was the real pay-off?

Brain Drain Phenomenon: Atlantic Canadian Reality

In the past few years, researchers have tried to document the brain drain phenomenon. [9][10][11][12] More recently, some Canadian researchers [13] have come to the conclusion that this occurrence is not as extreme as previously forecast. In fact, it seems that the lack of highly qualified Canadian workers is somewhat compensated through immigration - a phenomenon labeled as the "brain gain." However, according to the recent research of Akbari [14], the Atlantic Provinces have not been as successful at attracting and retaining highly qualified immigrants as other provinces. In fact, of the 254,359 immigrants who came to Canada last year, only 3,929 chose the Atlantic Region, meaning this region is only attracting 1.54% of new comers. [15] If immigration has been the main contributor to offsetting the qualified workforce that has been lost in Canada, the situation for Atlantic Canada seems to be quite different. Therefore, Atlantic Canada has to cope not only with the brain drain phenomenon, whereby highly qualified young students are leaving the region, but also with little compensation through immigration.

Atlantic Canada has to cope not only with the brain drain phenomenon, whereby highly qualified young students are leaving the region, but also with little compensation through immigration.

In 2004, we were co-authors of a study funded by ACOA entitled *Entrepreneurship in Atlantic Canadian University Environments: The Variables that Promote and Hinder Entrepreneurship Development* (EUE). [16] The purpose of this study was to assess attitudes and perceptions of entrepreneurship among those working and studying in Atlantic Canadian universities in order to identify the variables that promote and hinder entrepreneurship development. A portion of the survey focused on the out-migration (leaving the region) of graduates from Atlantic Canadian universities. The results of our study reveal some alarming findings regarding out-migration.

The survey, which was sent to all students from the 18 Atlantic Canadian universities, showed that of the 11,786 students who responded, 42% of males intend to leave the region and 37% of females, demonstrating a stronger intention for males. There also seems to be a stronger intention for Anglophone students (40%) than Francophone students (23%) to leave the region. Overall, the results show that approximately 38% of students will leave the Atlantic region after graduating. Considering these results, one thing is clear; the percentage of young, educated, qualified workers who intend to leave the Atlantic Region is alarming and something needs to be done.

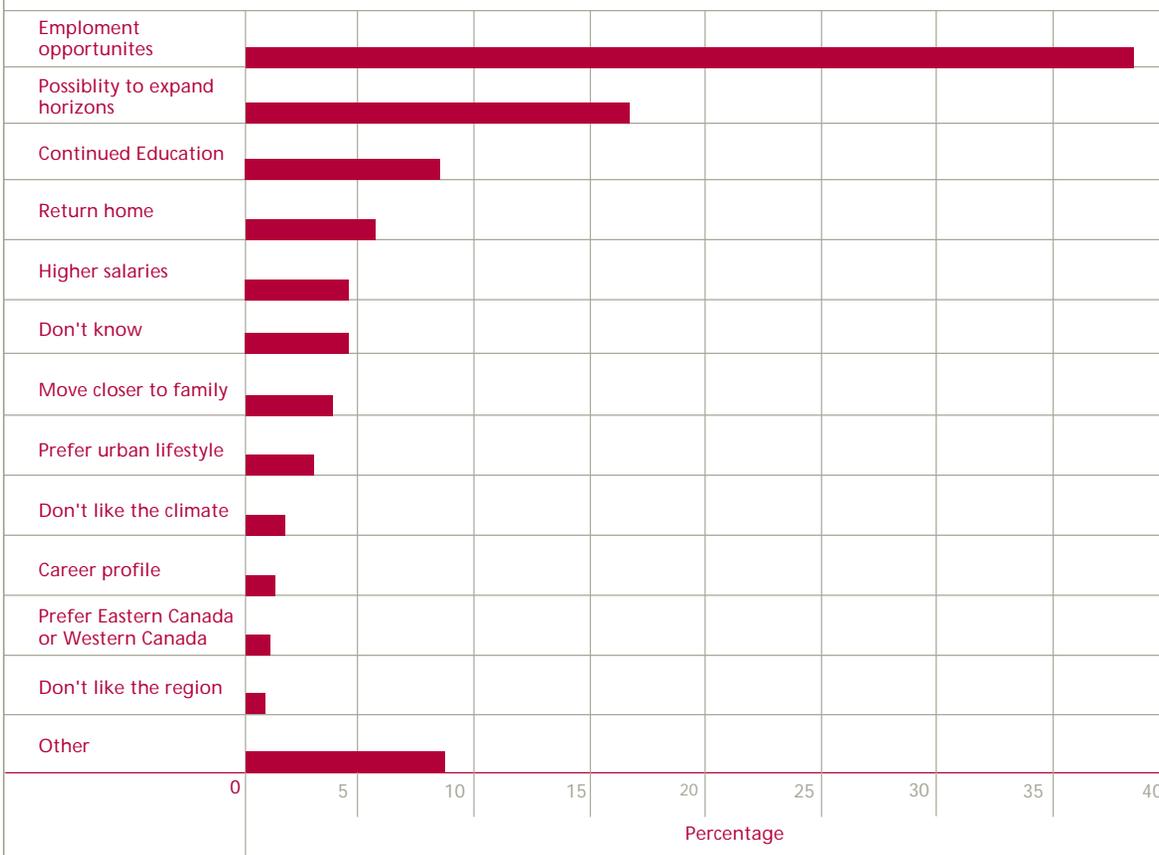
Why don't young graduates want to stay in Atlantic Canada?

Referring to Figure 1, the three major reasons given for leaving the region are: 1) employment opportunities (38.12%), 2) the need to broaden their horizons (16.66%), and 3) to pursue further education (8.53%). Other considerations given include: the desire to return home (5.68%), a higher salary (5.47%), and the preference for a more urban lifestyle (3.01%). Let us note that it is not the high salary that

seems most interesting to the students, but more so the career opportunities. The members of this generation seem to have the need to broaden their horizons, which in our study means to gain experience and explore other countries and cultures. This point is interesting given that this generation will eventually become the decision makers of the knowledge economy and the globalization movement.

The rate at which students want to leave the region to pursue further education raises an interesting question? Do Atlantic Canadian universities have sufficient programs and specialization to fulfill the needs of these students? We can still hope that these young students who wish to broaden their horizons or search for employment opportunities will come back in the future, but that can deprive our enterprises of a portion of the well educated age group between 17 - 30 years old for a few years. What do we do in the meantime?

FIGURE 1 WHY STUDENTS WANT TO LEAVE THE ATLANTIC REGION?

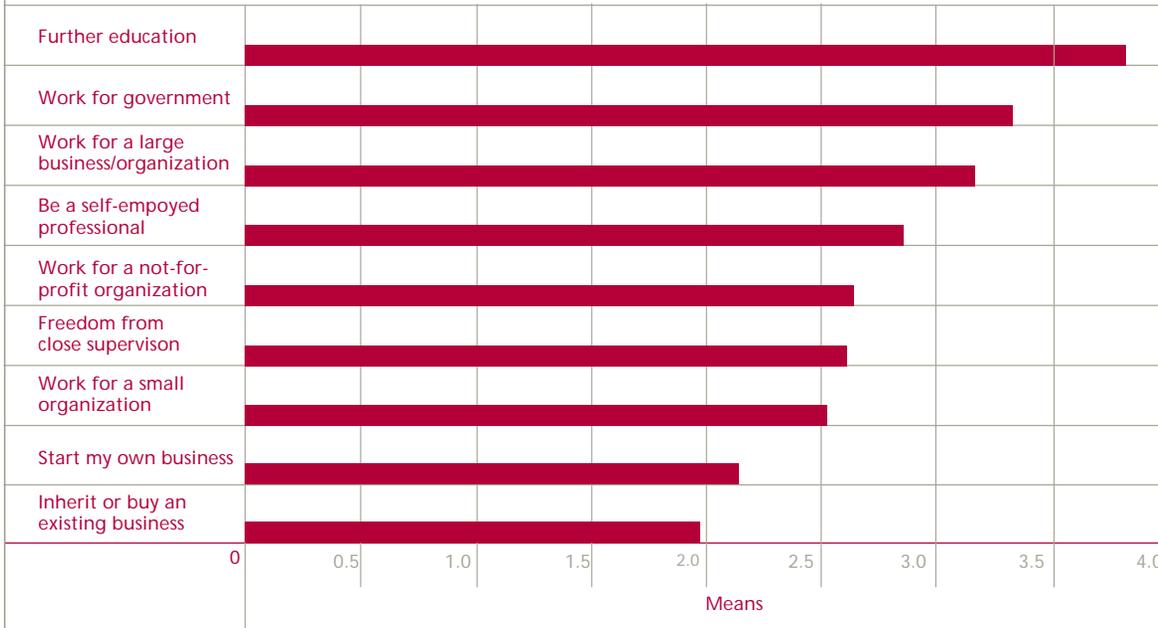


What are the career interests of students in Atlantic Canada?

On a scale from 1 (representing very low interest) to 5 (representing very high interest), the students accorded a high importance to the possibility of pursuing further education after having finished their current studies. It appears that those students, who wish to pursue further education and intend to leave the region to do it, are finding programs of interest elsewhere. Again, this raises interesting questions concerning Atlantic Canadian universities and their programs: Should they pursue specialized versus general programs? Should it be at the baccalaureate, the master, and/or the doctorate level? Are any of these program changes possible, given the current level of investment in post-secondary education in the Atlantic Region?

As represented in Figure 2, the second highest career interest was the possibility of working for the government, according to the mean response of 3.33, followed by working for large organizations with a mean of 3.16. This goal is more difficult to fulfill in Atlantic Canada given the high percentage of small and medium sized businesses/organizations in the region.

FIGURE 2 THE CAREER INTERESTS OF ATLANTIC CANADIAN STUDENTS



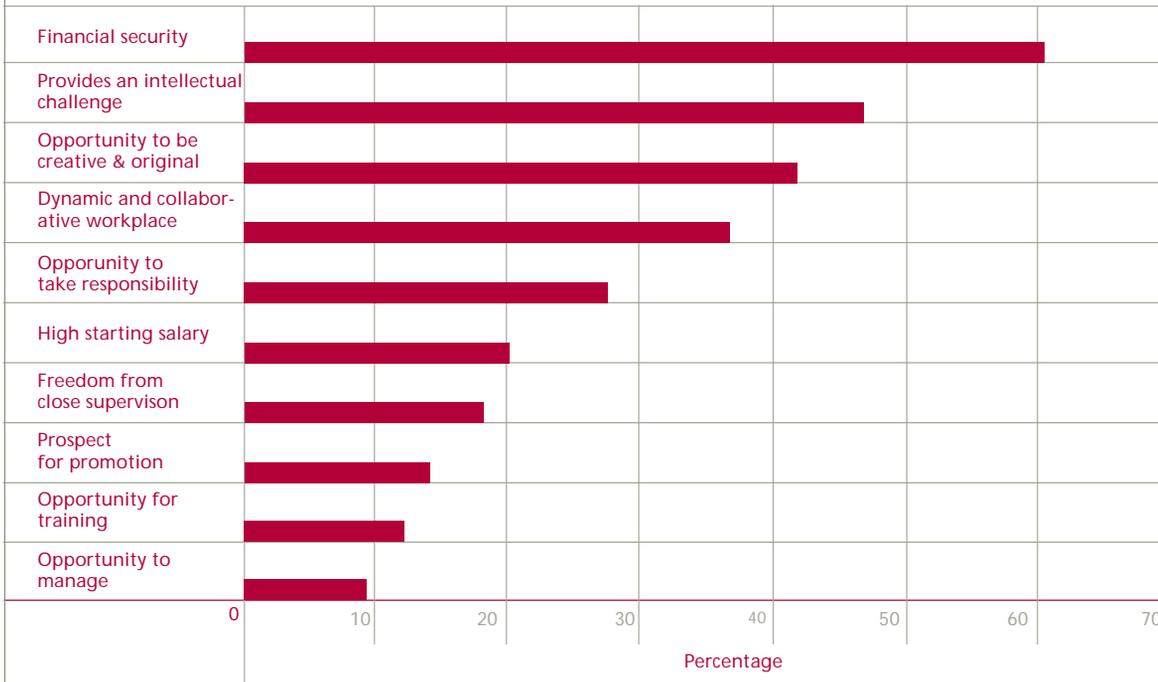
To a lesser extent, the students wanted to become self-employed professionals (2.85) and work for a not-for-profit organization (2.64). The interest in small business and entrepreneurship was relatively low. This category includes working for a small business, starting a business, running a business while working elsewhere full-time, or inheriting or buying an existing business. Thus, it is clear that the interest in pursuing careers in small business and entrepreneurship was less significant than the interest in working for large organizations. It then makes sense that, if students perceive the best career opportunities to be with large organizations and wish to achieve the level of education required to secure top positions with these organizations, they would leave a region whose economy is largely comprised of small and medium sized enterprises (SMEs).

What factors most influence a student's career choice?

Knowing that a career in small business and entrepreneurship is generally not the first choice of university students, we can gain some insight as to why by looking at the significant factors that influence their career choice. Our data show that personal interests seem to be the most significant influencer. On the scale from 1 (representing very weak influence) to 5 (representing very strong influence), personal interests returned a mean answer of 4.61, followed by prospects for employment with a mean of 3.99, and the type of education available with a mean of 3.79. Of course, parents (3.45) and friends (2.87) also have an influence as well as the people students meet during their studies, specifically school teachers (2.97) and university professors (2.90); however, the role of these individuals is less pronounced.

If we look at the primary reasons for leaving, students career interests, and the factors that influence their choice, the picture becomes clearer. It appears that students are looking for careers that reflect their personal interests, that will provide good employment prospects, and the required education is available to them. They seem to have the perception that what they are looking for is found with large government and non-government organizations.

FIGURE 3 FACTORS THAT INFLUENCE STUDENT'S CAREER CHOICE



What does Generation Y look for in terms of career attributes?

In order to answer this question, we asked the students to select the three most significant attributes affecting their career choice in the list presented in Figure 3. The results show that this new generation is foremost in search of financial security (60.53%) but that is not all. They also want intellectual challenges in their jobs (46.95%), the possibility to be creative and original in their work (41.93%), and to work in a dynamic and collaborative workplace (36.85%), indicating the working environment is important too. It is interesting to note that many students want to work for large public and private organizations yet they desire intellectual challenge and the opportunity to be creative. The formalized nature of large organizations and the bureaucratic structure that most operate within normally provides less opportunity for these attributes. This indicates two possibilities. Either financial security is the most important attribute or they are not well informed that small and medium sized organizations may better provide these attributes.

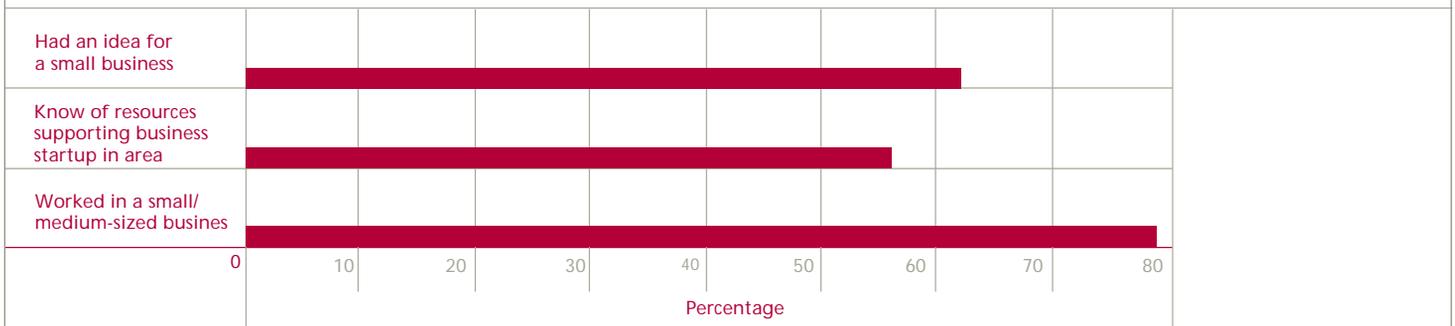
Fewer students placed importance on the opportunity to take responsibility (27.57%), a high starting salary (20.19%), freedom from close supervision (18.29%), prospects for promotion (14.20%), and opportunities for training (12.34%) and management (9.46%).

Can small business and entrepreneurship be a solution?

Many initiatives have been put in place by the provincial governments in Atlantic Canada to attract and retain the working population. One of them is to promote and develop entrepreneurship. SMEs represent nearly 98% of the Canadian economy and small enterprises (less than 100 employees) created 748,000 jobs between 1993 and 2003. [17] In fact, Global Enterprise Monitoring (GEM) [18] studies have shown that entrepreneurship and economic growth are directly related. To capitalize on that relationship, the Canadian government has offered and continues to offer numerous entrepreneurship programs and grants at all educational levels, with the objective of promoting entrepreneurship among students. Taking into account the results presented previously concerning students' career interests in small business and entrepreneurship, we can question the real impact of these investments.

According to the literature, individuals with predispositions toward entrepreneurship tend to have a stronger interest in engaging in entrepreneurship. Three factors, in particular, can stimulate that predisposition: 1) having an idea for a small business, 2) knowing of resources that support business startup, and 3) having already worked in a small or medium-sized business. Our results, detailed in Figure 4, show that 62% of the students said that they have had an idea for a small business, 56% know of the resources that support business startup in their area, and 79% have already worked in a small or medium-sized business.

FIGURE 4 ENTREPRENEURSHIP PREDISPOSITIONS



These strong percentages suggest that if students studying in Atlantic Canada are not interested in becoming entrepreneurs, they certainly have some predisposition towards entrepreneurship. However, do they perceive entrepreneurship as a means to bring employment prospects, financial security, intellectual challenge, and the opportunity to be creative? Possibly not!

What is the message from this study?

Based on the results of our study, we see that a relatively high percentage of graduates are leaving the Atlantic Region in pursuit of employment opportunities with large government and non-government organizations. Generally, they wish to pursue further education upon graduation, possibly to position themselves to capitalize on these employment opportunities, and they desire intellectual challenge, the opportunity to be creative and original in their careers, and a dynamic and collaborative workplace. Financial security seems more important than a high starting salary and/or the prospect for promotion and, it appears that, despite significant investment in programs and initiatives to promote small business and entrepreneurship among students, few of them see entrepreneurship as a good career option; one that will provide the career attributes they desire.

Our study supports the notion that we do have a brain drain issue in Atlantic Canada. While Canadian immigration has been a large contributor to offsetting the reduction in the workforce in other areas, it does not seem to be offsetting it in the Atlantic Provinces.

To pursue our competitiveness in the knowledge economy, one key factor is to create and maintain a well-educated, qualified workforce. Educational institutions, such as universities, play a predominant role in creating a well-educated and qualified workforce, but potentially losing almost 40% of potential members of the workforce may challenge our ability to maintain a large group of well-educated, qualified people, especially in a region where an aging population may become a major factor.

While it is unreasonable to believe that we can retain all of our graduates, it is reasonable to believe that we can retain more of them. But, how do we increase our ability to compete in this new economy and further, how do we encourage students to stay in a region where small business and entrepreneurship form the backbone of the economies here, when many of them believe the best career opportunities are with large organizations elsewhere?

In our opinion, it is not sufficient to ignore or discount the brain drain phenomenon; we must face it and combat it so it does not get worse. Actions really have to be put in place.

What are some of the potential remedies?

1

FIRST, let us explore how university environments can help. Universities and other post-secondary institutions may consider offering specialized programs, such as those resulting in professional designations or certifications. Also, looking at areas of opportunity for new or expanded post-graduate programs might help increase the number of options available to students wanting further education. There was a time when many employment opportunities required a high school diploma as a basic minimum. Now, it seems a post-secondary diploma or undergraduate degree is the new basic requirement and many career opportunities require post-graduate education or specialized designations.

2

SECOND, we need to adopt a collaborative approach among all sectors of our society in Atlantic Canada in order to compete in the hyper-competitive, knowledge economy. One sector cannot shoulder this problem alone. We have seen efforts to increase collaboration between research institutions and industry in order to foster innovation but we also need to focus on other types of collaborations. Through connecting with students, employers from a wide variety of sectors, industry associations, and chambers of commerce, could serve two purposes: 1) to provide students with valuable information concerning employment opportunities, business opportunities, and community resources and 2) help both students and employers to build networks of contacts which are important considering the high percentage of jobs which are not advertised publicly. The focus should be on informing students that the career opportunities and attributes they seek can be found in Atlantic Canada and a conference forum may prove to be effective in reaching a large number of students from a variety of disciplines and programs.

3

THIRD, a more focused approach to entrepreneurship development among all students may be necessary. Many of them have certain predispositions toward entrepreneurship. Promoting entrepreneurship as a means to obtain the career attributes they desire may be what is needed to influence their perceptions of entrepreneurship as a good career option. For example, colleges and universities

could offer programs that focus on small business and entrepreneurship in all disciplines and not just in business administration. They might also consider actively promoting these courses to the greater community. In any event, we need to find an effective model and strategy for entrepreneurship education and development and implement it. Looking to other countries with a strong entrepreneurial culture might help us identify useful models.

4

FOURTH, we might consider providing greater access to capital or financial support in order to provide more financial security to these graduates. Many of them graduate with significant debt which could be precipitating their desire for financial security and discouraging them from assuming additional financial risk, often associated with venture creation and entrepreneurship. Providing them with more attractive student loan and bursary options might ease their debt loads. And providing financial incentives to those who stay here to pursue employment opportunities, entrepreneurship opportunities, or graduate studies might encourage more graduates to stay in the region.

5

The FIFTH potential remedy deals with the culture and environment of Atlantic Canada as we believe it has a predominant role to play. We have to promote the positive aspects of life in the Atlantic Region, especially those aspects that can influence Generation Y. We have to promote our industries and SMEs and the career opportunities available. We have to promote our urban and rural communities and the entrepreneurial opportunities there, and we have to promote our people; those who are experiencing successful careers right here in this region. Focusing on the successes of our people, small businesses, and industries rather than the negative, will provide positive role models to all who participate in our society, including those students who we wish to retain.

If students are aware that careers in Atlantic Canada can satisfy their career desires and interests, they may not only be encouraged to stay in the region after graduation, but perhaps, equally as important, they might be encouraged to return after broadening their horizons.

We might be well served to look at the policies that fostered Ireland's economic boom, for example. In 2000, Pierre Fortin prepared an analysis of the Irish economic boom in which he discusses how Ireland's policies can be imitated by other countries such as Canada. He articulates three lessons that Canada and other countries can learn from the Irish experience: "(1) support free international trade and investment, (2) develop business-friendly industrial and tax policies, and (3) stick to free secondary and low-cost post-secondary education." He also outlines five factors that can sustain productivity growth: "(1) better technologies and work organization (knowledge capital), (2) more and better education and training (human capital), (3) more and higher-quality machinery and equipment (physical capital), (4) better public infrastructures (public capital), and (5) greater social cohesion (social capital)". [19]

It is apparent that investing in our workforce in Atlantic Canada is vital in achieving economic growth in the knowledge economy. We must concentrate on attracting and retaining well-educated, qualified people who are highly skilled and contribute to innovation, to increased productivity, and to advancing and growing our economy. We simply cannot afford to ignore the brain drain issue in this region. ○—

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Promoting Government Outreach to Small Business Financing in Atlantic Canada

BY MENGSTEAB TESFAYOHANNES

Small Business Financing: An Important Agenda in Atlantic Canada

SMALL BUSINESSES (SBS) ARE WIDELY REGARDED AS THE ENGINE OF ENTREPRENEURIAL ECONOMIC GROWTH IN BOTH DEVELOPED AND DEVELOPING COUNTRIES. THEY ARE SUBSTANTIAL ECONOMIC CONTRIBUTORS GENERATING LOCAL AND BROAD-BASED EMPLOYMENT AND PROMOTING ENTREPRENEURIAL INNOVATION. [1]

SBS requires a nurturing environment and supporting infrastructure to develop and achieve their noble objectives. There are vital external and internal (organizational) factors affecting SBS development in any national socio-economic framework. The external ones are national institutional capacity, regulatory framework, training and entrepreneurial development, access to finance, market opportunities, technological support and suitable socio-cultural and political environment. [2] The responsibility of managing external factors fundamentally rests with Federal and Provincial governments, community structures, business sector umbrella agencies, academic and training institutions, and many other relevant institutions. The internal factors are the firms' competitive capabilities to raise funds and carry out their core business activities with vigor and efficiency. Both internal and external factors are instrumental for the further development of SBS, and beefing-up their vital contribution to the

entrepreneurial economic development. This article will specifically focus on the SBS access to finance in the Atlantic Provinces.

Many research findings have attested that access to finance is the major factor that affects SBS growth and sustainability. [3] SBS financing is also a strategic issue in the development agenda of the Atlantic Provinces. In line with this, concerned institutions have attempted to facilitate SBS access to finance. [4] [5] However, entrepreneurs have continued to complain about the limited access to finance in the Atlantic Provinces. Their complaints emanate from the conservative attitude of banks and other commercial lenders towards SBS loan requests (e.g. lack of the required information, complicated application procedures, high collateral or security requirements, high interest rates, and imposing harsh loan repayment terms). Furthermore, complicated and excessive requirements

to qualify for government loans aggravate difficulties in accessing finance at both start-up and expansion stages. [6] [7] For example, the Canadian Federal Government approached commercial banks to administer their SBS loan programs such as Canada Small Business Financing (CSBF). However, a good number of them were reluctant to accept this mission due to their perception that processing SBS loans would be burdensome and unprofitable. [8]

This situation is not a good one, particularly for new immigrants who are potential entrepreneurs. Every year more than 200,000 immigrants land in Canada, and at least 25% of them are principal immigrants. [9] More than 60% of the principal immigrants have a tertiary education level. A good number of them have prior relevant entrepreneurial acumen and experience, seed capital, and eagerness to establish small ventures in their adopted country. They cannot realize their dreams without acquiring the necessary financial support, customized training, and professional mentorship. Unfortunately, the provinces in Atlantic Canada have thus far benefited little from this readily available stock of potential immigrant entrepreneurs. [10] This is due to the inadequacy of appropriate facilities and the lack of favorable environment encouraging both new immigrants and the locals to engage in entrepreneurial activities. In line with this concern, the critical question is: what should be done to curb the continuous complaints and dissatisfaction of SBS owners about access to finance? This is a complex issue and demands an in-depth study involving major stakeholders such as banks, credit unions, Federal and Provincial Governments, private and cooperative investors, venture capital firms, and other financing establishments who have the mandate to address the SBS financing issues prudently. In order to limit the scope of this article, I focus on organizational aspects of the existing government sponsored SBS financing schemes and action programs.

POTENTIAL BENEFITS OF CLUSTERING GOVERNMENT SPONSORED SBS FINANCING INITIATIVES

So far, the Provincial Governments in Atlantic Canada (PGAC) have initiated many schemes and action programs promoting SBS financing. The major ones are: [11]

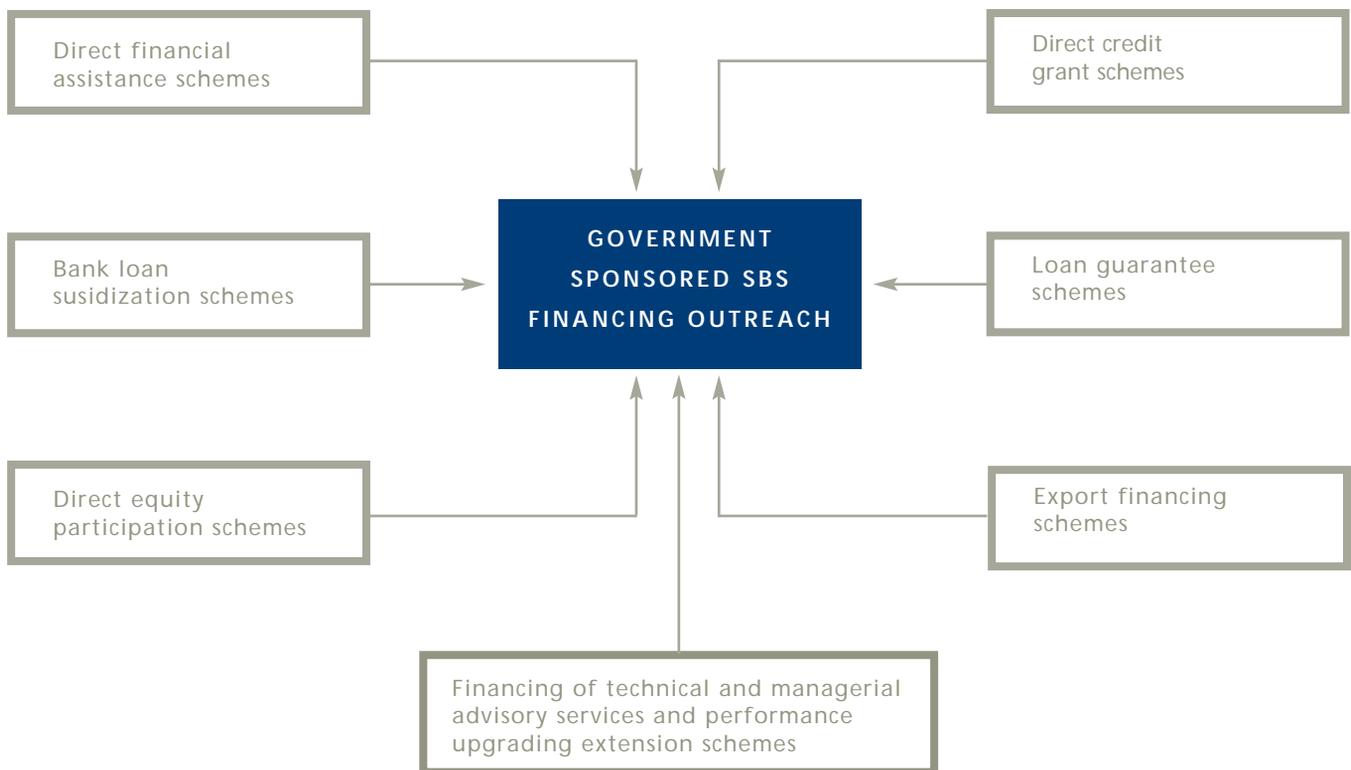
- Business Development Program
- Seed Capital Program
- Community Business Development Corporations
- Aboriginal Business Canada
- Women in Business Initiative
- Business Management Training Allowance
- Innovative Communities Fund
- Municipal Rural Infrastructure Fund
- Regional Economic Development Organizations
- Aboriginal Economic Development
- Official Languages and Minority Communities
- Atlantic Innovation Fund
- International Business Development Agreement
- Venture Capital
- Business Development Bank of Canada
- Canada Small Business Financing Program
- Canada Business Service Centers

All these initiatives are relevant and supportive, but they should be implemented in the best possible way to further improve SBS financing outreach. This means that PGAC should search for better and more innovative ways of implementing established initiatives as part of their continuous improvement endeavours. Effective implementation requires the capability to streamline, cluster, and properly manage SBS financing initiatives. Moreover, PGAC should increase their awareness of the root causes of SBS financing problems. These root causes mainly stem from the lack of capacity to obtain funds at the right time, of the right type, in the desired amount, and at various stages of development. One approach is clustering the existing fragmented government sponsored SBS financing

schemes and action programs into SBS financing packages. Well-organized and clustered schemes and action programs can be easier to implement and offer better management of financing outreach activities. It can also help to examine and identify available weaknesses of the already implemented action programs and schemes by conducting the necessary analysis in a SMARTER [12] way. I proposed seven SBS financing packages as shown in Figure 1. The clustering option is theoretical and should not be treated as a prescription that guarantees a proven best approach. It should be subject to careful examination and substantiation from a cost-benefit analysis point of view by PGAC's stakeholder organizations and their supporting partners. I would like to underline that it is easy to design and propose schemes and action programs, but the most intricate task is to successfully implement and

broaden the outreach to the targeted beneficiaries. This challenge rests mainly on the shoulders of the executing agencies. Each one of the SBS financing packages proposed in Figure 1 should act as an umbrella for the related SBS financing schemes and action programs. For example, the Direct Financial Assistance Package can contain schemes and action programs dealing with providing financial assistance for: new venture feasibility studies, anticipated technological and innovation works and discoveries conducted by SBS, banks to pursue smooth lending to SBS, capital starved new business opportunities, women owned SBS, and establishing new ventures in socially and economically disadvantaged areas in line with the regionalized economic policy of the Atlantic Provinces.

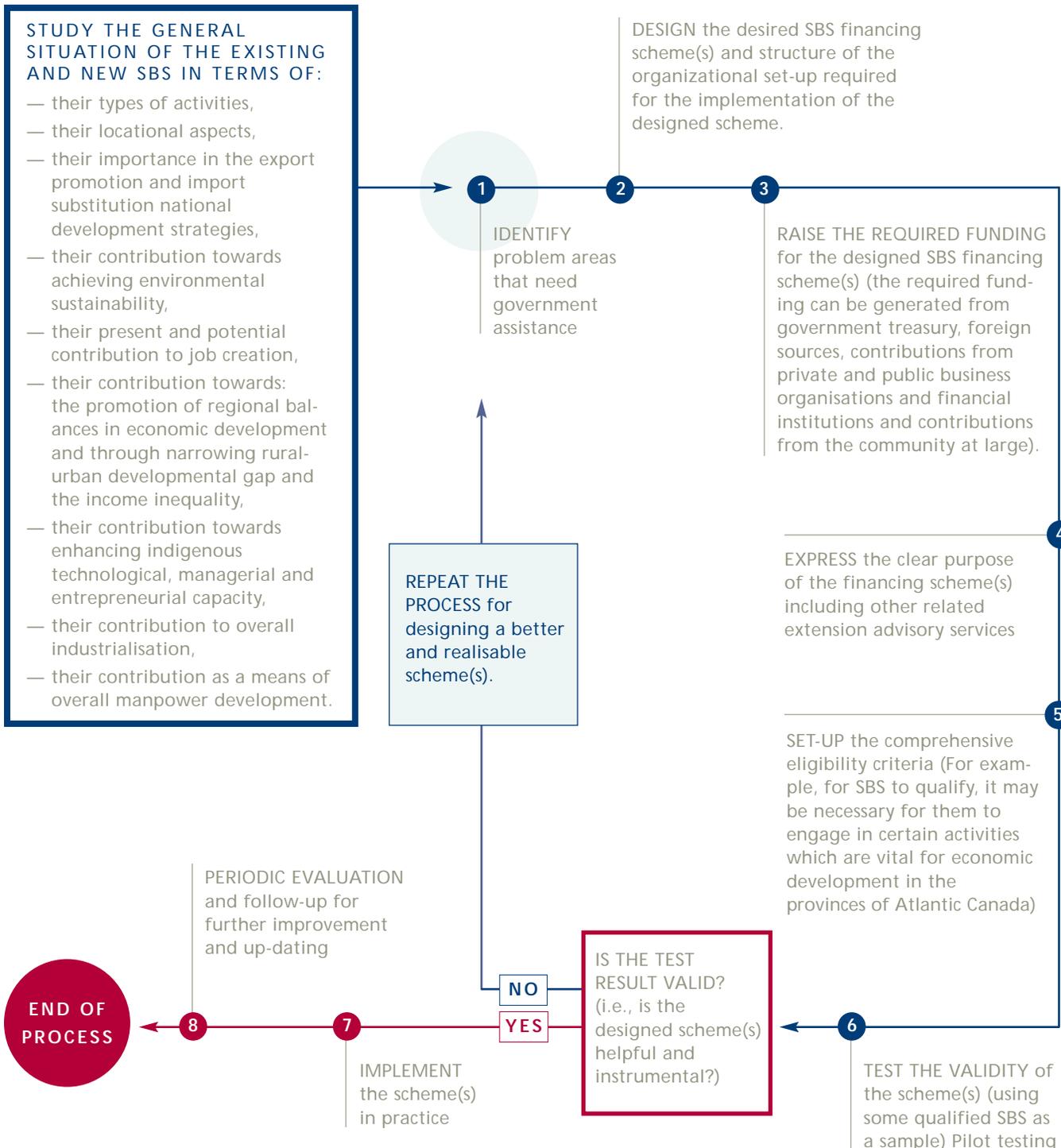
FIGURE 1: GOVERNMENT SPONSORED SBS FINANCING PACKAGES



The theoretical methodological steps shown in Figure 2 are intended to serve as supportive tools for successful implementation of government sponsored

SBS financing schemes and programs. I recommend them for concerned agencies to consider for possible use in their SBS financing modus operandi.

FIGURE 2: METHODOLOGICAL STEPS OF IMPLEMENTING GOVERNMENT SPONSORED SBS FINANCING SCHEMES PROMOTING THE CAPABILITY OF SBS IN EFFICIENT RESOURCE UTILIZATION

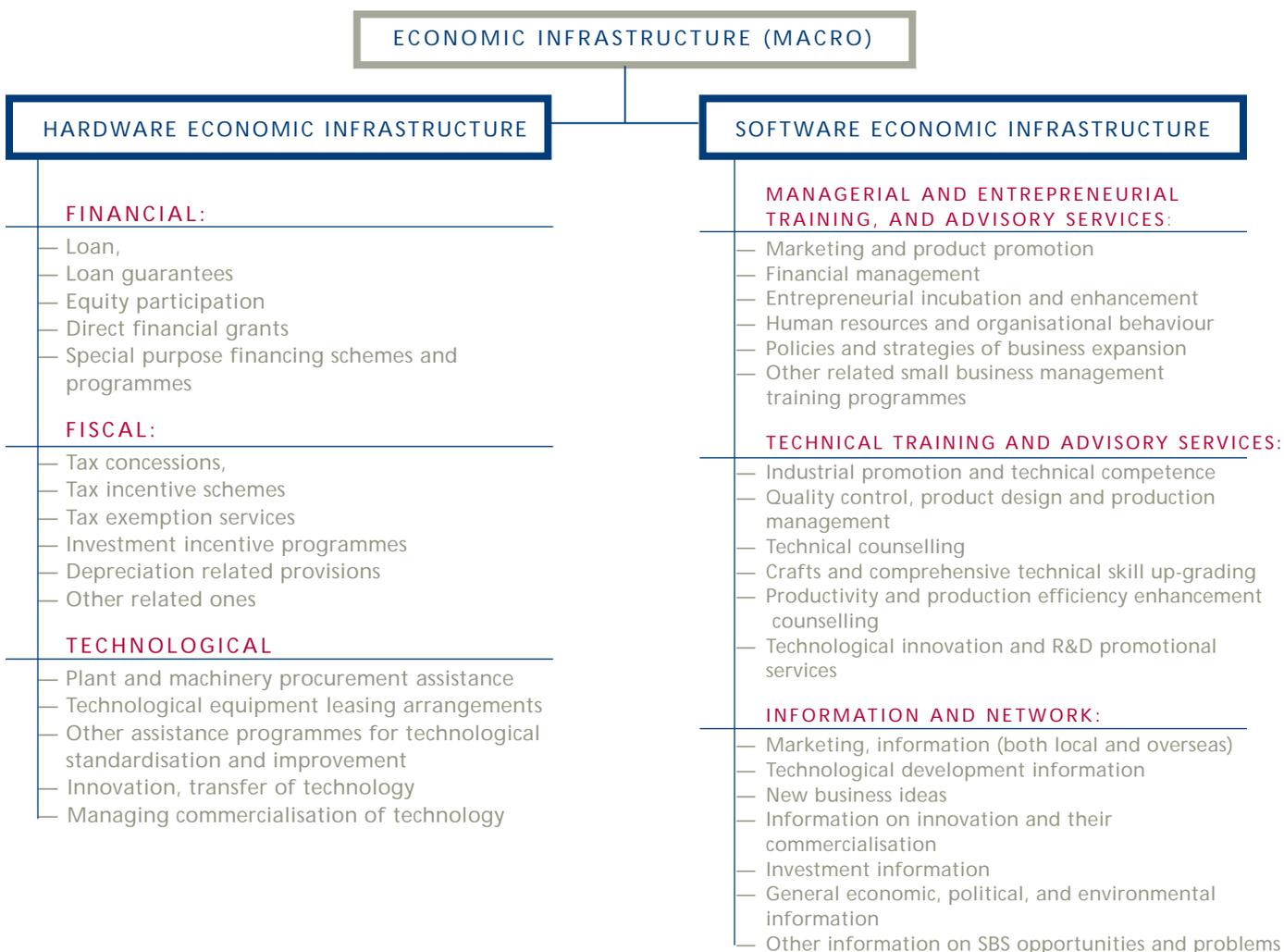


Acquiring funds is only one part in the dynamic SBS financing scenario. Equally important is developing the ability to appropriately utilize and prudently manage the acquired funds. We should provide SBS the desired support for technical and managerial extension services and capacity upgrading programs to develop these capabilities. Such services may include: co-sponsoring management training programs and workshops, providing training facilities (such as trainers, mentors and training kits) and informational materials, offering limited one-to-one counseling services to SBS owners focusing on how to solve their business problems, providing technical, managerial and professional assistance. These resource utilization programs are vital components of the Software Economic Infrastructural Framework (SEIF) shown in Figure 3. The second category detailed

in Figure 3 is the Hardware Economic Infrastructural Framework (HEIF). This category, comprised of direct action plans, deals with providing financial and other economically valuable resources to strengthen firms' internal ability to carryout business activities. These HEIF programs ideally should complement those elements of SEIF mentioned above. In Figure 3 I present this infrastructural framework, allowing us a better conceptual grasp of the backward and forward linkage of both software and hardware economic infrastructural components.

This systemic classification of economic elements relevant to firms' growth and sustainability can enhance practitioners' awareness that "how to get money" and "how to use money" are inseparable core issues that must be dealt with simultaneously to promote a firm's growth and sustainability.

FIGURE 3: VITAL ECONOMIC INFRASTRUCTURES FOR SBS DEVELOPMENT



CONCLUDING REMARKS

In this article I discussed two critical issues for small businesses. The first one is the continued complaint from SBS about the lack of access to finance. The second one is the stakeholders' claim that they are dealing seriously with SBS financing by initiating numerous schemes and action programs helping SBS secure better access to finance. I highlighted the potential advantage of clustering of PGAC sponsored SBS financing schemes and programs into packages as one of numerous approaches that can help to provide better service to SBS and improve their access to financing. This clustering of SBS financing schemes and action programs should not be treated as a prescription but rather as complementary initiatives that I believe can serve as additional incentive to the overall endeavour. These are theoretical recommendations intended to enhance the awareness of the stakeholders on both granting and receiving sides.

It is important to note that the primary goal is to stimulate SBS to make efforts to meet their financing needs through strengthening their internal capabilities for attracting funds. Thus, we should expect SBS to demonstrate their innovative endeavours in discovering viable sources of financing. While this is the main thrust of the broader effort to secure support for SBS, PGACs still have a cardinal role to play in the process of assisting SBS to widen their access to finance at their different stages of development. Promoting SBS financing is important for small business and entrepreneurial development in Atlantic Canada, and SBS financing is critical. The cooperative alliance of other stakeholders such as the Federal Government, the SBS themselves, the banking industry, and other philanthropic SBS development agencies is fundamental.

Finally, SBS should consider that government sponsored assistance program are limited and cannot solve their financing problems entirely. They should deal with their financing problems in accordance with the dynamics of the economic environment and competitive advantage. This challenge demands them to focus and work harder to foster their strength and marginalize their weaknesses within the dynamics of organizational competency and competitiveness. They should always find themselves in continuous improvement endeavours and thereby improve their competitiveness in attracting external finance. ○—

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12. The Acronym SMARTER is: Specific, Measurable, Achievable, Realizable, Timely, Effective and Resourceful

Profile:

Dr. Mengsteab Tesfayohannes has over 16 years of experience in teaching and research in the area of Entrepreneurship, Small Business Financing and Investment Promotion and Sustainable Economic Development. He has taught at a number of universities in, Germany, South Africa, Austria, Botswana, Eritrea, and most recently, at Saint Mary's University. Dr. Tesfayohannes has consulted for a number of governmental and international organizations such as the United Nations Development Program, ILO and UNIDO. His research interests span the areas of entrepreneurship, entrepreneurial strategy, micro and small enterprise financing, investment promotion, innovation and technology transfer to small enterprises, and economic development projects.

Nova Scotian Female Entrepreneurs: Making it Work at Home and Abroad

BY WENDY R. CARROLL & CONOR VIBERT

RECENT STUDIES IN CANADA INDICATE THAT SMALL BUSINESS GROWTH IS A DRIVING FORCE behind our economic development and that female entrepreneurs are leading the way. [1] For example, the number of female entrepreneurs in Canada continues to rise faster than their male counterparts and has done so for nearly a decade. [2] This higher trend of female entrepreneurship has been attributed to numerous factors including different approaches by women to leadership and management styles. [3] It has been suggested that female entrepreneurs are motivated more by personal reasons such as flexibility, work-family balance and passion rather than by money alone. [4] Other studies suggest that this trend towards female entrepreneurship is largely driven by the slow process in which women break through the “glass ceiling”, as evidenced by the staggeringly low number of women in executive offices and at board room tables.[5] Whatever the case may be, the fact remains that more women are successfully engaging in business ventures of their own in Canada.

Small business growth is also a vital part of Nova Scotia's economic development. As with the rest of Canada, female entrepreneurs within this region are taking a leading role. As part of a recent project for Acadia University's video database speaker series, we sat down with a number of female entrepreneurs from Nova Scotia to talk about their businesses and experiences. We talked to Christine Bower, Vice President of the Wooden Monkey and a restaurateur focused on local and organic cuisine, and Cassandra Dorrington, President of Vale & Associates and a human resource management consultant working both nationally and internationally, to get their thoughts on business and female entrepreneurship.



Christine Bower,
Vice President
Wooden Monkey



Q

SO WHAT MOTIVATED YOU TO START YOUR OWN BUSINESS?

A

The motivation for the Wooden Monkey actually was inspired by my partner Lil MacPherson who is the President of the Company. She had a dream to open a restaurant based on serving local and organic foods with an emphasis on a healthier style of living. I, as well, had a dream of owning my own restaurant. We had worked together previously for a number of years and she came to me and provided me with an unbelievable opportunity. So basically, it began with a dream and a plan. Her plan was to get the place and then find partners. So she approached me and we became partners. Lil, Robie Sagar and I moved on to make this dream a reality.

Q

CAN YOU TELL US A BIT ABOUT YOUR BUSINESS?

A

Initially our business was dedicated to people that were health conscious or vegetarian or into organic or local food. We had a smaller market and then we marketed ourselves to become a place with something for everyone. So basically now our market has changed. We now have children, older people and students all alike.

For us, people are a very important part of our business. Our philosophy, when it comes to our employees, is if you continue to make them comfortable, happy and relaxed they will want to be there. It makes everything easier this way. If you walk around and you're not positive or enthusiastic and don't have a good sense of humor, or if you take yourself way too seriously, they don't want to be there. They won't care about the product they put out, they won't care about the plates, and whether or not your customers are happy. They may be more inclined to just walk out the door and not clean anything, and that is an important part of this business.

Q

WHAT WERE YOUR KEY CHALLENGES AND SUCCESSES DURING THE DEVELOPMENT AND GROWTH OF YOUR COMPANY?

A

People's perceptions about our product and service have been one of the biggest challenges because they perceive it as an organic restaurant, I guess, as kind of 'hippyish'. We had to try to become very much mainstream with very non mainstream menu items, and trying to get into that market is difficult

Christine, born and raised in Halifax, is Vice-President and General Manager of The Wooden Monkey restaurant in Halifax, a restaurant based on serving local and organic products with a philosophy of supporting the community and the environment. In addition to The Wooden Monkey, Christine is Operations Manager of a rapidly growing company, Inspired Landscaping & Renovations.

Christine has extensive restaurant industry experience combined with a background in management, marketing and accounting. With her start in the industry almost 20 years ago at the front line level, Christine quickly moved upwards bringing her schooling and professional training to each new project, providing innovative and cost effective business management strategies. Christine has traveled throughout Canada, honing her business management skills in properties from casual to fine dining.

enough but that is complicated by getting your name out there. We found this to be very challenging.

Also, at the beginning of opening a restaurant money is basically a big challenge. But first and foremost, in this type of business, experience is key. You could have all the money in the world, and not know how to run a restaurant, and it will fail. In the first year, eight out of ten of these types of businesses fail. So you need to have experience, knowledge and a good relationship with people to make it work. But even with these key ingredients, the banks didn't help us at all. We had to put all of the start up costs and daily operations costs on our own credit cards, and our lines of credits. We took the risk because banks don't look at you for years.

Christine is known for consistently bringing passion, hope and determination to every project or challenge presented. In 2006, Christine was recognized by her peers and was added as a Board Member for the Restaurant Association of Nova Scotia. The Wooden Monkey was awarded "Best New Business of the Year 2006" by the Halifax Chamber of Commerce and she was an award presenter at the 2007 Chamber of Commerce Metro Halifax Business Awards. Also in 2006, the restaurant was a finalist in the Better Business Bureau's Ethics Awards.

Outside of her professional career, Christine, a proud mother of two, is active within the youth development community by volunteering as a coach and instructor within the Metro Basketball Association.

Q

AS A FEMALE ENTREPRENEUR STARTING YOUR OWN BUSINESS WHAT WERE SOME OF THE CHALLENGES AND OPPORTUNITIES YOU FACED?

A

I think females have come along way. In fact, in the restaurant industry it has been mainly men previously. But I don't feel this pressure and it certainly hasn't hurt us as female restaurateurs in this particular case. People may be surprised that you are one of the owners or you are an entrepreneur because I think that they assume it is going to be a man. But I don't really feel it and I try not to focus on it. I'm determined to make it work and that's what keeps me going.

Q

WHAT ADVICE WOULD YOU GIVE OTHER FEMALE ENTREPRENEURS GETTING READY TO START A NEW BUSINESS VENTURE?

A

Be strong, be determined, be passionate, be enthusiastic, be positive, and don't take no for an answer. I believe that with both companies and banks, whether you are trying to get financing or trying to market yourself. You hit a lot of roadblocks and you are constantly faced with no, no, no. You may actually feel sometimes like you're not going to get the yes, but if you keep going and keep positive there is always a way, there is always a way.

Q

WHAT ROLE DO YOU THINK WOMEN'S NETWORKS AND ASSOCIATIONS PLAY IN THE SUCCESS OF FEMALE ENTREPRENEURS?

A

I think that these networks provide a sort of a community feeling for women so that they can achieve their goals. Also, they provide a forum to connect with good role models. Women can look and see other women who are achieving their goals so you don't feel so discouraged. I am a mom as well, so I have a little more to balance and that often comes with being a woman. There is a little more involved. However, I think that it creates a good outlook. You can respect and look up to somebody and feel confident. In addition, women's networks also provide help. You know at the Wooden Monkey we received a grant from the Women in Business Initiative [6] for a software package that is very very expensive, but it is essential to have for costing in our business.



Cassandra Dorrington,
President Vale and Associates
Human Resource Management & Consulting



Cassandra started her own business after a rich 20 year career in human resource management and accounting. Cassandra Dorrington is the President of Vale & Associates Human Resource Management and Consulting Inc. Prior to starting her own business, Cassandra worked in the high-tech, telecommunications, and consulting industry with organizations such as Aliant Inc., xwave, and Deloitte Consulting. Cassandra specialized in Human Resource Advisory Services, Employment Equity/Diversity, and Training and Development and has provided consulting services to a number of national and international clients in the private, para-public, public and not-for-profit sectors.

She is a graduate of Saint Mary's University with a Bachelor of Commerce and a Master of Business Administration Degree (Executive Program).

Q

SO WHAT MOTIVATED YOU TO START YOUR OWN BUSINESS?

A

Vale & Associates was started back in March of 2004, and basically I had always wanted to do consulting work. It was an ideal time in my life professionally and personally to actually step outside the corporate environment and create my own consulting business.

Q

CAN YOU TELL US A BIT ABOUT YOUR BUSINESS?

A

My company specializes in providing Human Resource Management Services and consulting to small to medium-sized companies. I focus on these clients because many of them are in the early stages of development and look externally to engage HR expertise. So as these companies continue to grow they are looking for the expertise and infrastructure that will support their business model. We also have a contingent of large scale clients who have HR inside the organization but, given their requirements for special projects, they look to bring expertise from external consultants to deliver on those projects.

Q

WHAT WERE YOUR KEY CHALLENGES AND SUCCESSES DURING THE DEVELOPMENT AND GROWTH OF YOUR COMPANY?

A

The key challenges for me in developing Vale & Associates were:

- 1) Do I specialize or provide generalized consulting services?
- 2) How do I drive the market once I decided upon the specialization? and
- 3) As a small consulting firm, how do I balance between the business development side and the actual delivery side of the business?

So for me, those were key challenges. My success in developing the business was a direct result of utilizing the networks that I had amassed during both my corporate career and my consulting period as a starting point for moving into my own consulting business.

Q

AS A FEMALE ENTREPRENEUR STARTING YOUR OWN BUSINESS WHAT WERE SOME OF THE CHALLENGES AND OPPORTUNITIES YOU FACED?

Cassandra has obtained her CMA (Certified Management Accounting) designation as well as her CHRP (Certified Human Resource Professional) designation, and most recently, acquired her Certified Master Coach designation.

In addition to her wide range of experiences in the business world, Cassandra's community involvement has garnered her the Commemorative Medal for the 125th anniversary of Canadian Confederation and the YWCA Woman of Distinction award for Community Service.

Currently Cassandra sits as the Chair for the Black Business Initiative, Treasurer of Techsploration (an organization that works to promote young women in non-traditional roles in trades and technologies) and a member of the National Board of Directors CMA Canada.

A

I am an accountant by profession. I overlay on top of that 20 years of corporate experience. I am working in a basically female-driven environment when you think of human resources. So on the one hand, the fact that I come as an accountant into human resources is an advantage. It is distinctly different from the traditional view of what people think of as an HR professional. So that has been a challenge trying to mesh the human side of business with the financial side of business. On the other hand, the opportunity is because I have the accounting background coupled with the human resources consulting background, I have been able to leverage this dual specialty when speaking with executives in helping them understand how human resources can add value to the bottom line. —

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Profiles:

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Conor Vibert Ph.D. is a Full Professor of Business Strategy at the Fred C. Manning School of Business of Acadia University in Wolfville, Nova Scotia. He obtained a Ph.D. in Organizational Analysis from the University of Alberta in 1996. He is the author of Web Based Analysis for Competitive Intelligence, Theorizing on Macro-organizational Behavior: A Handbook of Ideas and Explanations, and, Competitive Intelligence: A Framework for Web-based Analysis & Decision-Making. Conor has published in Competitive Intelligence Review, Education and Information Technologies, the Journal of Competitive Strategy and the Canadian Journal of Administrative Studies.

Perceptions of Innovation in the Greater Fredericton Region

BY WOJCIECH NASIEROWKI

According to practitioner opinion and literature based research, innovation is a crucial element for small and medium-size enterprise (SME) development. However, innovation can be interpreted in different ways and this creates a substantial constraint when conducting research on the subject. Even more difficulties are encountered with regard to planning for the stimulation of innovativeness and entrepreneurship enhancement, and when attempting to improve economic performance of firms in the region.

Given the importance of SMEs in the contemporary economy, a study on these issues was undertaken in an attempt to find underlying commonalities behind perceptions of innovations by business people in the Greater Fredericton region. Results were generated from a random sample questionnaire along with interviews conducted among entrepreneurs in 2005 and 2006. This article explores interpretations of innovation, invention, and creativity. Further, the results of a study on the perceptions of entrepreneurs regarding these issues will be discussed.

Inventiveness vs. Creativity vs. Innovativeness

A problem relating to research on innovativeness of SMEs is an inability to establish a precise definition for the following terms: invention, innovation and creativity. This lack of precision leads to misunderstandings.

Inventions, frequently referred to as innovations, often originate as a result of systematically undertaken Research and Development (R&D) activities. The following is a definition offered by the United Nations, which is also accepted by OECD [1]:

"R&D is a creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications...The basic criterion for distinguishing R&D from the rest of Science and Technology is that there is an appreciable element of novelty."

If this definition of innovation is accepted, then the majority of SMEs do not qualify as being innovative. These types of enterprises mainly imitate and adopt solutions, which is still a very sound business concept. Inventiveness is only one element in the innovation process. That said, innovation in an enterprise can also be interpreted as an economic decision made to carry out tasks related to exploiting emerging market opportunities, or preventing threats from materializing. Such decisions are often strategic in nature. They may have consequences for the competitive position of the company and to all aspects of its functioning; in short, they may bring profits. A similar interpretation is advocated by Oslo Manual [2], where the minimum requirement for something to be termed an "innovation" is for the product or process to be new or substantially improved for the specific company.

Innovation is an economic phenomenon and process that takes an invention and develops it into a marketable product or service that changes the economy. [3] Innovations should be related to opportunities, be focused, and be breathtakingly simple. [4] "Innovation refers to the development and improvement of products and processes arising from exchange of knowledge among firms and the other players in their environment". [5] For the purpose of this report, we recognize that innovativeness deals with the implementation of new solutions in the place, or for the purpose, of which these have not been previously used.

Another troubling issue in the study of technological change is differentiating innovation from creativity. Innovation can be defined as an output (product, device, theory, etc.) that is somewhat new to the place, time, or purpose of its application. Innovation occurs as a result of successful implementation of creative ideas within an organization. Creativity, on the other hand, is the development of a novel and useful idea in any domain and is a seed for all innovations. "In this view, creativity by individuals and teams is a starting point for innovation: the first is a necessary but not sufficient condition for the second". [6] In short, creativity is the manifestation of a drive to shape an opportunity, whereas innovation is an attempt to practically use this opportunity. Creativity is a process, which may not lead to implementation. To that end, identification or development of creative ideas and an ability to implement them are among the most important abilities of successful entrepreneurs. [7]

Although such interpretations enhance discussions on SME innovativeness, the measurement of innovativeness or level of involvement in new activities remains a perplexing concept. [8][9] One can advocate an indirect means for the measurement of innovations. For example, levels of productivity, employment, revenues, or the betterment of competitive position can be used to measure innovativeness. Further measures include the examination of distinctive competencies, or of quality. Such indicators, however, depend on the context of operations, market conditions (forces), actions undertaken by competition, economic and political situations in the region, reputation of the company, and customer loyalty. These may all have a strong impact on results of innovation measurements. It is extremely difficult to isolate the impact of innovations upon business performance from market forces. Quantification of these processes is almost impossible in light of the diversity and number of possible contextual factors. [10] Interrelationships between and among these factors of innovativeness are not documented, and the measurement of innovation processes may fail to provide evidence regarding causal relationships. Consequently, the objective of this research is not to argue about means of measuring levels of innovativeness. Instead, we record perceptions of innovativeness (keeping in mind ambiguous interpretations of the notion) without attempting to suggest means for enhancement of "entrepreneurial orientation" at an institutional level.

Specifically, we have attempted to answer the following questions as they pertain to the Greater Fredericton area:

ARE WE INNOVATIVE?

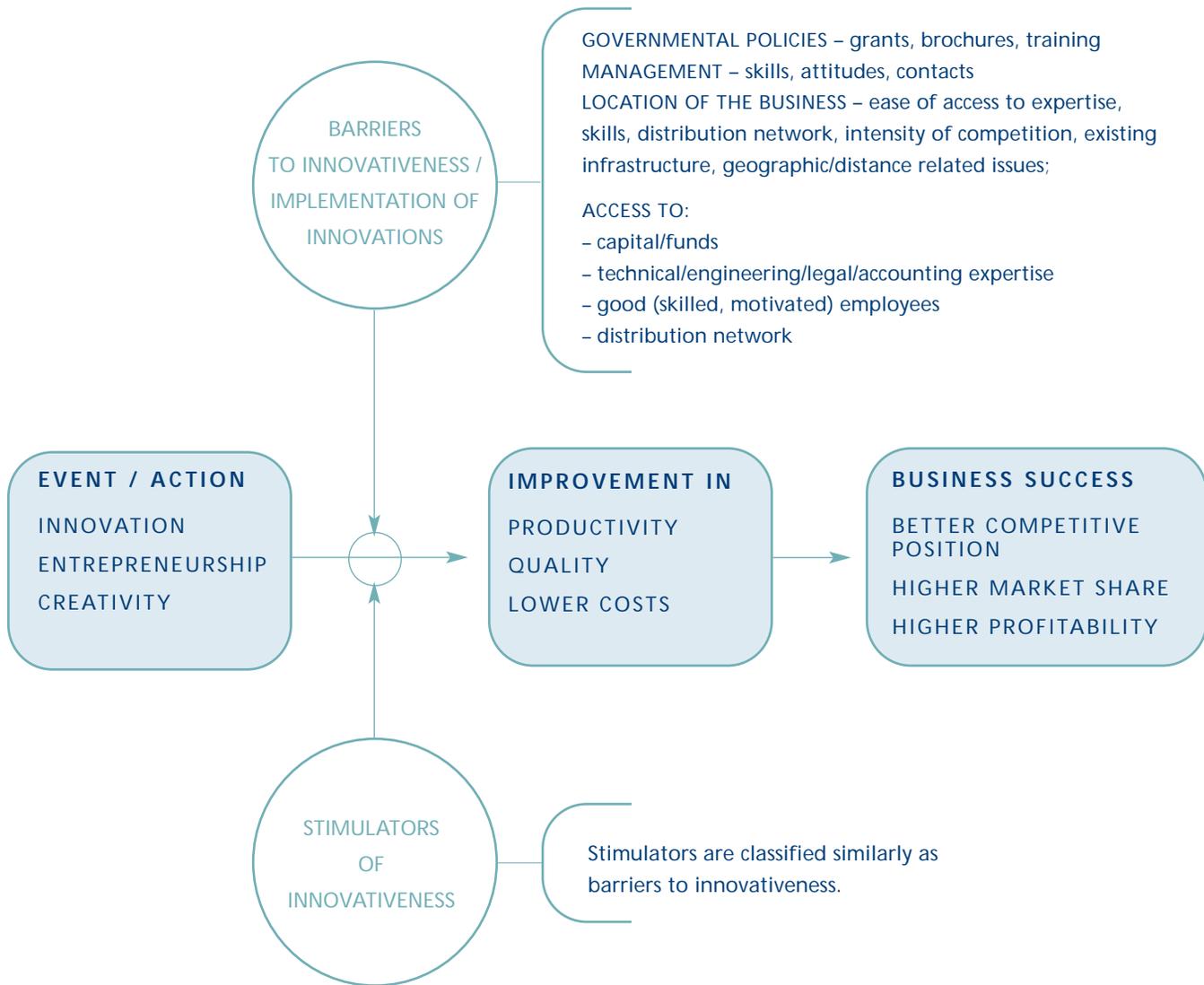
WHY ARE WE INNOVATIVE?

WHAT BRINGS ABOUT BUSINESS SUCCESS?

WHAT STIMULATES INNOVATIONS?

HOW ARE INNOVATIVE PROJECTS SELECTED?

To explore these questions, we have adopted the following framework for examining aspects of innovativeness:



It is important to note that stimulators are NOT a 'reverse' side of barriers. Let us assume that factor "x" is identified as a barrier. Removing this barrier does not mean that a stimuli towards innovativeness has occurred. This is similar to speeding in a 70 km/hour zone, in that the 70 km/hour limit is a barrier. If you speed you may be fined. However, if you drive at 50 km/hour you will not be rewarded. Furthermore, removing a barrier of 70 km/hour may not stimulate you to drive 50 km/hour. Likewise, removing barriers to innovate will not necessarily stimulate innovations.

Moreover, one should note that some barriers are considered constraints that cannot be removed. There are limited opportunities to change the location of the business – we will not move a Fredericton business to Hong-Kong. Also, it may be difficult to cope with issues of outflow of professionals and skilled labour, for example. However, innovations may also occur when a disadvantage is changed into an advantage.

About the Study:

A questionnaire was mailed to randomly selected companies, with an additional web-page version of the questionnaire developed and forwarded to potential respondents. Canvassing was used to acquire responses to the questionnaire. Frequent responses by prospective respondents included: "I have no time," "I am not interested in aspects of innovation", or "I cannot answer the questionnaire - it is the boss' job." Therefore, the length and comprehensiveness of the questionnaire cannot explain the refusal to participate. Lastly, we conducted interviews with selected entrepreneurs from the Greater Fredericton Area. Fifty-two useful questionnaires and eleven interviews formed a database for this pilot study.

The results from the questionnaires and interviews are very generic. The conclusions that can be extracted from this pilot study do not permit suggestions related to specific types of companies, yet they nevertheless provide valuable feedback for institutions and individuals planning for further discussions regarding business success and innovations.

Results

ARE WE INNOVATIVE?

Respondents believe that they innovate more than other companies of this type, in their region of operations (80%), and consider their firms to be very competitive (86%). As one interviewee noted, "we are more innovative than any other business – all data would support that we are." Although these businesses are competitive and innovative, compared to competition in their industry, they may fall short: "we may be considered innovative when compared to some business, but not at all [compared to others]." Further, there are many people "doing the same thing so it's hard to judge our level of innovation among other companies." Some 60% of respondents indicated usage of "new for them" solutions to deal with products and services. As one respondent noted, "we read what others are doing, then adapt our projects and make changes within our company to keep up."

Respondents were generally optimistic regarding the level of innovativeness they exhibit. Such optimism cannot be verified, however, without comparative results from other regions.

WHY ARE WE INNOVATIVE?

Respondents believe that innovations have contributed to an increase in the profitability of their company (86%). As one interviewee noted, "if your business is not a profit center you're not in business." Profit is not the only driver behind innovativeness – "Easier access to capital/funds" was a common sentiment echoed for pushing a SME to innovate more. [For further discussion of this topic, see the article regarding angel investment in this issue of the *Workplace Review* -Eds.] Interviewees indicated the following reasons to support innovativeness:

TO IMPROVE COMPETITIVE POSITION	92%
TO BETTER SATISFY MARKET/CUSTOMER NEEDS	81%
TO IMPROVE PRODUCTIVITY	69%
TO REDUCE COSTS	44%

The previous pattern of results can also be placed in the framework of comments made during interviews:

- // ...placement within the market place is a driving force for one business to innovate more, giving a competitive edge
- ...innovation helps our company to expand, improve our service, and gain credibility,
- ...we look at innovation as a way to gain competitive advantage through lower costs,
- ...innovation is key, things change dramatically and one must be ready to make the necessary changes,
- ...it's a way to introduce new and better product lines,
- ...to keep the company in the forefront of the customer's mind; aiming to increase market share and profitability, and
- ...it brings a sense of pride. //

Innovation is believed to have a positive impact on business performance, giving the respondents a sense of optimism and confidence about the success/position of their firms. They are confident and believe that “if I want to succeed, I will, and innovation may help.” Interviewees further noted that “if we see success, it will feed on itself.” One interviewee noted that “the importance of innovation in contemporary business is continuous growth, creativity, and more employment for locals.” It is considered a great success if many local people are retained. Others felt that innovation is much more than a new product: “it is also how you do it from the ground level... it’s a process of doing things in a better way.”

WHAT BRINGS BUSINESS SUCCESS?

Respondents believe that the key to business success is related to:

- intuition, common sense, flexibility and imagination;
- ability to recognize market opportunities;
- drive for success; and,
- ability to generate, find and implement good solutions

Networks of friends and contacts, business experience, or good education are of much lesser importance to respondents.

WHAT STIMULATES INNOVATIONS?

Respondents claim they would innovate more if they had easier access to the following (listed in order of importance):

- Funding for innovation
- Knowledge and opportunities for enhancement (via information, education, and training, or with technical expertise)
- Governmental assistance for innovation

FUNDING

Funding is certainly helpful. This motive is further discussed when examining answers to other questions from the inquiry. For example, what brings business success? Most respondents answered that success comes from access to capital and good employees (knowledge). Questionnaire results indicated that grants/loans are the second most useful source in support of innovativeness. Each interviewee shared the same response in terms of elements that can foster innovation and at the same time stop innovation from occurring, with money at the forefront. As one stated, a lack of “money normally stops innovation,” and “finances – the lack of and the inability to find small grants/loans prevent SMEs from innovating because without the capital it is difficult to innovate.” At the same time, “R&D projects or commercial opportunities fosters” this along with community and support networks among “both municipal and business.”

Innovation is believed to have a positive impact on business performance, giving the respondents a sense of optimism and confidence about the success/position of their firms. They are confident and believe that “if I want to succeed, I will, and innovation may help.”

In order to succeed you must have the money. Respondents felt that “grants and soft loans are important” to their companies. For some, however, “it is a struggle to receive these because [it is] hard to find support services.”

KNOWLEDGE

Technical expertise and information, along with education and training, are also important. We asked respondents the following question: “What forms of support of innovativeness have you found most useful?” Professional expertise and meetings with customers and suppliers were ranked as most useful. For some SMEs, external connections help support their innovativeness: “another key form of support is the professional resources that we utilize locally.” That said, one respondent stated that “contracted professionals normally do not work for us as our business is so specialized.” Other firms are constantly working to advance their employees: “We have a training budget which allows employees to take 1-2 courses per year, to help enhance the learning experience.” SMEs tend to motivate their employees by continually arranging sessions and meetings: “our company holds staff meetings, especially with new staff, to review product development.” Another interviewee commented that, “things like train the trainer are an effective way to gain more business and at the same time train people.” This seemed particularly attractive when costs are high: “all of our training is in house... we use various tools to motivate our employees.”

GOVERNMENTAL ASSISTANCE

Characteristically, governmental assistance is not recognized as a strong stimulus for innovation. Respondents state that the “government should be looking at the broader perspective of growth and enhance established businesses rather than working at opening new ones.”

SMEs want governmental support but are critical of the initiatives that they choose: “government is narrow-minded when it comes to providing money for businesses, their focus is on manufacturing and many SMEs would like to see this expand into other areas of

the business world.” It should be noted, however, that some SMEs move much faster than the process of receiving government assistance: “we can NEVER work with the long time frames government programs require; therefore, we are not considered for these key government programs.” As one interviewee noted, “These government agencies and officers do not seem to realize that time is of the essence and it is important.” Tax credits are considered a good incentive for innovating: “tax credits for example recognize and eliminate the risk factor.” However, “R&D Tax credits are helpful but cumbersome.” Here, it is important to note that government programs “screen out commercially viable projects, in favor of projects with a long lead time.”

HOW ARE INNOVATIVE PROJECTS SELECTED?

Respondents that WERE A NEW ENTERPRISE did not have a formalized system to select innovative projects to support:

- “we are not into it enough at the moment... we have a very ‘elementary-like’ analysis but everyone has a say,” and
- “we do all sit and discuss its marketing issue vs. cost issue”; “self-evaluation is the best kind.”

For enterprises functioning at a very high level, engineering teams are used to examine the projects but “when a project is not deemed within our normal range, a cross function meeting will take place.” For some this is set up in a way that management officials assess and choose projects: “the 5 development managers would look and assess projects and try and push [them] through to higher management (CEO). [Projects] that look promising and rewarding for the company [are presented to higher management].” The questionnaire portion of this study indicates that 33% of respondents have some form of a system for project assessment.

Interviews suggest that SMEs tend normally to include all persons working for the enterprise when it comes to decision making: “our [decision making] method involves ALL who participate in developing the proj-

ect, [who also] evaluate it because the best means to evaluation is self-evaluation." Other firms respect the opinions of employees: "it is discussed among staff." There are exceptions, however, in companies that are well established and have been in the business of innovating for a longer period of time: "the cross functional team makes a decision based on their collective knowledge."

Summary

Current research suggests that there are no substantial differences in perceptions of items that are important for business success in SMEs, or for underlying requirements that stimulate innovativeness between selected respondents. There may be a tendency, especially in small size enterprises, to rely on "business, intuitive judgment," while ignoring systematic methods. Complexity of processes and a lack of well established methods add to the difficulties. Further complications arise when a complex web of personal preferences and business contacts strengthen the temptation for bias and subjectivity.

Respondents generally believe that they are innovative and that innovations positively impact a company's performance. Many suggested more innovations will occur if easier access to funding and knowledge is available, which would allow them to exploit emerging opportunities. Further, there is a belief that business success is driven by entrepreneurial spirit and capabilities which aid in the discovery and implementation of business solutions. Formalized methods of innovation such as aid in idea selection or governmental assistance are not considered pertinent to success for respondents.

Although the sample is not representative, results indicate that entrepreneurs' perceptions of conditions are similar, irrespective of operational context. Further study is obviously warranted but our preliminary observations suggest that programs focused on fostering entrepreneurial orientation and stimulation of innovativeness may be developed and transferred across regional and technological borders. 

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