

BARRIERS TO INFORMATION AND FINANCING IN  
SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL  
VANCOUVER ISLAND

by  
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VANCOUVER ISLAND  
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Master of Sustainability Leisure Management

**BARRIERS TO INFORMATION AND FINANCING IN SMALL AND  
MEDIUM-SIZED ENTERPRISES IN CENTRAL VANCOUVER ISLAND**

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**by  
Harpreet Kaur**

Presented as part of the requirement for the award of Master of Arts in  
Sustainable Leisure Management within the Department of Recreation and Tourism  
Management at Vancouver Island University

Date: 8<sup>th</sup> April, 2016

**Master of Sustainability Leisure Management**

**DECLARATION**

This thesis is a product of my own work and is not the result of anything done in collaboration.

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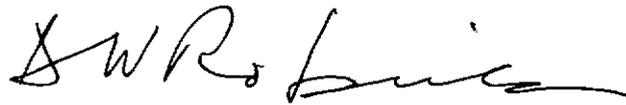
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**THESIS EXAMINATION COMMITTEE SIGNATURE PAGE**

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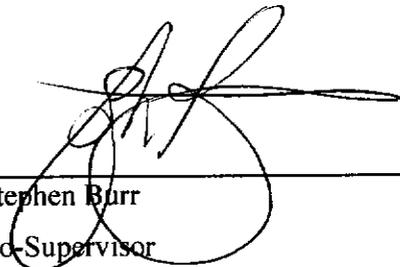


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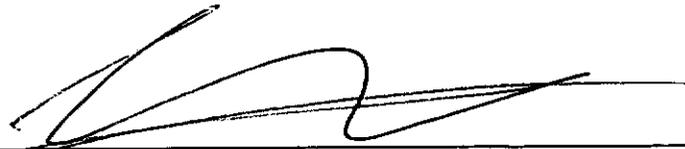


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## ABSTRACT

This study sought to identify key support needs of Small and Medium-sized Enterprises (SMEs) and the services required by SMEs to expand and improve. The purpose of the study was to identify barriers that prevent SMEs from accessing business information and financing from Community Futures Central Vancouver Island (CFCI). There were four research questions:

1. What business services do owners require for their businesses?
2. Where are business owners currently going for business service(s)?
3. What factors affect business owners when they seek financing or business-related service(s)?
4. What is the awareness and perception of SMEs of the services offered by CFCI?

Convenience sampling was used in this study. A survey was designed based on previous research study conducted by Community Futures North Cariboo with SMEs, and (a) was distributed to 1377 SME owners listed with CFCI, (b) published on CFCI social media websites, (c) Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and (d) sent to businesses associated with CFCI. In total N=174 responses were received, with 77% being current and 10% past business operators, and 11% who want to operate a business in future. A mixed method explanatory research approach was adopted. Qualitative methodologies were used to identify prominent themes and quantitative methodologies were used to analyse responses numerically.

Lack of familiarity with programs was the main barrier to SMEs utilizing CFCI counselling and coaching services, and financing (such as; loans, low interest rate) was the major concern of SMEs. Other important barriers included, start-up/working/expansion capital, qualified & experienced staff, new business/clients, finding additional time and marketing help. The study also includes recommendations to the CFCI for improving SMEs access to business information and financing for future research.

## **DEDICATION AND ACKNOWLEDGMENTS**

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## **CHAPTER I**

### **Introduction**

The leisure and tourism industry is a thriving economic sector that contributes to the financial sustainability of many communities. It is essential in a discussion of leisure business to distinguish between leisure business for profit and leisure organizations that are non-profit but that are generally for the good of the community in which they exist. Disney World is an example of a prosperous business that is for profit while an organization operated by the government to maintain safe and ethical tourism standards is an example of a leisure business that is not for profit. The leisure industry includes both of these types of businesses/organizations. The leisure sector focuses on providing opportunities for people to engage in recreation, tourism and sports in a certain locale. Although it is an essential piece of the puzzle in the economy of many developed countries the leisure industry is also somewhat volatile as it shifts with the changes in society (Diaz-Bernardo, 2015). For example, after 9/11 travel and tourism declined, as people were timid to fly in planes. The volatility of the leisure industry is also its strength as it calls for business owners, communities, countries and economists to be creative in promoting leisure and tourism. There is much literature on this topic ranging from economic analyses to research that focuses on the small business aspect of the industry. The study will explore the literature pertaining to the leisure field and the ways it integrates with the economy.

Branch, Seens, and Song (2015) pointed out that small and medium-sized enterprises (SMEs) make up over 99% of the 1.1 million employers in Canada. Moreover, these businesses have a 52% share of private sector gross domestic product and account for 90% of Canada's private sector employment growth. Entrepreneurship is an essential activity in the Canadian business sector. Many individuals have the ambition to become their own bosses, and SMEs account for a significant proportion of Canada's employment opportunities. The success of SME owners would be improved by identifying and recognizing obstacles that they face when seeking appropriate business information and funding. Clearing away impediments for business start-up or growth is essential to an energetic corporate sector and employment market.

Community Futures is a non-profit organization dedicated to providing services and support to rural SMEs through its 269 offices located across Canada. They specialize in providing small business loans and services such as counselling and advice, business plan critiquing and coaching, small business training, one-on-one start-up or expansion consulting, and provide access to other small business supports, information, and other sources of capital. A study was conducted in 2011 by Community Futures North Cariboo in Quesnel (CFNC), approximately 350 surveys were sent to local businesses and business owners through email and fax. The purpose of the study was to find “key support needs in [the] [business community” (Community Futures, 2011).

In total, 72 completed surveys were received, in which 48 respondents requested that Community Futures continue providing regular additional business-related information. After carefully reviewing and analyzing the survey responses, CFNC improved its marketing strategies and plan, made changes to its information packages for “warm” sales calls, and initiated discussion about CFNC rebranding (Community Futures, 2011). The CFCI intends to implement similar study in different locations in British Columbia. The purpose of this study was to identify the barriers that were preventing SMEs from accessing business information and financing from CFCI.

### **Purpose and Research Questions**

The purpose of the study was to identify the barriers that were preventing SMEs from accessing business information and financing from CFCI.

The research purpose was achieved through the following research questions:

1. What business services do owners require for their businesses?
2. Where are business owners currently going for business service(s)?
3. What factors affect business owners when they seek financing or business-related service?
4. What is the awareness and perceptions of SMEs of the services offered by CFCI? (Community Futures, 2011)

The study also concludes with a set of recommendations to the CFCI for improving SMEs access to CFCI business information and financing and for future research.

## CHAPTER II

### Review of the Literature

In order to understand the reasoning behind this research, the next chapter of this thesis examines the existing literature on some of the topics such as; Importance of small and medium-sized enterprises, Access to Information, Processing and Utilizing Information, Types of Sources and Factors Determining Financing, and Business Development Organizations and SMEs. Next, the methods utilized in the implementation of this study are examined, followed by a chapter identifying and explaining the findings of this study. Lastly, the findings are further explained in the discussion chapter, followed by a conclusion.

#### **Importance of Small and Medium-sized Enterprises**

The importance of the SMEs sector is widely recognized. It is the foundation of most markets globally. This is demonstrated by the sheer quantity of SMEs, which comprise almost 90% of the all businesses in the world. They also play a significant role in creating employment opportunities. Furthermore, SMEs are vital to the appearance of healthy private sectors, both in developed and developing nations (Kartiwi & MacGregor, 2007).

Frent (2015) discusses the notion of tourism clusters which refers to the idea that tourists do not visit large countries, rather they attend smaller communities which are comprised of various businesses and organizations that provide opportunities for and interesting experience. He explains that TSA (Tourism Satellite Account) is a standardized measure that is used in the tourism industry to account for the impact that tourism has on a country. Frent (2015) notes though that the statistical measure is not being used to its full capacity as there are two tables that are not considered a priority when countries input their numbers. He suggests that in order to fully make use of this measure it is essential for all components to be put to use. Additionally, Frent (2015) notes that through an analysis of how countries are using these tables in measuring the TSA it may be possible to extend this tool to other countries and thereby increase the opportunity for tourism. He suggests that his paper is a step towards conceptualizing the

measure and the challenges that come with its use in order to move forward in implementing it in other countries (Frent, 2015). This article is essential within the study of leisure services as it works towards making the industry stronger and easier to translate across any context through the analysis of a standardised statistical measurement technique.

In his text Tribe (2011) intends to provide a well-rounded portrait of the state of tourism and the leisure industry as it pertains to the economy. Due to the changing nature of the world, tourism is also constantly changing which provides an interesting area of study for economists. In his most recent book, Tribe (2011) maps out the different changes in the economy and social issues which reflected the popularity or diminished attractiveness of tourism at various times throughout recent history. By using real life examples from around the world, Tribe (2011) clearly illustrates the connection between the leisure industry and the economy. Tribe (2011) provides a thorough guide for economists and people interested in studying the impact of tourism, leisure services and recreation on the economy. This book is an essential piece of literature within the study of leisure services as it provides some guidance and a reference point for people who are either new to the topic or who wish to have a reference point.

Within many parts of the developed world leisure and the tourism industry has become a major economic activity, which contributes to the financial sustainability of many countries. Many small businesses rely on the tourism and leisure industry to generate income and assist them in creating a successful business. Byers and Slack (2001) discuss the relationship between the leisure industry and small business. In the developed world we live in a context in which we are privileged to make use of leisure opportunities as we have the expendable income that can be used towards spending time travelling, enjoying a night on the town or engaging in recreational activities such as sports. This context is ripe for business opportunities and many small businesses use this to their advantage. According to Byers and Slack (2001) when they did their research 54 of the world's top 500 companies fell into the leisure services category. More specifically, their research focuses on the decisions made by small business owners in order to guarantee their success in a rapidly changing economic environment (Byers & Slack, 2001). They are interested in their research in pursuing answers around some of the

decisions small business owners make to ascertain their hold in the leisure industry (Byers & Slack, 2001). Due to the dynamic nature of the leisure industry and the volatility of owning a small business, Byers and Slack (2001) note that it is particularly essential for owners to be strategic about the decisions they make. This research is important in that it solidifies the important role small businesses play in the leisure industry and it also provides somewhat of a guide for other business owners in the same industry. Echoing the notion of instability within the leisure economy as it pertains to small business, O'Donnell and O'Mahony, C. (2011) speak to the difficulties of maintain a thriving marine leisure business during the doldrums of a recession.

The leisure service sector is not only comprised of tourism opportunities rather it encompasses a wide variety of services from athletic centers (Tawse & Keogh, 1998) to recreational opportunities such as becoming involved in a sports group to participating in local events. In fact, Dridea and Murgoci (2011) suggest that the notion of 'play' is essential in promoting the leisure sector. They note that by drawing on theories of play the leisure industry can promote ideas of enjoyment and fun, which will in turn enhance the economy. Additionally, Chen, J., & Chen, I. (2009) discuss the importance of reputation within the leisure industry and the essential nature of maintaining data on this topic in order to maintain consistency across the board.

The SMEs sector is significant even in major established markets. For instance, the SMEs sector in the United States represents roughly half of the economy in terms of employment. In areas where SMEs have been a vital component of the economy for years, such as Europe and Organization for Economic Co-operation and Development (OECD) countries, governments are trying to improve their success in order to revitalize businesses after the 2008–09 global financial crises. SMEs themselves are also using their adaptability in the market, and increased speed derived from advancements in technology, to seek out new methods of merchandise distinction and value contribution (Calcagnini & Favaretto 2011).

Many initial readings on free enterprise discover that issues such as the growth and development of economic activity, the war for talent and human capital, concentration of the population within an urban area, degree of industrialization and the number of unemployed citizens, are important in explaining the regional variation in

enterprise-related activity levels. Established and social characteristics are expected to form the setting in which trade is directed. Organizations and culture impact an extensive array of economic activities, including the choice to become entrepreneurial. They also impact people taking advantage of business prospects by shading the attractiveness and apparent risks and yields of business activities. These aspects clarify the variances in business activity amongst both developed and developing nations (Avnimelech, Zelekha, & Sharabi, 2014).

Neupert & Baughn (2013) suggest that the job creation potential of empire-building companies in developed nations is focused such that comparatively small quantities of business endeavours produce the greatest number of new jobs. For instance, the United States Small Business Administration (SBA, 2011) estimates that small businesses have generated around 64 percent of net new jobs over the past fifteen years.

In a different instance, the European Union sees SMEs as a facilitator for regional growth. SMEs have been assigned an essential component in encouraging development since they are seen as a crucial source of contracts and employment prospects. Hence, the European Commission has created a solid set of descriptions of SMEs alongside two broad interconnected policies. These policies are termed as SMEs policy and the Business Formation policy. Both policies chase a number of main objectives: (1) to motivate work formation, (2) to inspire regional growth, (3) to excite invention, and (4) to increase trade and industry development. The two policies support the establishment of new businesses, provide education to new establishments, promote women as owners/managers, foster the spread and utilization of technology to SMEs, and enhance financial, organizational, and export support for SMEs (Kartiwi & MacGregor, 2007).

Helms (2003) also identifies several barriers to SMEs activity in developed countries. First, large scale industrialization has led to a focus on big business. Equity capital is an engine of entrepreneurial growth, providing funds to entrepreneurs without exposing them to excessive risk. However, only a small number of people are willing to make equity investments. Investors end up funnelling capital to conglomerates by investing in stock markets. This kind of investment does not allow market forces to put significant quantities of capital into small businesses. Furthermore, regulations and red

tape have been named as significant barriers to opening a small business. Numerous permits are required from the local government to start a business.

Complex labor laws also make employing others quite a responsibility, and firing people is also not easy. Entrepreneurs become discouraged by the business regulations and give up on their entrepreneurial aspirations (Álvarez, Amorós & Urbano, 2014). Finally, financing hurdles pose the biggest challenges to would-be entrepreneurs. Financing is not taken lightly when opening a business. Due to the fear of losing money, many SME owners are hesitant to borrow money for a venture. Moreover, obtaining money from a bank is still not easy, even in a developed economy. Banks are unwilling or not able to lend money to entrepreneurs with bad credit (Helms, 2003). Access to funding is discussed further in the next section of this review of related literature.

### **Access to Information**

The literature reveals that the ambition to become an enterprise-owner is insufficient to determine success. One of the primary reasons for small business failure is a shortage of knowledge and preparation (Aldrich & Yang, 2014). Aldrich & Yang (2014) posit that entrepreneurs build the framework of their businesses based on three principles: routines, habits, and heuristics. Habits and heuristics are inherent in one's personality, while routines are learned from society (including institutions and organizations). Heuristics refers to the internal mental shortcuts one has a tendency to take when faced with ambiguity (Aldrich & Yang, 2014). In other words, it is comprised of one's internal perspective and one's mental response to a situation. For instance, one small business owner may be uncertain how a specific product line will sell. He/she may process the situation by determining that it is best to experiment with the product and feature the product as part of a prominent display in his store. Another business owner may process the situation with more hesitation and decide not to carry the product until he gains additional sales result data from other businesses.

The majority of entrepreneurs have gained work experience and education prior to the start of their business ventures. Individuals form a network of contacts including their family members, places of employment, affiliated organizations, friends, and educational institutions. Social links are important resources because they enable commercial

activity, let business people to be better organized, help them gain admittance to select commercial opportunities, and advance innovation. Social resources can also improve success by supporting an entrepreneur's position and appearance of power (Fornoni, Arribas, & Vila, 2012).

A business owner's associates or linkages are also vital to whether he has access to enterprise-related information and resources (Aldrich & Yang, 2014). It is an entrepreneur's network that becomes his main source for identifying and obtaining necessary resources (Sullivan & Marvel, 2011). Obtaining necessary resources has been named as a big challenge for entrepreneurs. It is a serious impediment and the literature has identified it as the most significant cause of entrepreneur failure. If an entrepreneur's network is critical to his success and ability to access pertinent resources, one can logically conclude that the breadth and quality of an entrepreneur's network will decide his successful outcomes (Sullivan & Marvel, 2011). Anis and Mohamed (2012), emphasized the relationship between human and social capital that helps entrepreneurs in identifying opportunities and overcoming barriers in the first stages of their businesses. The linkage assures the business a good amount of needed support. It also allows him to stand up to the difficulties placed upon the business (Anis & Mohamed, 2012).

Fornoni, Arribas & Vila (2011), explain that measuring an entrepreneur's social or networking capital is not an easy task. Early measurement models were one-dimensional structural models. A business owner's social resources were objectively evaluated in terms of their comparative location in their social network and the characteristics that such a location has within the global structure of the network. In later studies, further dimensions were added to the measurement of social capital. Thus, a more comprehensive way to measure an entrepreneur's social capital is to measure it across three dimensions: the structure of the network and the properties of the position occupied by the entrepreneur in the network (structural dimension), the characteristics of the entrepreneur's relationship depending on attributes like confidence and longevity of the link (relational dimension) and the benefits that can be generated from the value of the resources that the network is able to provide (resources dimension).

Moreover, Fornoni et al. (2012) identifies several benefits of social capital via the entrepreneur's network. Social capital enhances entrepreneurial attitude and facilitates the

launching of the new company. This is because entrepreneurial behaviour is catalyzed with interaction between the entrepreneur and the social network. Entrepreneurs participating in robust social networks exhibit a greater percentage of success when debuting their enterprise. Additionally, business owners in social nets are able to decrease entrepreneurial threats, especially in those situations with extraordinary uncertainty levels. Networks generate channels that allow the entrepreneur to optimize their efforts to acquire other resources. Therefore, new companies cannot neglect this kind of capital when acquiring resources to survive and grow.

Yet the literature provides conflicting information on whether the size and quality of an entrepreneur's network contributes positively to his success. Since the 1980's, some researchers have demonstrated a correlation between an entrepreneur's network and his likelihood of success. A strong network of contacts is supposed to open up access to attractive resources (both informational and financial) (Semrau & Werner, 2013). Other research studies have concluded that the size and quality of an entrepreneur's network does not have a significant impact on his success. Some studies even show a negative correlation between an entrepreneur's network and his business's performance, depending on the variables in question (Semrau & Werner, 2013). A study conducted by Semrau and Werner (2013) revealed that an increase in the network's size and its relationship quality contributed positively to an entrepreneur's success, but resulted in diminishing returns for access to financial capital, enterprise-related information, and business contacts. In addition, the study revealed that the network's size and quality needed to vary depending on the types of resources the entrepreneur needed (Semrau & Werner, 2013). Historically, enterprise-related activity was linked with building social relationships and a high degree of trust (Alfani & Gourdon, 2012).

Building relationships are often touted as the conventional key to success, but entrepreneurs can also benefit from local community resources. Communities can offer services and incentives to encourage small business development, including grants, funding, and business coaching and mentoring services (McDaniel and Richison, 2010). McDaniel & Richison (2010), further mentioned that the access to these community resources does not necessarily come from an entrepreneur's network, but through research that the entrepreneur conducts. City councils, community colleges, and other

local public entities such as libraries often advertise informational and financial resources. For instance, a local library may sponsor business education classes and mentoring workshops available to the public free of charge. Local area chambers of commerce may offer similar classes and workshops.

Entrepreneurs that feel more confident about making business decisions are more likely to enter the market earlier. Numerous studies, including studies from other developing countries like China, have revealed that there is a strong correlation between success and early market entry (Perry, Chandler, Yao, & Pett, 2011). Perry et al. (2011) state that this is not to say that small businesses that are later entrants into the market are not able to achieve performance success, but that those that enter earlier stand a better chance. This is likely due to being able to formulate brand preference and notoriety in the minds of consumers.

### **Processing and Utilizing Information**

An entrepreneur's network is the primary means by which he gains access to enterprise-related information and resources. This presents the question of how an entrepreneur processes business knowledge and whether that knowledge can be effectively applied. Some researchers suggest that entrepreneurs gather knowledge from multiple sources, including family groups and early socialization, work experiences, learning experiences, business training opportunities, and hands-on, or on-the-job learning experiences. Business training opportunities include formal and informal education. Plans and initiatives like the Growing America Through Entrepreneurship (GATE) program offers formalized training in running a business, hiring employees, human resource management, financial management, and sales and marketing. Studies of control and experimental group respondents in the program show some correlation between success and the degree of training each group received (Aldrich & Yang, 2013).

### **Types of Sources and Factors Determining Financing**

Access to finance is a huge hindrance to economic growth and development. SMEs experience this issue in particular. The primary problem for SMEs is the limited availability of cash and their difficulty in accessing sources of financing. SMEs are often

dependent on financing for their heavy investment in technology and innovation. Unfortunately, sources of financing across the world are still wary of investing in smaller businesses due to their higher failure rates. Therefore, how SMEs are financed is one of the fundamental questions raised in the body of SME literature. Firms need financial capital to operate, and capital choices have key repercussions for business operations and the possibilities for failure (Yiu, Su & Xu, 2013).

Most SMEs depend on internal finance because they can't easily afford external finance. Thus, internal finance is the preferred source for many start-ups. However, internal finance is not sufficient for SME development and profitability. As a result, accessibility of external finances is essential to solve shortages in SME cash flows. Such financing is required for SMEs to start and expand their commercial facilities, create and improve their products, research and innovate, grow their human capital and acquire the latest manufacturing tools and technology. With most SMEs, failure to obtain sufficient debt financing leads to an insufficient capital structure (Kira & He, 2012).

**Bootstrapping.** A number of studies indicate that entrepreneurs and start-up companies can face difficulties when attempting to secure financing from conventional, external sources. As a consequence, entrepreneurs may turn to what is known as boot-strap financing. This type of financing can best be described as “a range of creative ways to acquire resources without borrowing money or raising equity from traditional sources” (Tomory, 2011, p. 531). Examples of start-up companies that have relied on boot-strap financing include Microsoft, Apple, Dell, and Research in Motion. Boot-strapping is typically used by entrepreneurs during the beginning growth stages, including product and overall business growth (Tomory, 2011).

Previous research has found that approximately 95% of start-ups utilized boot-strap financing and eighty percent of entrepreneurs openly admitted to using the method. Some of the sources of financing entrepreneurs use include personal savings, the cash values of insurance policies, the sale of personal assets, and home equity loans. Other boot-strapping techniques include borrowing from suppliers and service providers, making deals with clients, arranging for free or low-cost labor, using non-equity funds, making special deals for space (e.g., using someone's garage), and leveraging special relationships (Tomory, 2011).

Researchers have separated various boot-strapping techniques into categories: (1) financing for product development, (2) financing for business development, (3) financing for minimizing capital, and (4) financing for meeting capital requirements. Researchers have also classified entrepreneurs into types of boot-strappers: delaying, relationship-oriented, subsidy, minimizing, non-bootstrappers, and private owner-financed (Tomory, 2011). The literature does not elaborate on the exact definitions of these classifications. Although the classifications for boot-strapping techniques are fairly self-explanatory, one has to wonder exactly how a non-bootstrapper differs from one that is relationship-oriented. The research did examine start-ups in the technology industry and found that the entrepreneurs behind all of these companies delayed, reduced, or temporarily eliminated their own financial compensation. These companies also hired part-time workers or workers at a reduced cost (Tomory, 2011).

While boot-strap financing techniques are fairly common and entrepreneurs rely on these methods during the early stages of their ventures, small businesses eventually need long-term external financing in order to sustain growth. It is simply unrealistic to expect a company's founder(s) to keep reducing or eliminating their salaries, hawking their individual possessions, using their own means, and taking out advances against those individual possessions.

**Access to equity financing.** Equity financing or financing through ownership, takes the form of cash acquired from investors in return for an ownership share in the SME. This investment may originate from the entrepreneur's personal network, such as friends and members of the family, wealthy investors, or corporate and institutional investors. Equity financing is also another form of selling stock. The main advantage of accessing equity financing is that the enterprise is not obligated or beholden to have some sort of repayment scheme for the cash given to the enterprise. In its place, the shareholders have the expectation of regaining their investment out of forthcoming earnings. The participation of prominent shareholders may also help increase the perception of trustworthiness of a new enterprise. Most significantly, the benefit of equity financing is that the enterprise's possessions do not have to be pledged as a guarantee to get equity (Hill, 2012).

The literature reveals that entrepreneurs often seek financing from external investors. These external investors contribute what is recognized as “venture capital”. However, would-be-investors dither about capitalizing start-up SMEs because of large transaction outlays and because the earnings do not recompense the risk. Hence, SMEs frequently pursue a venture capital, which might offer the funding they need to enter the marketplace or expand faster. Venture capital is essential for innovation in SME’s (Oncioiu, 2012). Entrepreneurs need this capital to fund start-up costs, fund initial research and development expenses, and expand the business’s products and services (Allen & Hall, 2009).

Entrepreneurs are more likely to seek venture capital from private investors, rather than offering public stock offerings. Private investors will typically require an ownership stake in the company in exchange for capital. Some private investors ask to serve in an executive management capacity or ask to be involved in the firm’s operations (Allen & Hall, 2009).

Entrepreneurs stand a better chance of obtaining equity financing when legislation and regulations favor enhanced protection for shareholders. When entrepreneurs are able to raise venture capital, they gain a stronger foothold financially. The more venture capitalists a company has investing in it, the more likely the company will be able to keep attracting external sources of financing (Vanacker, Heughebaert, & Manigart, 2014).

In addition, Schäfer, Werwatz, and Zimmermann (2004) postulate that performance indicators outlining the monetary risk of a plan or a business are significant forecasters for the selection of the financing method. Monetarily uncertain schemes have a tendency to obtain equity financing. More specifically, enterprises with a small price cost margin and a small ratio of shares to assets previous to the financing phase possess are more likely to get equity finance.

If a business has more external investors, then they have more ownership in the business than the internal investors do. Though it is beneficial to have external investors, as they help in initial start-up of the business and in the long term growth, with each increase in external investors, the business becomes less a business and more of a job as the entrepreneurs focus more on maintaining the interest of the investors in the business and less on personal participation in the upside of the business (Roth, 2011).

Voelker and McGlashan (2013) also opine that the decrease in venture capital in a recession period is not astonishing. Investment in this sector - particularly in early start-up phases - has an extraordinary disaster rate. With as many as fifty percent of investment opportunities producing little to no returns, venture capital reasonably decreases when the market in its entirety becomes more vulnerable.

In some developed countries, such as those in Europe, the venture capital market is fragmented, which shakes international investments and development potential of equity financing opportunities. It also decreases the entire amount of money being invested. Therefore, given the necessity to further develop SME access to financing, the European commission has decided to expedite international investments as one of its programs. The European commission has begun a number of actions to hurdle legal and tax impediments at the EU and each member country. (Oncioiu, 2012).

**Access to debt financing.** Hill (2012) argues that debt financing is an important way for SME's to obtain capital to fund their operations. Debt financing involves a company selling notes, bonds, or bills to investors or lenders in order to raise money for the business start-up and smooth functioning. In debt financing, the investors who purchase these bills, bonds, or notes are the company's creditors. They are repaid by giving interest on their initial investment. For new businesses, debt financing poses big challenges as it places the risk of the venture on the business. Even if a business fails or fails to achieve expected profits, the business will still be responsible for repaying debt financing.

It is interesting to note that Daskalakis, Jarvis and Schizas (2013) found that smaller businesses, measured in terms of employment, seem to use more short-term debt than larger businesses, whilst the larger ones appear to use more long-term debt. Furthermore, companies that utilize temporary debt also use long-term liabilities while companies that do not apply for short-term loans tend not to utilize longstanding debt.

Before authorizing funding, most financial institutions confirm two rudimentary circumstances. First, they try to calculate the likelihood and ability of the debtor to comply with the loan repayment scheme. Second, financial institutions need some sort of tangible asset to act as a guarantee in the event of default. It is easier to satisfy both the conditions in the case of a big business; in fact, with big businesses pertinent data can be

immediately gained by financial institutions and satisfactory collateral is typically provided without any complications (Rosaria, Campanella, & Del Giudice, 2014).

The case of SMEs is quite different; they might have negative cash flow, few assets, and lack an established credit history, making it difficult to secure debt financing. Financial institutions also judge them to be high risk. It is difficult and costlier to evaluate the threat profile of an SME looking for funding. It is more problematic for SMEs to put together the mandatory collateral. It could be argued that some SMEs become very successful and grow so much that they finally become large companies. Unfortunately, the financial system, due to its static structure, is not always able to understand and project the potential of an SME. While this could be achieved if the SMEs in question had the capability to provide more reliable and assured guarantees regarding their future path and solvency, even entrepreneurs themselves would be hard pressed to do so (Rosaria, et al., 2014). Start-up firms in Europe face the same difficulties in obtaining long-term external financing as their American counterparts. Policies put into place by the banking and lending institutions contribute to these difficulties. When bankruptcy laws are less flexible and forgiving, start-up companies are less able to acquire conventional debt financing (Vanacker et al., 2014).

Levratto and Paranque (2011) assert that an optimal solution for matching the financial needs of the SME with the risk management requirements of the financial institution would be to create an intermediary institution that would formulate a distinctive competency and fill in unmet needs of the credit market. A specialized organization that could prepare and deliver correct and reliable financial background information would be a welcome addition in the financing business. This type of intervention is one way of efficiently solving some of the current dilemmas being experienced by both SMEs and banks. On one side, the SMEs would now be obliged to be more transparent. On the flip side, banks would also be assured that these reports are consistently produced by a trustworthy source.

**Access to crowdfunding.** Crowdfunding is a new alternative method of financing for SMEs. This is more prevalent in high-income nations because it usually needs an excellent IT infrastructure set-up. Crowdfunding denotes a shared effort by customers who link and pool their cash together, typically via online platforms, in order to capitalize

on and support hard work initiated by other individuals or establishments (Voelker & McGlashan, 2013).

An entrepreneur can promote a commercial idea and make an appeal for backing through crowdfunding websites. Would-be business owners deliver a pitch, frequently in the form of a business plan, listing the commercial activities and intentions as well as the entrepreneur's strategies for spending the money that is being raised. These sites also let investors know what they will obtain in return for their investment. This is typically done through a document outlining the different terms and conditions. All crowdfunding contacts are expedited through online crowdfunding sites which also deliver a suitable platform for the transfer of money (Mitra, 2012). Crowdfunding gives SMEs a fresh and worthwhile instrument to obtain funds to back their commercial expansion. It also offers investors a shield from swindlers through both proactive instruction and suitable control by the government. In addition, crowdfunding varies risk and tests the "too big to fail" corporate model for capital distribution in the United States (Colgren, 2014).

Mitra (2012) further explains the different types of crowdfunding options. In donation sites, contributors donate funds mostly for non-profits, but sometimes for entrepreneurial projects as well. In the reward and pre-purchase type, entrepreneurs offer different rewards, from notes of thank you to small tokens of gratitude. Platforms using the pre-purchase method also allow funders to get the product that the entrepreneur is manufacturing, often at a discounted price. As an alternative to financial institutions, SMEs can access debt financing through lending crowdfunding options. Some offer interest while others do not. In platforms that lend without interest, business owners post their borrowing requests online. Moneylenders only get back the exact amount that they loaned to the platform. The site uses the interest paid by the borrower to pay for any incurred transaction and operating costs. In the case of crowdfunding sites that offer loans with interest, those lending out the money buy the notes produced by the platforms. Lenders get paid if borrowers pay back. Finally, there are equity-based crowdfunding sites. These primarily exist in Europe and Australia. Equity crowdfunding sites give funders the chance to obtain a chunk of the business. Such sites have yet to be launched in the United States and Canada, due to regulatory and legal impediments.

Crowdfunding is regarded as not just a means to raise capital but also as a mode through which a creator's business idea is validated. It also gives a business a projection of target markets. The area of investment in this model is vast as the idea may not be worth the cost estimated by the creator, however may still receive investments in small amounts. Crowdfunding platforms also help a business to get genuine feedback regarding the idea; if the funds received are nowhere close to the estimated capital then the idea should be given a second thought (Manchanda, & Muralidharan, 2014).

Hollas (2013) warns that not all crowdfunding campaigns can hope to be successful. The failure rate is still quite high, with many SMEs not coming close to meeting their goals. However, the sheer variety of entrepreneurial projects seeking crowdfunding is a testament to the real promise of this new funding mechanism. The growing popularity of crowdfunding has led some researchers to believe that it may pose a threat to traditional finance.

**Social capital and financing.** Slavec and Prodan (2012) reveal that the strength of an entrepreneur's social ties is an important factor in financing choice. A larger network of strong ties - family members, relatives, and friends has a negative effect on small firm debt financing. The bigger the strong-tie network, the less there is a need for debt financing, since strong ties can assist entrepreneurs in assembling necessary financial resources. On the flip side, weak social ties have the largest influence on the debt usage of small firms. Weak ties are significantly and positively related to small firm debt financing, which implies that a larger network which includes ties such as advisors, bankers, suppliers, lawyers, co-workers, club members, and other business partners brings a wide range of information, access to financial resources, investment and project investors.

It is expected that SMEs create relations with financial institutions such as banks. While many businesses have forged strategic relationships with banks that have allowed their enterprises to access both short- and long-term debt, others do not have such a relationship and are not capable of accessing any form of funds from banks (Daskalakis, et.al, 2013).

Furthermore, not only do entrepreneurs seek funding from banks, but they also seek them out as sources of information on how to manage their finances. Some of the

readings introduce the idea of financial social capital; that is the strength of the relationships that entrepreneurs develop with the banking sector in order to continue securing external sources of financing (Jonsson & Lindbergh, 2013).

Social capital can be defined as a company's direct and indirect connections with others, in addition to the patterns in which those connections develop (Jonsson & Lindbergh, 2013). The concept of social capital brings the discussion of the readings back to the size and quality of the entrepreneur's network. On the one hand, the development of social capital with banking and lending institutions enhances the entrepreneur's network. At the same time, the entrepreneur's relationship with the banking and lending institutions may come about as a consequence of his network. Since the acquisition of long-term external financing is usually necessary in order for a start-up company to succeed, it is unrealistic to assume that a competent entrepreneur would not seek to attain social capital (Jonsson & Lindbergh, 2013).

The literature reveals that entrepreneurs have a tendency to develop social capital relationships based on function rather than identity (Jonsson & Lindbergh, 2013). This implies that entrepreneurs will seek to form relationships based on what the other party can accomplish for the business, not necessarily what the other party's image stands for. In other words, can the other party provide a practical good or service that will serve the functional needs of the business?

Within the scope of social capital is the presence of informal networks. These are not social networks that are recognized or legally mandated by an organization (Inci & Parker, 2013). An example of a formal network would be a chamber of commerce or an independent grocers' distribution network. Informal networks cannot be viewed or detected by non-members or non-participants. These types of networks operate without any legal or operational restrictions, but provide those within the network favorable access to know-how and resources. The "old-boy" network is a common example of an informal network, whereby certain types of individuals acquire access to employment opportunities and resources ahead of other groups of individuals (Inci & Parker, 2013).

The research seems to indicate that the existence of informal networks can influence how entrepreneurs gain access to external sources of funding. Banks tend to categorize entrepreneurs and their firms into high-level and low-level subsets. High-level

entrepreneurs are those that have a firm or project with a high probability for success, while low-level entrepreneurs are those heading a project with poorer chances of adequate performance. When referred by members of informal networks, banks have a tendency to overrate low-level entrepreneurs and their projects. Simultaneously, the banks also have a tendency to underrate high-level entrepreneurs and their firms (Inci & Parker, 2013). This is further indication that social capital can directly influence whether an entrepreneur is able to secure the financing he needs.

### **Business Development Organizations and SMEs**

According to Mazanai and Fatoki (2011), business development organizations (BDOs) are public and private organizations that offer services that improve the performance of an SME, its entrance into the right sectors, and its ability to participate in a free market rivalry. Business development organizations' offerings include an array of business services such as training, consultancy, marketing, information, and technology development and transfer that are both strategic and operational in nature. BDOs normally serve individual businesses, as opposed to the larger business community. These non-financial support services are offered to entrepreneurs at various stages of their business needs. While many BDOs do not put up collateral and securities to newly established SMEs, they can deliver information to start-ups about where to get guarantees for funds (Mazanai & Fatoki, 2011). The role of BDOs as sources of innovation is visible in the EU, where technology-based BDOs are common. The facilitating function of BDOs has also been confirmed (Toivonen, 2007).

Yang and Yan (2010) further categorize the functions of a BDO into four broad categories: (1) Financial services, including transactions with banks, requirements for insurance and other various finance-related needs, (2) Information and communication amenities, such as hardware and application-based solutions, (3) Technology service, referring to research and experimental development, professional and technical services, engineering and planning management, technology exchange and promotion services, and (4) Business services, such as legal services, consulting and investigations, and other business services.

As entrepreneurs learn to utilize external services more efficiently, their expectations grow. BDOs have to deliver apparent value for the organization from the get-go. Aside from one-off answers to particular issues, they have to help operate the client's entire business and help it to create new business activities. The latest trend in service management is forging planned partnerships with the other organizations. This enables BDOs to demonstrate creativity and to form connections between strategy and business activities (Toivonen, 2007).

Furthermore, many BDOs utilize external suppliers for the services and support that they offer. BDOs will succeed only if these external suppliers are given the right motivation and are equipped with enough competencies to be able to answer the regularly increasing demands of business owners. The services rendered should have an increasing impact on the performance of SMEs. The design of BDO service offerings should be benchmarked on an assessment of the market constraints and opportunities as well as the demands of SME operators. Thus, the key test of success of the BDO rests in the abilities of each of its suppliers to maximize their performance (Amha & Ageba, 2006).

### **Literature Review Summary**

This review summarizes the existing literature that establishes the importance of SMEs in all economic sectors, and SMEs play a very significant role in society and the overall economy. Research indicates that SMEs create employment opportunities for the population as well as creating value for consumers. Entrepreneurial development also fosters regional growth and integration.

The literature indicates that small businesses fail at startup because of inadequate knowledge and lack of preparation. The majority of entrepreneurs have gained work experience and education prior to the start of their business ventures. Obtaining necessary resources has been identified as a significant challenge for entrepreneurs. This lack of knowledge is a serious impediment, and the literature has identified it as the most significant cause of entrepreneur failure.

An entrepreneur's or business owner's network is the primary means by which they gain access to enterprise-related information and resources. Entrepreneurs gather knowledge from multiple sources, including family groups and early socialization, work

experiences, learning experiences, business training opportunities, and hands-on or on-the-job learning experiences. It is, therefore, imperative that entrepreneurs access the crucial information about their operating industries, and process this information for the betterment of their operations.

The review of the literature indicates that access to finance is also a huge hindrance to the establishment and operation of SMEs. A primary problem for SMEs is the limited availability of cash and their difficulty in accessing sources of financing. Most entrepreneurs rely on internal sources of financing, and they do not have adequate access to external financing. Most SMEs fail to obtain sufficient debt financing, which leads to poor capital structures and financial instability. Debt financing involves a company selling notes, bonds, or bills to investors or lenders in order to raise money for the business start-up and smooth functioning. In debt financing, the investors or company's creditors are repaid by giving interest on their initial investment.

Entrepreneurs are more likely to seek venture capital from private investors, rather than offering public stock offerings. SMEs frequently pursue a venture capital, which might offer the funding they need to enter the marketplace or expand faster. Venture capital is essential as entrepreneurs need this capital to fund start-up costs, fund initial research and development expenses, and expand the business's products and services. Research has shown that entrepreneurs and start-up companies often face difficulties when attempting to secure financing from conventional, external sources, which may result in bootstrap financing. Researchers have identified different bootstrapping techniques used by entrepreneurs to secure their funding needs. Crowdfunding is a new alternative method of financing for SMEs. Crowdfunding allows entrepreneurs to obtain funds to fund their commercial expansion.

Finally, the review of the literature has examined social capital and business development organizations as avenues through which SMEs can secure some financial requirements. The strength of an entrepreneur's social ties is an important factor in financing choice. Entrepreneurs must strive to develop social capital relationships based on function rather than identity. Business development organizations offer an array of business services including training, consultancy, marketing, information, and technology

development and transfer services. These services are crucial for the continuity of business operations.

There is still a need to conduct more research to identify the specific requirements of SMEs with reference to financing and the types of services required by SMEs to expand and improve. This research focuses on the Central Vancouver Island area. The findings and research recommendations will be shared with the members of CFCI.

### **CHAPTER III**

#### **Research Methodology**

This section discusses the methods that were used for data collection. This study was conducted in Central Vancouver Island to research and analyze the barriers that were preventing Small and Medium-sized enterprises (SMEs) from accessing business information and financing from Community Futures Central Vancouver Island (CFCI). Given the scope of this study, mixed method explanatory research was the preferred approach. Explanatory research helps in providing insight beyond mere description; and it also identifies patterns and trends, such as: when an activity or destination is losing its popularity, understanding the reasons why one group patronizes it and the others do not (Veal, 2012).

In explanatory research, researchers from different areas of interest develop survey instruments, conduct surveys or interviews, and then analyze the results based on these activities (Timothy, 2013). To conduct this research a mixed approach was used, which included both quantitative and qualitative survey instruments (see Appendix A). The mixed method was beneficial as the quantitative survey provided a statistical overview while the qualitative questionnaire helped in identifying themes and understanding the responses in depth. Two identifiable benefits of using a mixed method are that it can make the findings more comprehensible and easier to understand (Chow, Quine & Li, 2010).

A quantitative methodology helps in analysing quantitative data that, in turn, provides a better insight into the numbers (Brandimarte, 2011). Through a quantitative approach, chances of bias are minimized, data is more efficiently analyzed and conclusions can be drawn from a large amount of data (Creswell, 2014). Qualitative methodology, on the other hand, is a research approach that can look at non-numerical data (Punch, 2013). This approach has many advantages when conducting complicated research involving points of view, ideas and comprehension of context. The challenge of qualitative research is the probability of being highly subjective, as the researcher's personal judgment can affect data interpretation (Creswell, 2014). Muijs (2004) indicates that data, which does not appear in quantitative form -- such as attitudes and beliefs,

which cannot be measured numerically -- can be collected through qualitative measures. In contrast to quantitative methods, a qualitative method is an exploratory approach where the questions are usually more open-ended that allows a possibility of getting a greater variety of responses from participants. It can be complementary to quantitative research that is more about measuring and asking questions related to frequency or numbers. The major benefit of using a mixed approach is that this complementarity helps provide better insights; it can answer questions that cannot be answered through a single approach, and provides divergent findings (Pertusa-Ortega et al., 2012).

This study used a web survey questionnaire, one of the methods that is frequently used for the collection of data from large populations. In general, the questionnaire method refers to the process of collecting data in which each respondent is asked the same set of questions in a predefined sequence (Akinci & Saunders, 2015). Williams (2003) states that it is imperative to thoroughly test the questionnaire so that the data collected is meaningful. The data quality and response rate are highly dependent on the questionnaire design and how it is administered. The benefits of using a web survey questionnaire over the traditional paper-and-pencil method is that it is less time consuming for the respondents as well as being cost effective. The web survey questionnaire helps in reaching large and diverse populations and has the possibility of collecting huge amount of data (Lefever, Dal & Matthiasdottir, 2007). With the increasing popularity of Internet usage, many groups and organizations have moved online and use the Internet for communication and information. Moreover, it is also used for advertising through the use of search engines, email lists, and banner advertisement. One benefit of using a web questionnaire is that it helps in targeting groups and individuals who would be difficult to reach through other channels (Wright, 2005).

### **Research Methods**

This section describes Sampling, Validation and Revision of Web Survey Questionnaire, Data Gathering, Pilot Study, Data Analysis, Limitation and Storing the Information.

## **Sampling**

There were different approaches adopted while sampling for this study. Thompson (2012) explained that sampling aims to observe a part of a population to make an estimate about the whole.

**Convenience Sampling.** This research used convenience non-random sampling methods in which businesses that fit the research criteria are asked to participate in the study (Emerson, 2015). Convenience sampling is a sample of research participants that are used because of easy access and availability (Sullivan, 2009). The advantageous of using convenience sampling is that the cost of collecting information is far less expensive (Hedt & Pagano, 2011).

The participants in this study included businesses and residents from Ladysmith, Nanaimo, Parksville, Qualicum Beach, Gabriola and Bowser; who were either (a) new potential business owners, or (b) and current SME owners/entrepreneurs. A survey was designed based on previous research study conducted by Community Futures North Cariboo with SMEs (see Appendix B) and (a) was distributed to 1377 SME owners listed with CFCI, (b) published on CFCI social media websites, such as CFCI home website, Linked In, Facebook and Twitter, (c) published on Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and (d) sent to businesses associated with CFCI (these being the Downtown Nanaimo Business Improvement Association, the Mayor's offices, Townsquared, and the Nanaimo Economic Development Corporation).

The survey was sent through 'Constant Contact' software, which is a leading provider of email marketing and online surveys for small businesses, non-profit organizations and associations worldwide (Constant Contact, 2009).

## **Validation and Revision of Web Survey Questionnaire**

A survey from CFNC (see Appendix B) was used as the starting point for the web survey questionnaire used in this study. The questionnaire was revised three times to ensure that it was clear, easy to understand and relevant. The survey questionnaire was initially submitted to the members of CFCI on October 19, 2015 for their feedback. A meeting was conducted on October 26, 2015 so that the members could provide input on

the questionnaire. At the meeting, each question was discussed in detail and suggestions were noted. The suggestions were implemented in the new questionnaire and the updated draft was shared with the members on November 3, 2015. The questionnaire was revised again, and a final version was shared for approval on November 10, 2015. It received approval from the marketing team at CFCI on December 8, 2015.

The survey originally used by CFNC had only 12 questions, half quantitative and half qualitative. The web survey questionnaire that was used by CFCI had 20 questions, 18 quantitative and two qualitative. The qualitative questions were reduced to two from six and more quantitative questions were added to ensure that the respondents clearly knew the purpose of each question and had a limited set of choices to pick one answer that was right for them. The ratings for most of the questions were standardized so that it was simple and easy to follow

Two kinds of scales, Dichotomous Data and Summated Rating Scales, were used as response options for each quantitative question in the survey (see Appendix A). A Dichotomous Scale is a scale in which many possible responses are reduced to just two through appropriate combining. In this type of response scale the respondent does not have an opportunity to be neutral while responding to any question (Mokken, 1971). In a Summated Rating Scale, the respondents have more than two options. Respondents are given a statement that they have to rate on a three-point, four-point or five-point scale (Spector, 1992). In the study's web survey questionnaire, Questions 1, 2, 3, 4, 8, 9, 13, 16, 17, 20 used the Dichotomous Scale and the rest of the Questions (5, 6, 7, 10, 14, 15) used three, four or five-point summated Rating Scales.

To ensure that only SME owners responded to the survey, filters were added in the beginning of the questionnaire. These being:

Question 1: Do you currently own/operate your own business?

Question 2: Have you previously operated your own business?

Question 3: Have you considered operating your own business?

These questions provided insight about the individual responding. The purpose of adding these filters was to avoid surveying an individual who was not part of the study population. If the respondents answered 'Yes' to Questions 1, 2 and 3 then they progressed to Questions 4, 5, 6, 7, 8, 9, 10, 11, 12, which were relevant to SME owners.

In the case of respondents who answered 'No' to Questions 1, 2 and 3, then only Questions 13, 14, 15, 16, 17, 18, 19 and 20 were made available; these were general awareness and perception questions related to Community Futures services and respondent's personal details (see Appendix D).

### **Pilot Study**

A pilot study was conducted on January 18, 2016. Prior to the release of the actual web survey questionnaire, the test survey link was shared with five members of CFCI and they were asked to complete the survey separately and report their feedback in terms of font, color, layout, grammar and readability of questions and order of questions. Appropriate changes including sentence structure, spelling and grammatical corrections, and changes to the order of the questions were made after the pilot study.

### **Data Gathering**

Data gathering is an important step in any research process and requires careful consideration and application. It is imperative to select the right method of data gathering if the study is to be successful (Serrant-Green, 2008). The data collection for this study took place over approximately four weeks starting on January 20, 2016 and ending on February 16, 2016. A reminder was sent on February 1, 2016 and February 12, 2016 to the non-respondents to participate in the survey. At the end of February 16, 2016 the online survey was closed and data analysis started. The main benefits of using web survey questionnaires are that the data collection and processing are highly cost effective, and there is minimal need for training the person administering the data collection process (Serrant-Green, 2008). After the study was completed, the individual survey responses were exported from software 'Constant Contact' to Microsoft Excel for in-depth data analysis and visual reporting.

## Data Analysis

Qualitative analysis was used to identify ‘themes’ and quantitative data was analyzed using a variety of descriptive statistics approaches.

**Qualitative approach.** A qualitative approach is the process of exploring and understanding feelings, beliefs, and values; it yields unstructured, text-based data, in contrast to the quantitative approach that has more of a statistical focus. In qualitative data analysis, the imperative steps are categorizing the raw data by identifying themes and topics from compiled data in the study, and then coding the subdivisions. The researcher’s role is to identify patterns and draw conclusions from the data. Software is used merely to sort, cut, and mark the unstructured data (Wong, 2008). In the web survey questionnaire, the following questions

Questions 11: When researching financing option for your business, what words/phrases would you place in a search engine? and

Question 12: What is your most pressing need currently in your business? were open ended and were analyzed using a qualitative approach to identify specific themes.

**Quantitative approach.** The benefits of using quantitative data analysis are that the derived data is quantifiable, and the results, easy to understand. In the web survey questionnaire, out of 20 Questions, only Questions 11 and 12 were qualitative and remaining were quantitative (see Appendix A). Before analysis begins, it is imperative to identify the level of measurement, as this will determine the type of analysis that can be used. The four levels of measurement are: nominal, ordinal, interval and ratio (or scale). At the nominal level, data is classified into discrete categories. In the ordinal level, data is ranked or sorted from lowest to highest (and vice versa). At an interval level, data has a logical order and the values have standardized differences. The ratio level is similar to the interval level with equal difference between values; however, the ratios are more meaningful (Bryman & Cramer, 1996). Depending on the level of data, different types of procedures, such as data tabulation, descriptive data, and data disaggregation, can be adopted to explain the data collected (Botti & Endacott, 2008).

For this study descriptive statistics were widely used; this was also the approach used by CFNC in 2011 to present the analysis of their survey responses (Community Futures, 2011). In descriptive statistics, the numerical data is organized and summarized, and the collected data further described by drawing complex analytical inferences. Counts and percentages, pie charts, bar charts, and tables were used to present descriptive statistics for nominal and ordinal data (Botti & Endacott, 2008).

To complete the analysis of the data, Microsoft Excel was used. Microsoft Excel was used to create PivotTable reports and charts for better visual report. These tests enable us to examine the relationship between categorical variables (instead of just simple frequencies for individual variables), and to conduct analysis to understand the strength of a relationship between two interval variables, or to identify if the data is normally distributed (Greasley, 2008). In order to analyze the questions, first a frequency table was prepared for the quantitative questions. This provides details like number of respondents and percentage of respondents.

Questions 1, 2, 3, 4, 8, 9, 13, 16, 17 and 20 used a Dichotomous Scale, and Questions 5, 6, 7, 10, 14 and 15 used a 4-5-point summated rating scale, hence, histograms and pie charts were used to display the responses. Visual display of data made it easy to interpret and understand, which answer received the maximum responses (Greasley, 2008). Frequency table will be used to calculate the count and averages for age group, professions, postal codes and genders of respondents (Greasley, 2008).

### **Limitations**

A major disadvantage of using web questionnaires is that the response rate can be very low; Internet users today constantly receive emails from telemarketers, they can easily delete an email sent with a survey questionnaire. Other limitations related to online questionnaires arise from the web survey services and products themselves; they have issues related to time, space, number of questions, number of respondents and number of responses allowed for a specific price (Williams, 2003). Another limitation of using a

web questionnaire is that it limits respondents to those who have a computer connected to the Internet (Lefever, Dal & Matthiasdottir, 2007).

Moreover, there is a possibility biasness can occur in the research intentionally or unintentionally. Bias can be misleading and can cause false conclusion. So, it is imperative that the researcher should take possible measure to reduce or minimize the biasness (Simundic, 2013).

A further limitation is the chance that some responses may be from non-study population respondents (that is, in this study some respondents may not be actual SME owners) (Serrant-Green, 2008).

### **Storing the Information**

The analysis and the survey responses were handed over to CFCI. All survey responses will be stored in the CFCI and researcher's computer until December 31, 2016 and then deleted.

### **Research Methodology Summary**

This research was conducted in Central Vancouver Island and aimed to identify the barriers that were stopping SMEs from accessing business information and financing from Community Futures Central Vancouver Island. Given the scope of the study and based on a previous CFNC study (see Appendix B), mixed methods explanatory research was chosen as an appropriate approach. Quantitative and qualitative survey methods were used to collect information and analyze responses for a more in depth understanding of the participants' views. All respondents were given the same set of questions in a predefined sequence in the form of a survey. The survey was sent to participants through the software 'Constant Contact', direct email, and was also made available on CFCI social media sites. Convenience sampling was used to select potential business owners from six different cities and towns as the research participants. The questionnaire was revised three times and the final version included 18 quantitative and two qualitative questions. The raw data was categorized based on themes. Patterns were identified and a conclusion was reached based on analysis of data compiled under each topic. Descriptive statistics, such as the one used by CFNC in 2011, were used to further analyze the survey

results. The study was limited by low response rate and the research budget that restricted the number of questions, respondents, time and space. There was also no mechanism designed to verify that each participant was indeed a business owner. The survey responses and data analysis were handed over to CFCI and participants' confidentiality was maintained.

**CHAPTER IV**  
**Research Results**

The purpose of this chapter is to describe the findings that emerged from this study. This study attempted to identify the type of services required by small and medium-sized enterprises (SMEs) to expand and improve their product offerings. Furthermore, the study sought to identify barrier(s) preventing SMEs from accessing business information and financing from CFCI. The four research questions that the paper attempted to answer were:

1. What business services do owners require for their businesses?
2. Where are business owners currently going for business service(s)?
3. What factors affect business owners when they seek financing or business-related service?
4. What is the awareness and perceptions of SMEs of the services offered by CFCI? (Community Futures, 2011)

This chapter is divided into five main sections. The first section provides an insight into the respondent’s demography, and includes web survey questions. The following sections present the findings in relation to the study’s four research questions. For clarity and better understanding, the web survey questions have been categorized under each of the study’s Research Questions (see Table 1).

Table 1: *Categorization of web survey questions under research questions*

<b>Research Question</b>	<b>Survey Questions</b>
Demographic Questions	Question 1: Do you currently own/operate your own business? Question 2: Have you previously operated your own business? Question 3: Have you considered operating your own business? Question 16: Gender Question 17: Age Group Question 18: Profession and or Industry?

*Continued*

<b>Research Question</b>	<b>Survey Questions</b>
What business services do owners require for their businesses?	<p>Question 11: When researching financing option for your business, what words/phrases would you place in a search engine?</p> <p>Question 12: What is your most pressing need currently in your business?</p>
Where are business owners currently going for business service(s)?	<p>Question 7: To what extent do you or would you make use of the following services for business support &amp; advisory services?</p> <p>Question 8: When researching for information, new business practices, products and/or services which of the following self-help or self-improvement methods are you most likely to use?</p> <p>Question 9: Identify which of the following you are currently a member of</p>
What factors affect business owners when they seek financing or business-related service?	<p>Question 5: How significant are the following factors in determining where you go (or in future would go) for business support or advisory services?</p> <p>Question 6: How important would additional information, training and/or support be for you and your business?</p> <p>Question 10: How important are the following factors in determining the financial institution you would choose to / or are currently using for a business loan/line of credit?</p>
What is the awareness and perceptions of SMEs of the services offered by CFCI?	<p>Question 13: How familiar are you with the organization, community futures?</p> <p>Question 14: Community Future offers the following services. Which of their services have you heard of, participated in, or could use in the future?</p> <p>Question 15: To the best of your knowledge, what are your perceptions of Community Futures' business lending program?</p> <p>Question 20: Would you like to receive information about Community Futures services and upcoming event?</p>

### **Demography of Respondents**

The participants in this study included businesses and residents from Ladysmith, Nanaimo, Parksville, Qualicum Beach, Gabriola and Bowser who were either (a) new potential business owners, or (b) current SME owners/entrepreneurs. A survey was designed based on previous research study conducted by Community Futures North Cariboo with SMEs (see Appendix B) and (a) was distributed to 1377 SME owners listed with CFCI, (b) published on CFCI social media websites, such as CFCI home website, Linked In, Facebook and Twitter, (c) published on Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and (d) sent to businesses associated with CFCI (these being the Downtown Nanaimo Business Improvement Association, the Mayor's offices, Townsquared, and the Nanaimo Economic Development Corporation).

In total, 174 responses were received against the target of 500. Out of the 174, 123 responses were received from 1377 SME owners listed with CFCI, which is approximately an 8.9% response rate.

The remaining 51 respondents were from the other sources identified previously; CFCI social media websites, Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and businesses associated with CFCI (Downtown Nanaimo Business Improvement Association, the Mayor's offices, Townsquared, Nanaimo Economic Development Corporation) with whom the survey link was shared.

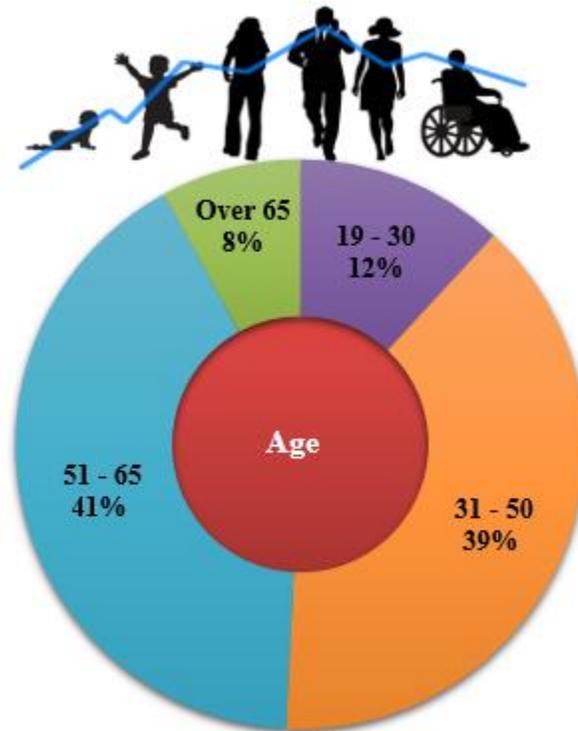
**Age groups.** The respondents in the study were categorized into four different age groups: 19-30; 31-50; 51-65 and over 65. Out of 174 respondents, 126 participants answered the question (see Table 2).

As seen in the Figure 1, the dominant age group in the sample was the 51 to 65-year-old age bracket at 41%, followed by 39% between the ages of 31 to 50. For the purpose of calculation, 'Valid Percent' has been considered as it does not include missing cases.

Table 2: Age Group

		Frequency	Percent	Valid Percent
Valid	Between 19 – 30	15	8.6	11.9
	Between 31 – 50	49	28.2	38.9
	Between 51 – 65	52	29.9	41.3
	Over 65	10	5.7	7.9
	Total	126	72.4	100.0
Missing	System	48	27.6	
Total		174	100.0	

Figure 1: Age Group

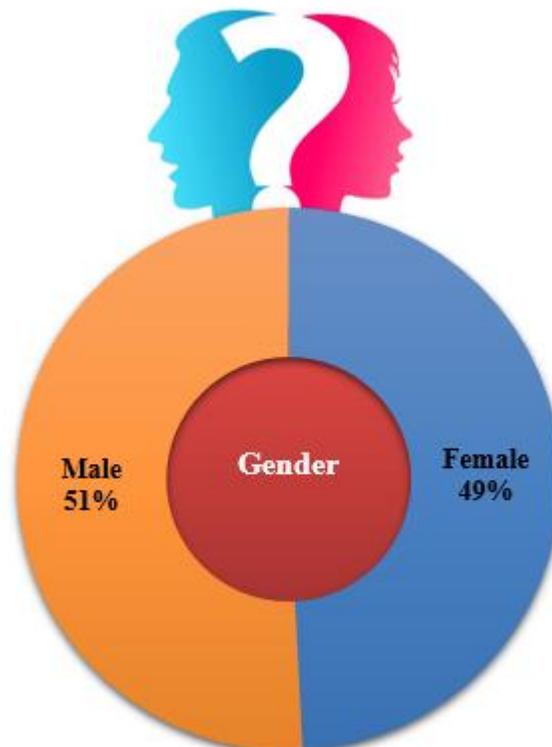


**Gender.** Out of 174 respondents, 140 participants answered the gender question (see Table 3). The respondent’s gender distribution was quite even, as there were 51% male and 49% female respondents (see Figure 2).

Table 3: *Gender*

		Frequency	Percent	Valid Percent
Valid	Female	72	41.4	51.4
	Male	68	39.1	48.6
	Total	140	80.5	100.0
Missing	System	34	19.5	
	Total	174	100.0	

Figure 2: *Gender*



**Business Ownership.** The first four questions in the web survey questionnaire were business ownership related. These were,

Question 1: Do you currently own/operate your own business?

Question 2: Have you previously operated your own business?

Question 3: Have you considered operating your own business?

In total 174, 46 and 28 participants responded to Question 1, 2 and 3, respectively. The N=values are different for Question 2 and 3 as filters were applied and Question 2 was visible, if Question 1 was selected as 'No.' Similarly, Question 3 was visible, if Question 1 and 2 was selected as 'No.'

At the time of this research, 74% of the study's sample population owned or operated a personal business (see Figure 3), and out of the remaining 26% who did not operate business, 10% mentioned that they had operated a business in the past (see Figure 4) and 13% showed interest in operating their own business in the future (see Figure 5). There were 3% respondents who did not operate any business and, neither had any business in the past nor were interested operating a business in the future.

Figure 3: *Do you currently own/operate your own business?*

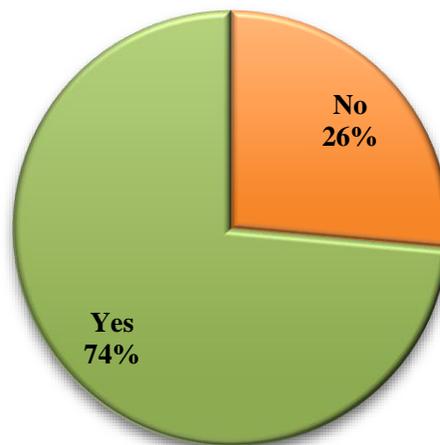


Figure 4: *Have you previously operated your own business?*

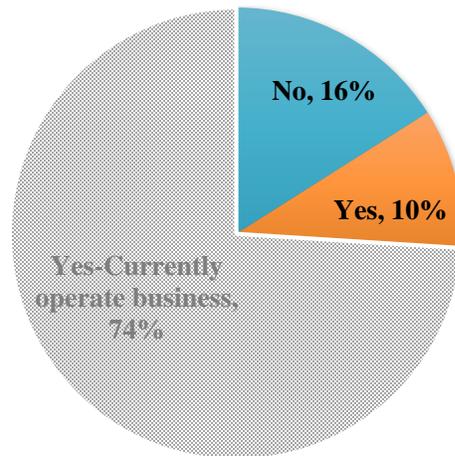
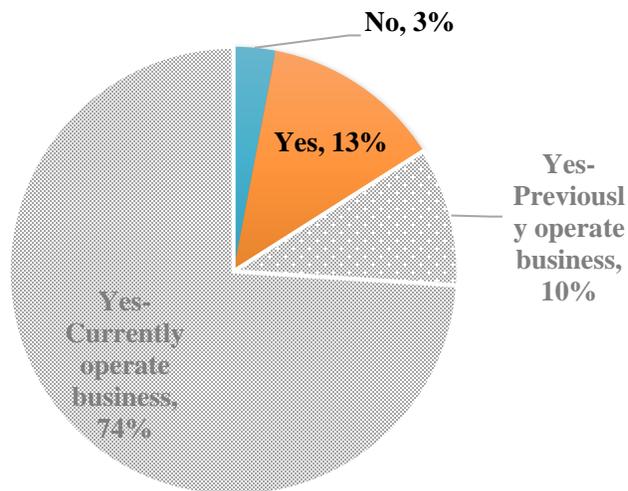


Figure 5: *Have you considered operating your own business?*



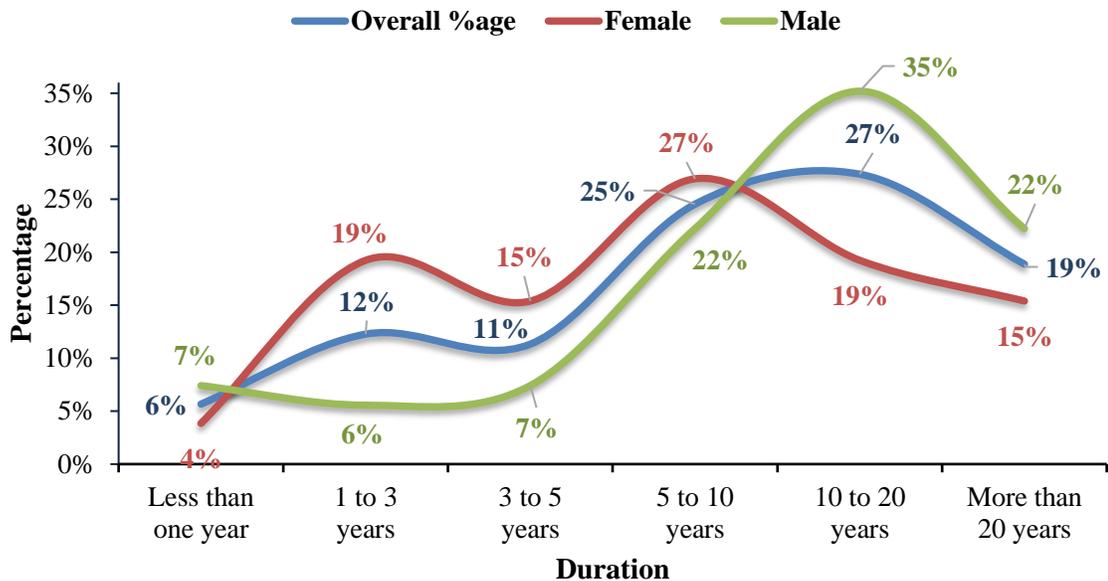
**Business duration.** Out of 174 respondents, in total 108 participants responded to Question 4: How long have you (or did you) operate your business? and the remaining 66 respondents did not answer the question (see Table 6).

Out of 74% respondents who owned/operated businesses, 19% had been in business for more than 20 years, while 6% were new entrepreneurs with less than one year of experience. In the category 1 to 10 years of age, maximum businesses were operated by women (see Figure 3).

Table 4: How long have you (or did you) operate your business?

Statistics		
N	Valid	108
	Missing	66

Figure 6: How long have you (or did you) operate your business?



**Profession/Type of industry.** The respondents were also requested to share their profession or the type of industry they were operating. Out of 174, in total 116 participants responded to the question.

In total 60% of the respondents belonged to 8 industries/professions; Financial / Professional / Customer / Business service, IT / Computer consultant / Web based services, Marketing, consulting & communications, CEO, owner / Self-employed actor / Dance Studio, Health professional / Builder, Hospitality & Tourism, Registered Clinical Counsellor / Psychotherapy / child care / Chiropractor and Sales / Direct man (see Figure 7).

The remaining 40% of the respondents were from other professions and industry (see Table 7).

Figure 7: *Profession/Industry*

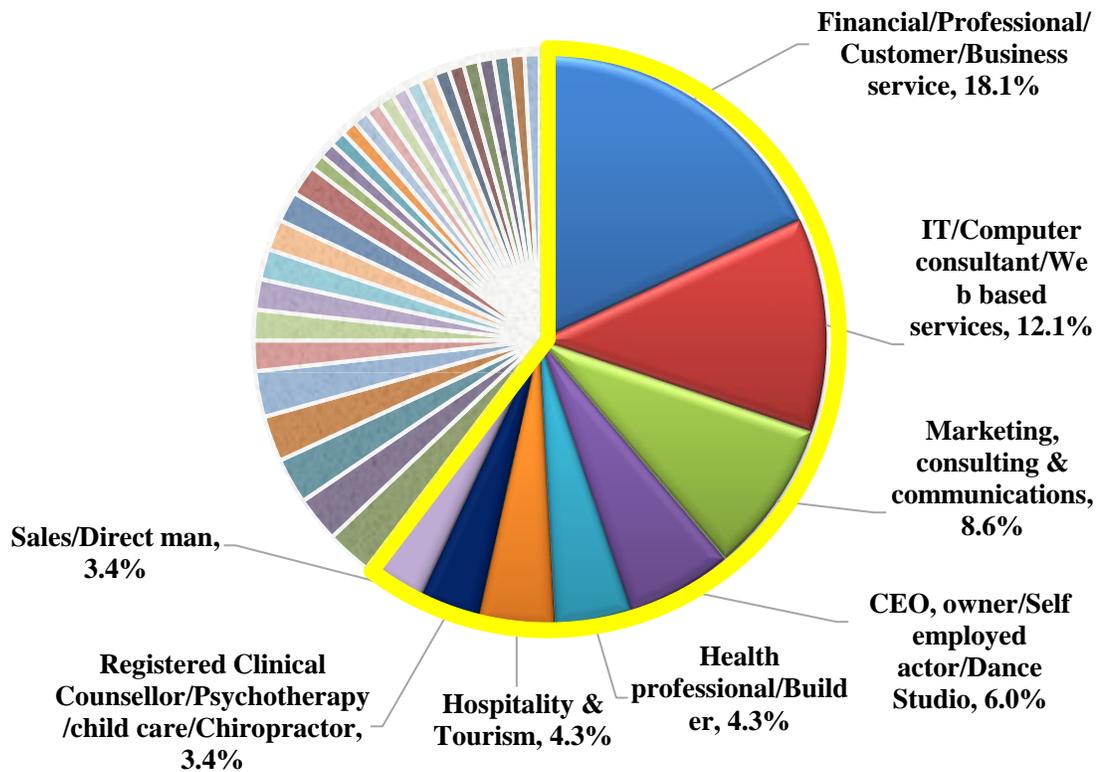


Table 5: *Other Professions and Industry*

Other Professions/Industry	Percentage
Law, Tax Consulting & Accounting	2.6%
Writing & Graphic Design/Desktop publishing/Online advertising	2.6%
Engineering & L& Development/Landscaper/Irrigation systems	2.6%
Private Education/Teacher	2.6%
Business Training & Development/Employment service	2.6%
Operations Courier/Driver	1.7%
Non-profit radio/Notary Public & CGA/CPA	1.7%
Tax Consulting & Accounting	1.7%
Automotive	1.7%
Professional Commercial Photographer	1.7%
Customer/Business Service	1.7%

Other Professions/Industry	Percentage
Architecture	1.7%
Traditional & Contemporary beading & Buckskin work	0.9%
Manufacturing (Print)	0.9%
CPA	0.9%
Aboriginal Economic Development	0.9%
Supply Chain Management (Procurement Consultant)	0.9%
Barber	0.9%
Golf	0.9%
Micro Precision Parts Mfg.	0.9%
Oil Industry	0.9%
Lead Generation/Telemarketing/Social Media/Content Writing	0.9%
Agriculture	0.9%
Bridal Boutique	0.9%
Manufacturing & Design	0.9%
Vocational Rehabilitation	0.9%
Fire Protection	0.9%
Residential & Outreach Support Services-Vulnerable Individuals	0.9%
Environmental Consulting-soil & Groundwater Contamination	0.9%

### **Research Question One**

The first research question that answered through this study was: “What business services do owners require for their businesses?” Following are the findings for the web survey questions corresponding to this research question,

**Survey Question 11 asked, “When researching financing option for your business, what words/phrases would you place in a search engine?”** When participants were researching financing options for their businesses, the top three categories their search queries fell under were,

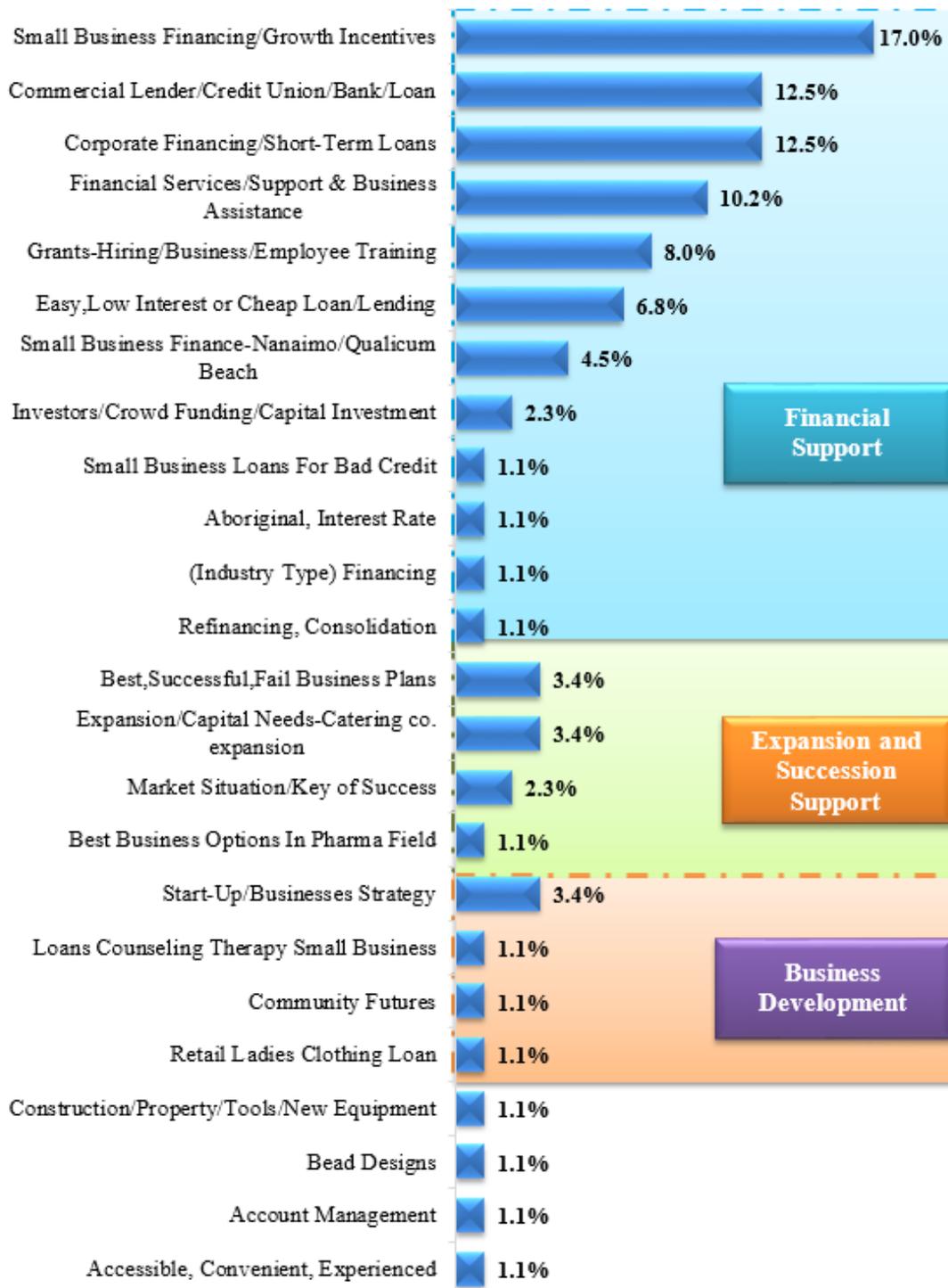
- Financial support
- Expansion support
- Business development.

More than 60% of the words/phrases they used in searches were related to financial support and included phrases like: small business financing, loans, growth incentives, commercial lender (see Figure 8).

**Survey Question 12** asked, “**What is your most pressing need currently in your business?**” The most pressing needs that participants listed for seeking business related services were:

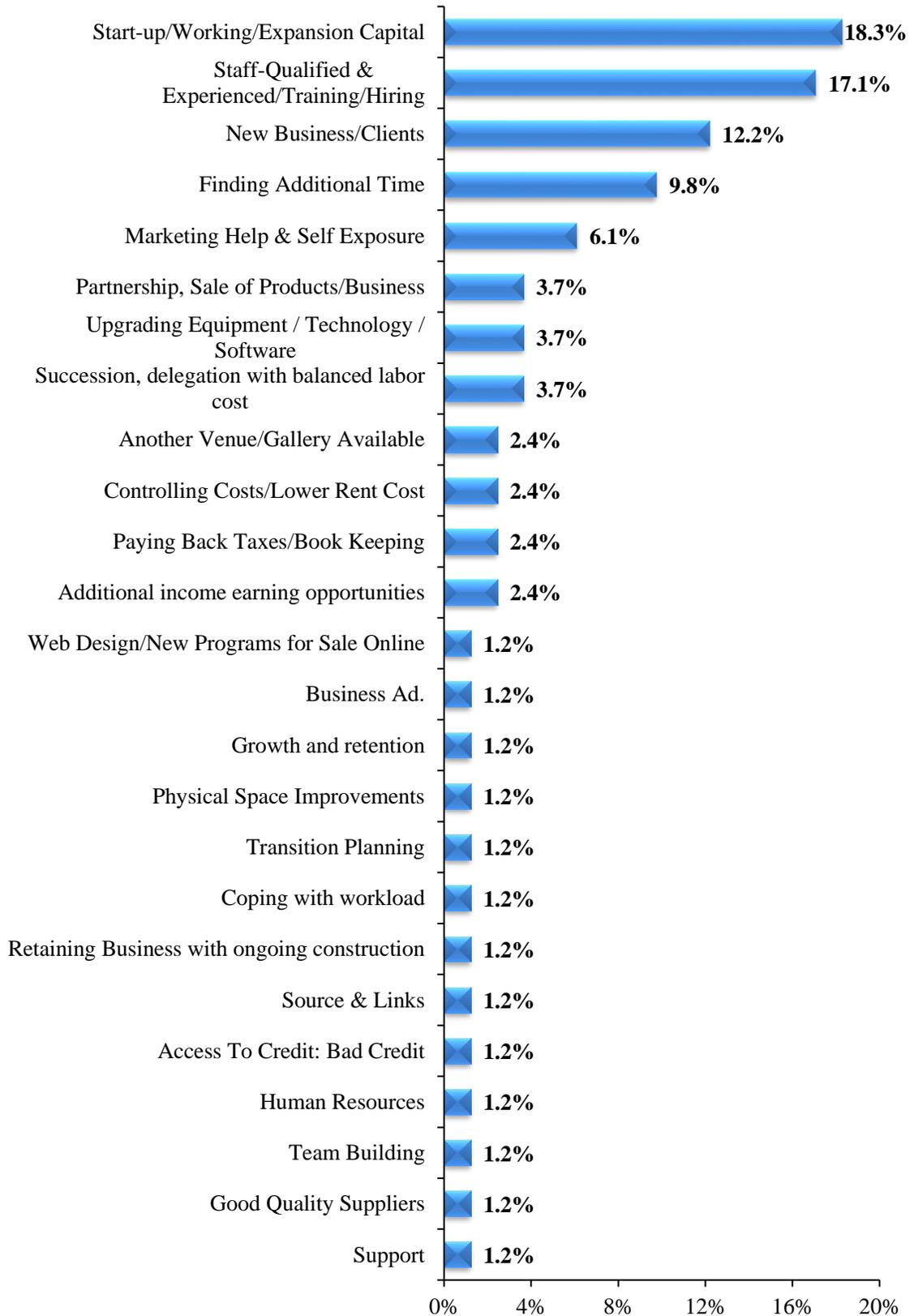
- Start-up/Working/Expansion Capital (18.3%)
- Staff-Qualified & Experienced/Training/Hiring (17.1%)
- New Business/Clients (12.2%)
- Finding Additional Time (9.8%)
- Marketing Help & Self Exposure (6.1%) (see Figure 9).

Figure 8: When researching financing option for your business, what words/phrases would you place in a search engine?



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Figure 9: What is your most pressing need currently in your business?



## **Research Question Two**

The second research question that answered through this study was: “Where are business owners currently going for business service(s)?” Following are the findings for the web survey questions corresponding to this research question,

**Survey Question 7 asked, “To what extent do you or would you make use of the following services for business support & advisory services?”** Out of those who were members of the Chamber of Commerce, 19% never actually used its services, 24% sought advisory help from the organization only once every few years and 22.3% used it several times per year.

Financial institutions, accountants, friends and family were among the most sought after advisory agents with a respective 26.2%, 33.6% and 39.3% of respondents seeking their support on a monthly basis or more. Among the least solicited resources, with many admitting to never seek the advisory help of these agents were: Service B.C. and Access Center (32.2% never solicited), Community Futures (34.2%), City Hall’s economic development department (37.5%) and paid media (32%). Marketing consultants such as web designers and lawyers fell in an in between category with low to moderate use (see Figure 10).

**Survey Question 8 asked, “When researching for information, new business practices, products and/or services which of the following self-help or self-improvement methods are you most likely to use?”** In total, 82.1% of participants listed Internet as their number one source. Books, webinars and tele-courses were the next most popular category consulted with 59.3%, followed by networking then referrals at 58.5% and 52.8% respectively. The majority of respondents used Internet search engines to inquire about the financial supports available for SMEs (see Figure 11).

**Survey Question 9 asked, “Identify which of the following you are currently a member of”.** In total, 45.5% of the sample identified themselves as being members of a Professional Association, with another 42.3% identifying as members of the Chamber of Commerce. 23% were not members of any specific organization (see Figure 12).

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Figure 10: *To what extent do you or would you make use of the following services for business support & advisory services?*

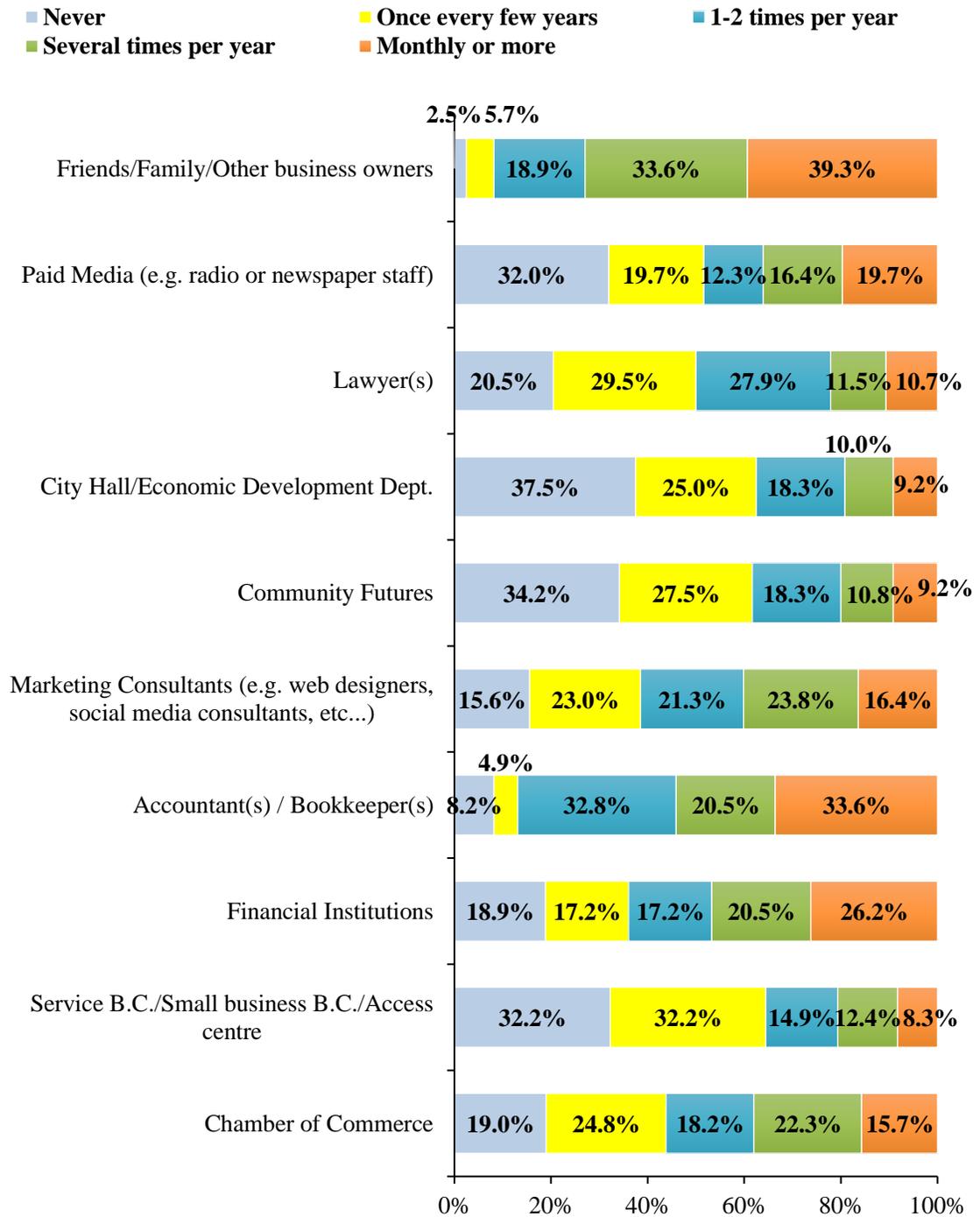
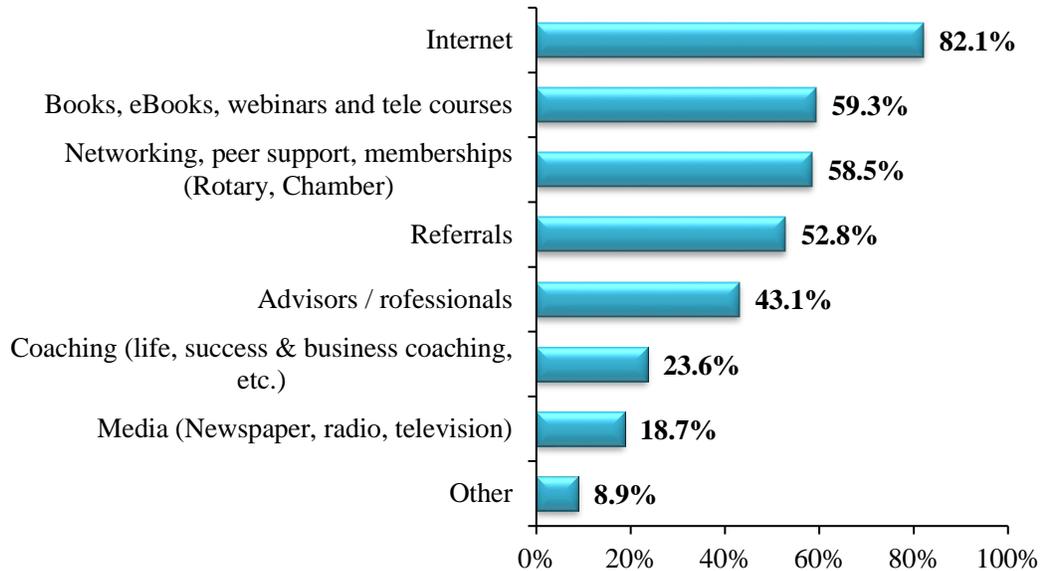
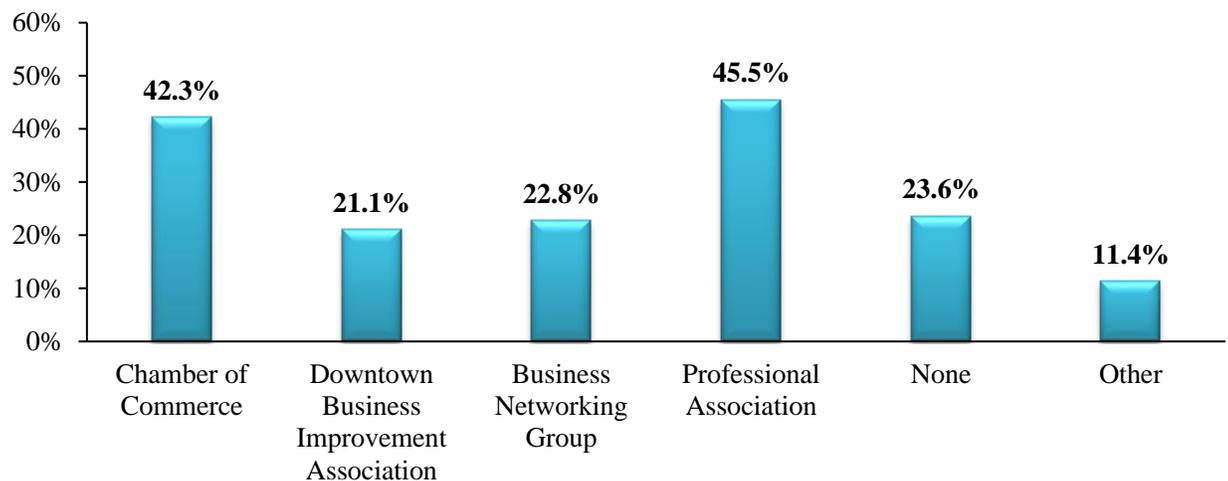


Figure 11: *When researching for information, new business practices, products and/or services which of the following self-help or self-improvement methods are you most likely to use?*



*\*\*\*Others included, Business Associations (IJO), Conferences Seminars, Corporate Office, Elders, Trade magazines, Women's groups, YouTube videos*

Figure 12: *Identify which of the following you are currently a member of,*



*\*\*\*Others include; BBB - Better Business Bureau, CFIB-Canadian Federation of Independent Business, Chefs association, Cultural organizations, First Nations Band, Member of 4 Unions, NEDC - Nuuchahnulth Economic Development Corporation, Networking within the industry, Online business networking group for similar retailers, Rotary and Theatre group board*

### **Research Question Three**

The third research question that answered through this study was: “What factors affect business owners when they seek financing or business-related service?” Following are the findings for the web survey questions corresponding to this research question,

**Survey Question 5 asked, “How significant are the following factors in determining where you go (or in future would go) for business support or advisory services?”** Confidentiality, value and usefulness of information provided, and industry or business specific knowledge and experience were identified by the participants as “very important” the most often when choosing business related support and advisory services. Availability and accessibility, testament and referrals of others, as well as individual’s own relationship or experience with the advisory organization were considered “very important”. Educational credentials had the highest number of respondents consider it “somewhat unimportant” (see Figure 13).

**Survey Question 6 asked, “How important would additional information, training and/or support be for you and your business?”** Finance, sales and marketing, planning and operations, management, human resources and others were the broad categories that the majority of participants reported as reasons for seeking business related support. Under finance, 41.1% and 39.8%, respectively, identified bookkeeping and managing cash flow as “very important” reasons (see Figure 14).

Under sales and marketing, 50.8% and 41.3% chose attracting new customers, and customer service and selling skills as “very important” (see Figure 15).

When it came to planning and operations, 49.2%, 46.7% and 46.3% identified increase/maintain profits, and control/maintain costs and increase/maintain sales as the top three reasons for seeking support (see Figure 16).

In management category, 52%, 42.3% and 41.9% listed communication, time management and leadership skills as “very important” (see Figure 17).

In human resources, 41% and 33.6% were interested in receiving assistance in order to manage their staff training/quality of staff and performance better, respectively (see Figure 18).

Lastly, more than a majority identified computer and technology skills and long term planning for business succession as other reasons to seek advisory services (see Figure 19).

Figure 13: *How significant are the following factors in determining where you go (or in future would go) for business support or advisory services?*

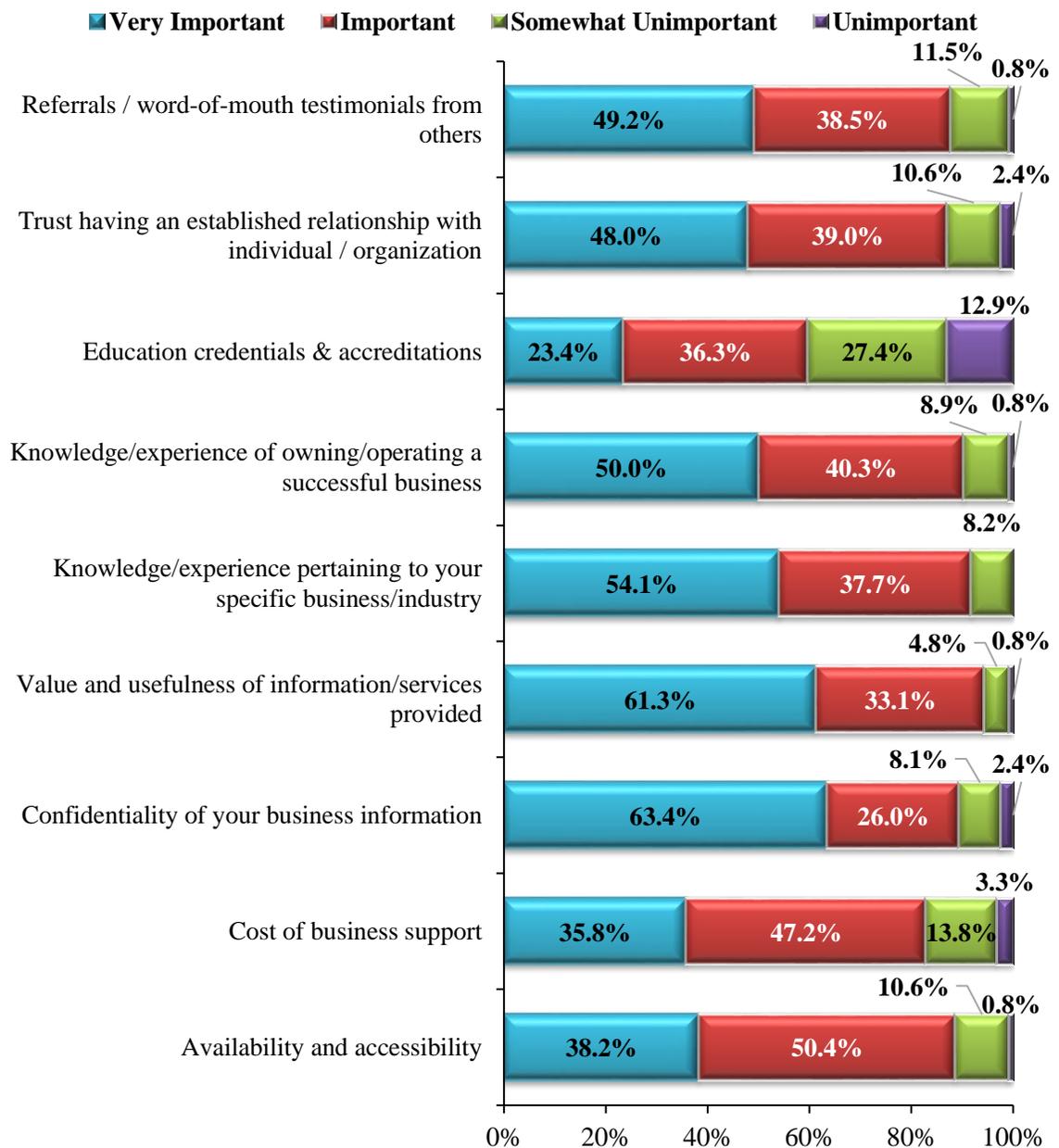


Figure 14: *How important would additional information, training and/or support be for you and your business? - Finance (Overall)*

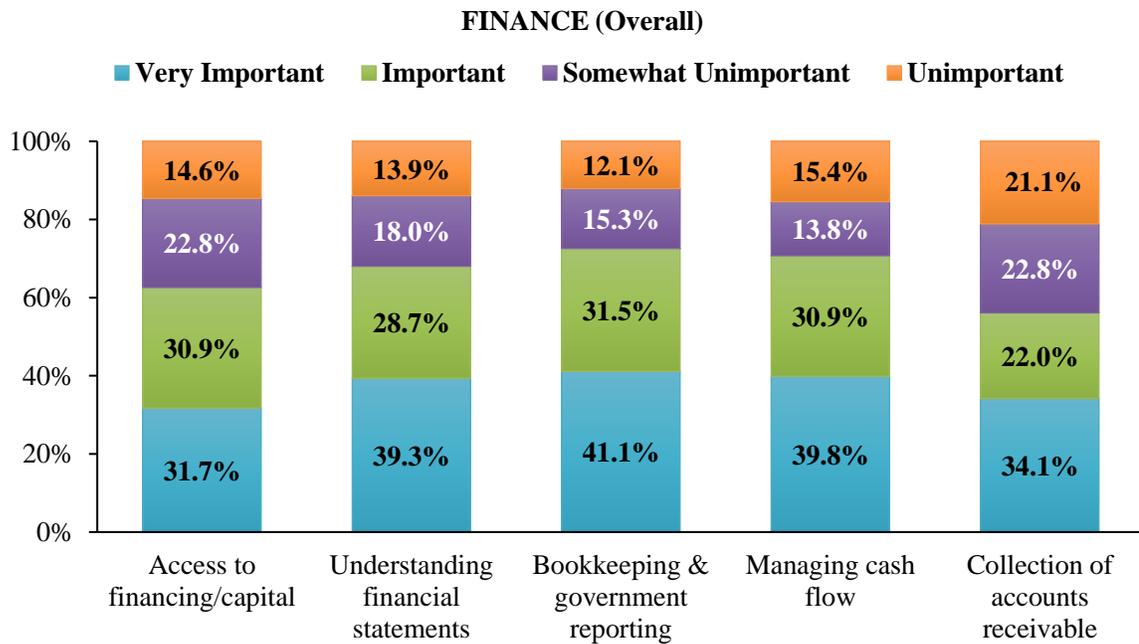


Figure 15: *How important would additional information, training and/or support be for you and your business? - Sales and Marketing (Overall)*

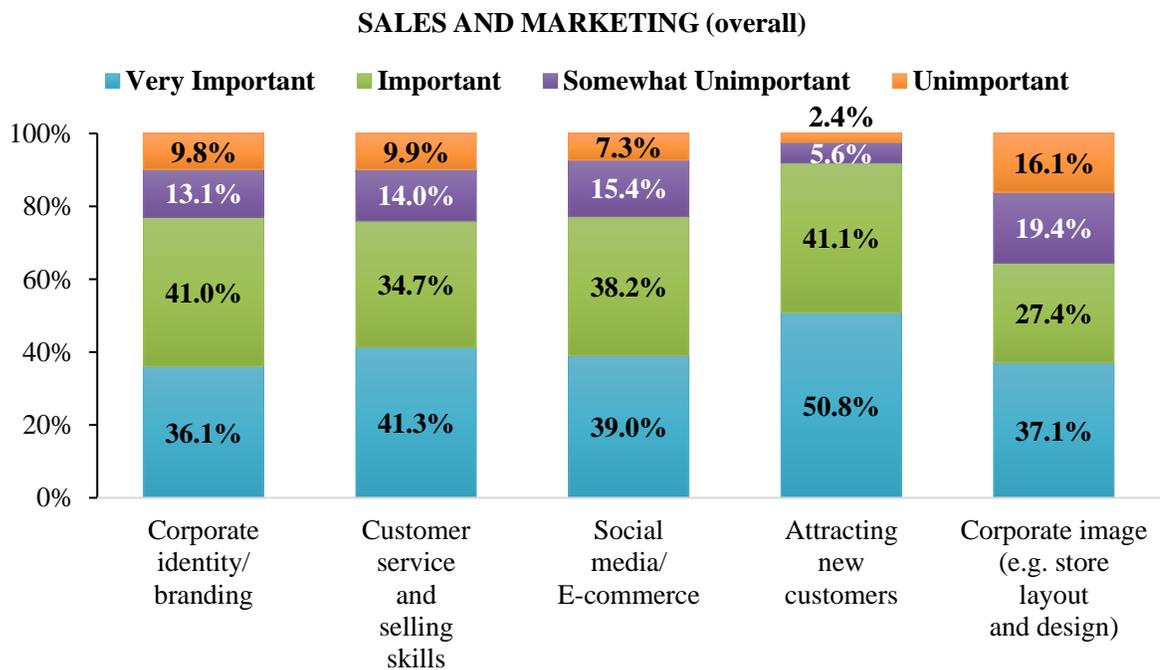


Figure 16: *How important would additional information, training and/or support be for you and your business? - Planning and Operations (Overall)*

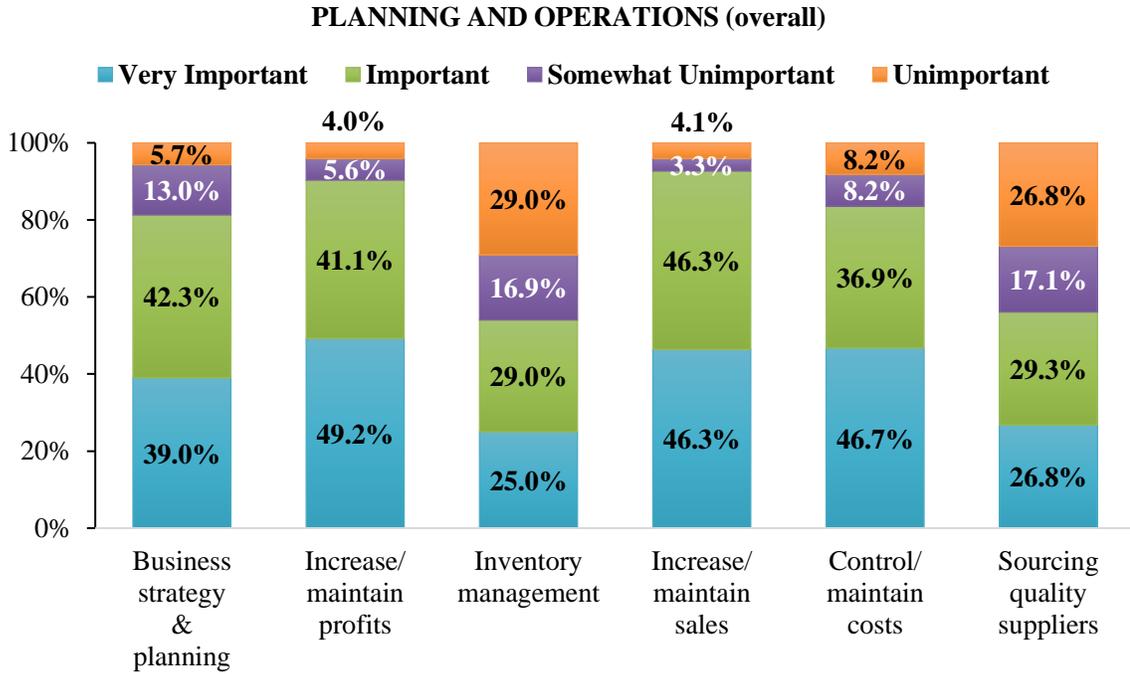


Figure 17: *How important would additional information, training and/or support be for you and your business? - Management (Overall)*

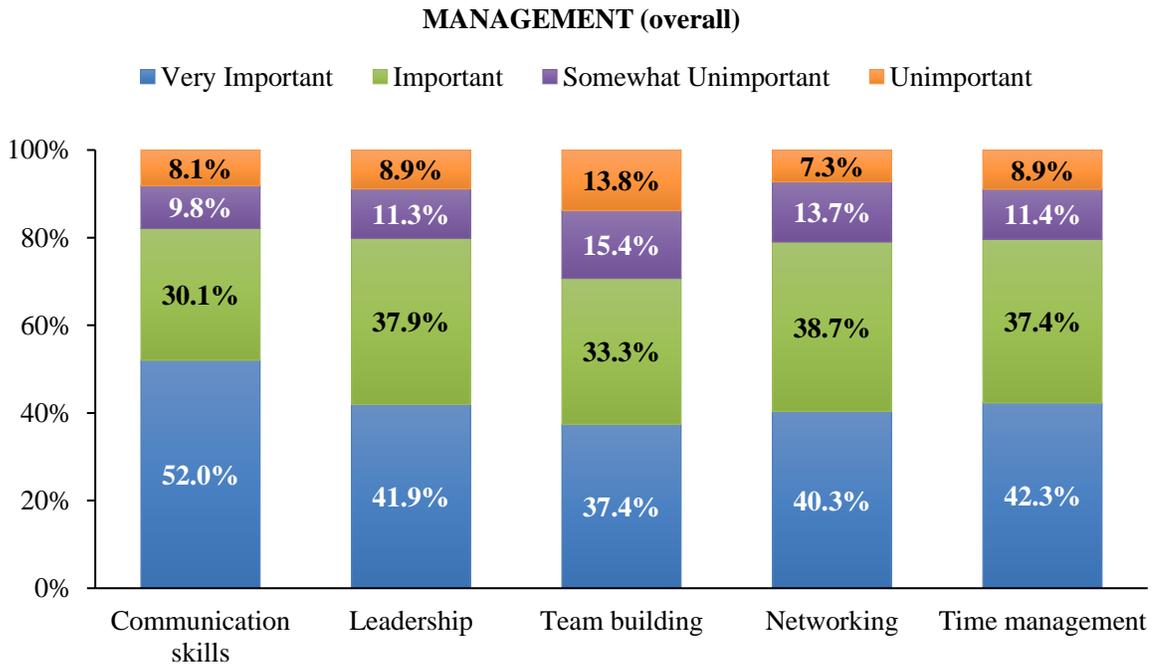


Figure 18: *How important would additional information, training and/or support be for you and your business? - Human Resources(Overall)*

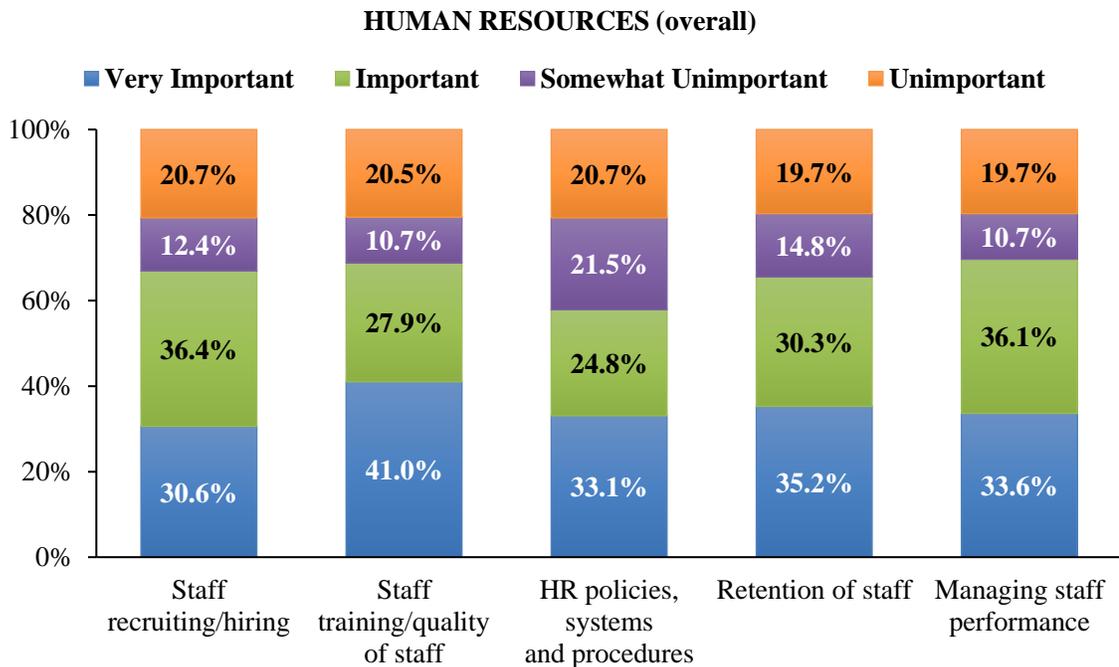
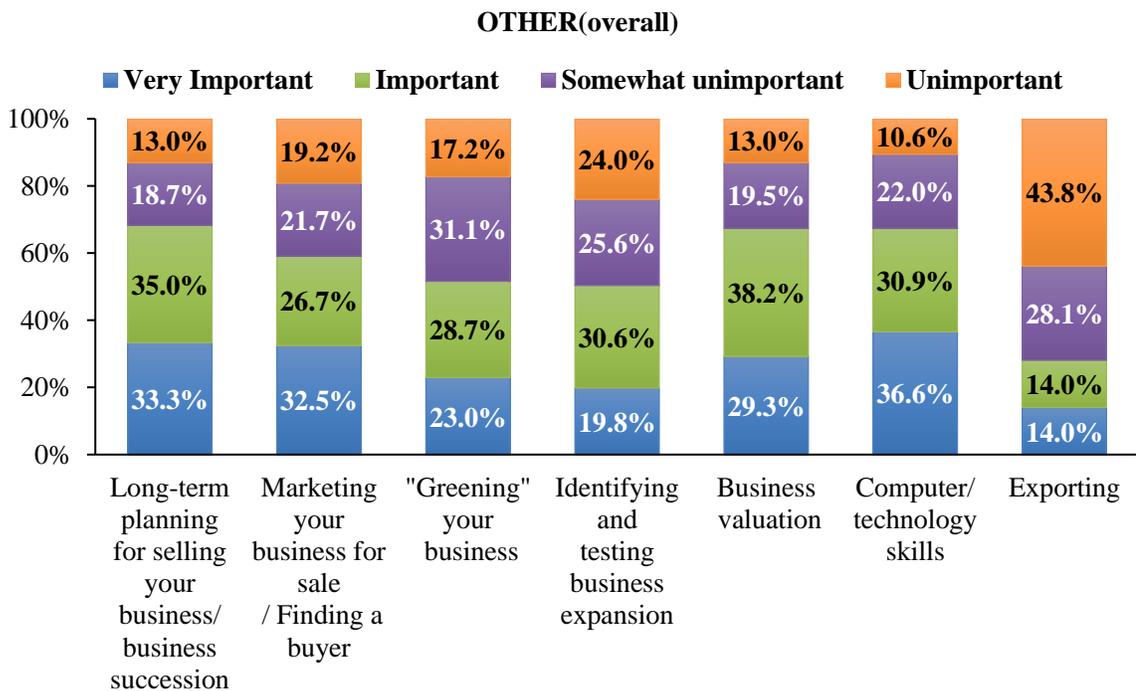
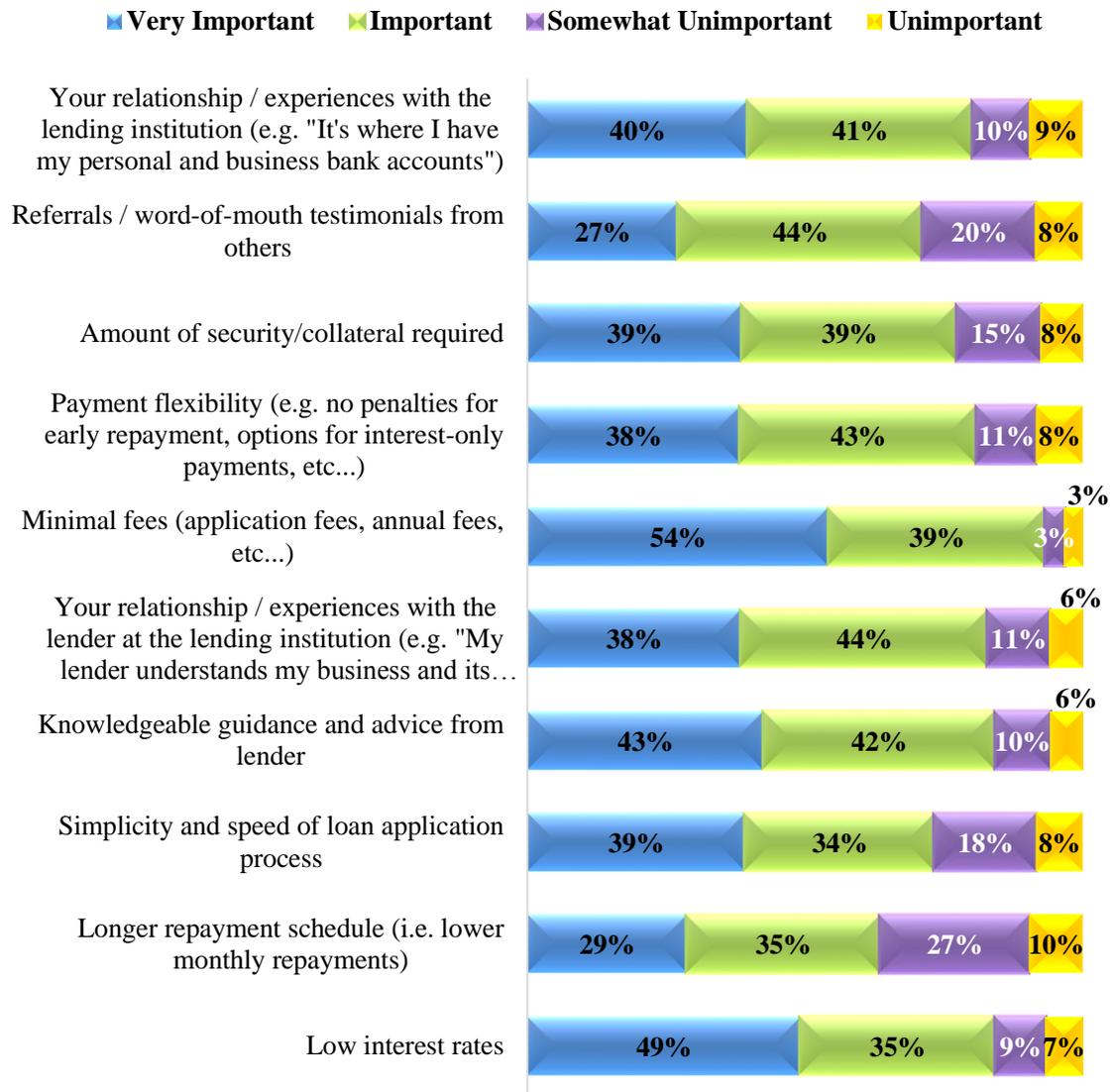


Figure 19: *How important would additional information, training and/or support be for you and your business? - Other(Overall)*



**Survey Question 10** asked, “**How important are the following factors in determining the financial institution you would choose to / or are currently using for a business loan/line of credit?**” When it came to choosing a financial institution, the amount of fees associated with business loans (such as; annual and application fees), percentage of interest rate charged, knowledge and expertise of the lender, and personal experience with the lending institution were considered “very important”. Referrals, simplicity and speed of application and amount of collateral required were more likely to be listed as “important” (see Figure 20).

Figure 20: *How important are the following factors in determining the financial institution you would choose / or are currently using for a business loan/line of credit?*



#### Research Question Four

The fourth research question that answered through this study was: “The awareness and perception of Community Futures?” Following are the findings for the web survey questions corresponding to this research question,

**Survey Question 13 and 14 asked, “How familiar are you with the organization, community futures?” and “Which of Community Futures services have you heard of, participated in, or could use in the future?”** In total, 9.7% of

## Master of Sustainability Leisure Management

respondents had used Community Futures' services on a regular basis, while 16.1% of them had used the company's services only occasionally.

A further 59.7% of them had heard of the business but never solicited their services, while 14.5% had never even heard of the company (see Figure 21).

Not surprisingly, given these numbers, a majority of participants were unfamiliar with Community Futures' business lending program, associated fees, interest rate and length of repayment schedules (see Figure 22).

Figure 21: *How familiar are you with the organization, Community Futures?*

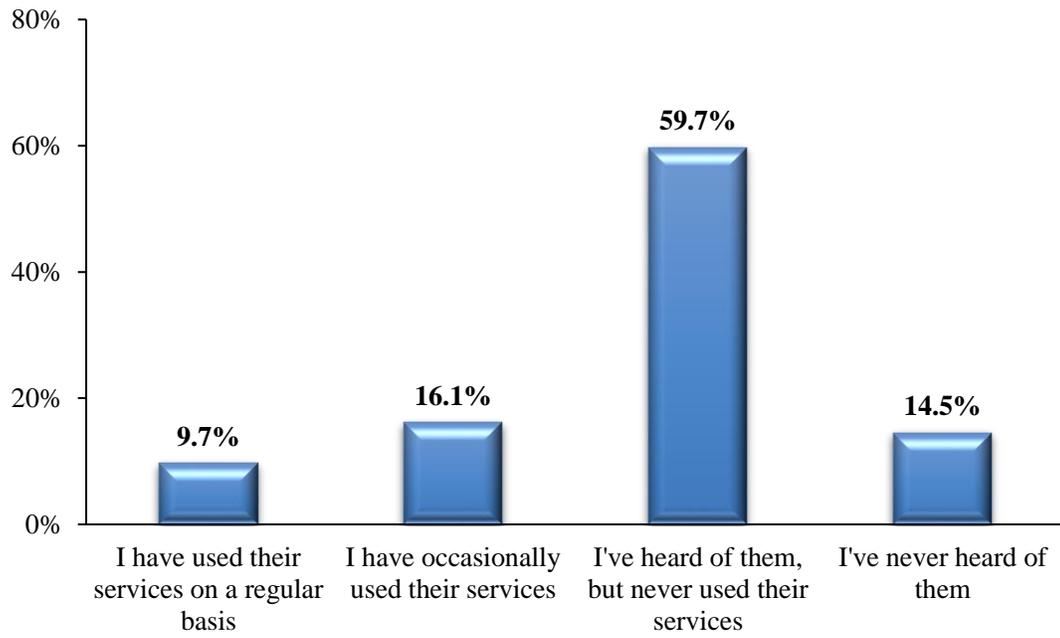
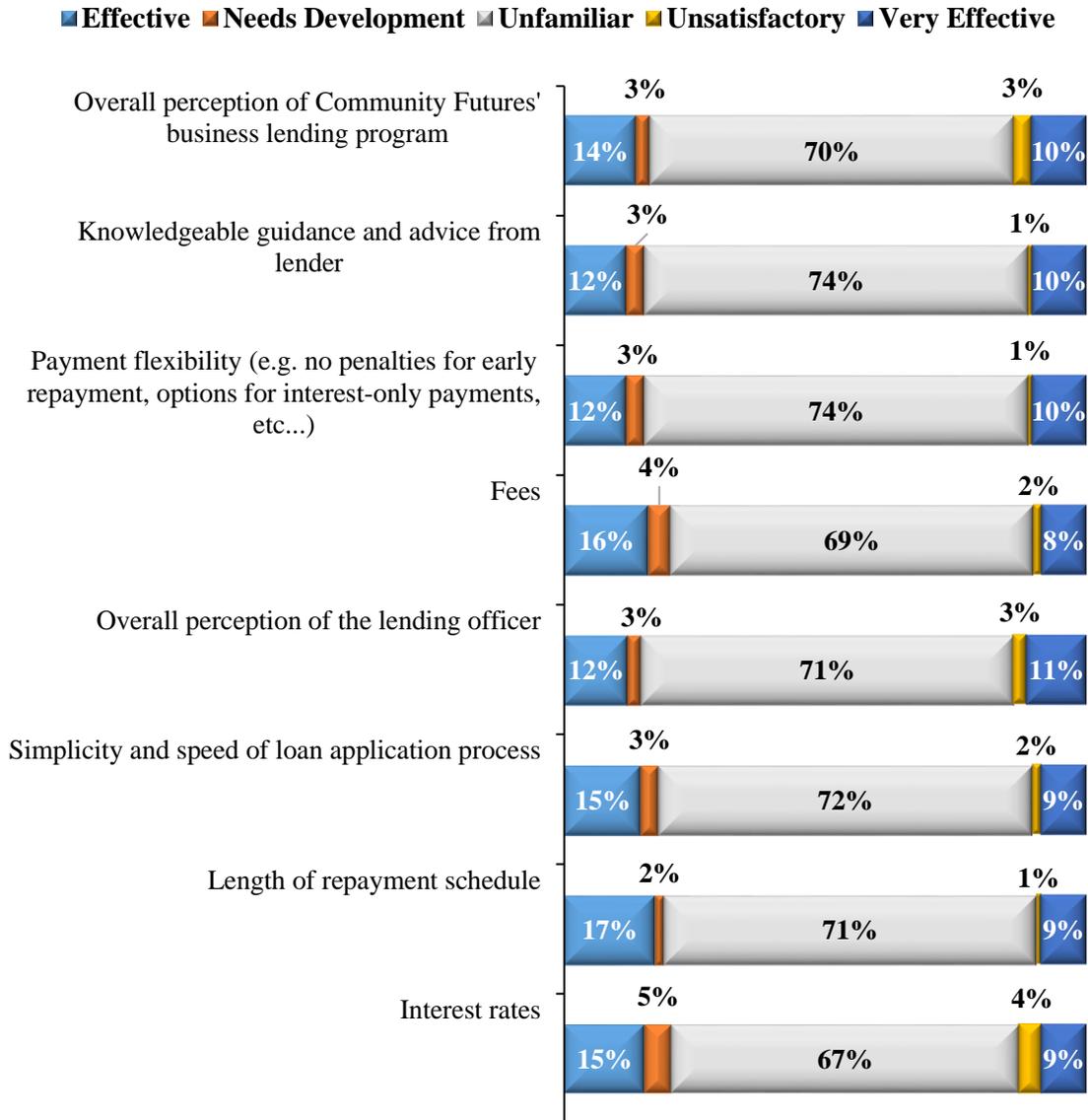


Figure 22: *To the best of your knowledge, what are your perceptions of Community Futures' business lending program?*



**Survey Question 15** asked, “**To the best of your knowledge, what are your perceptions of Community Futures' business lending program?**” In total, 32% of respondents had visited Community Futures website while another 32% had heard of their services. 32% were receiving their newsletter.

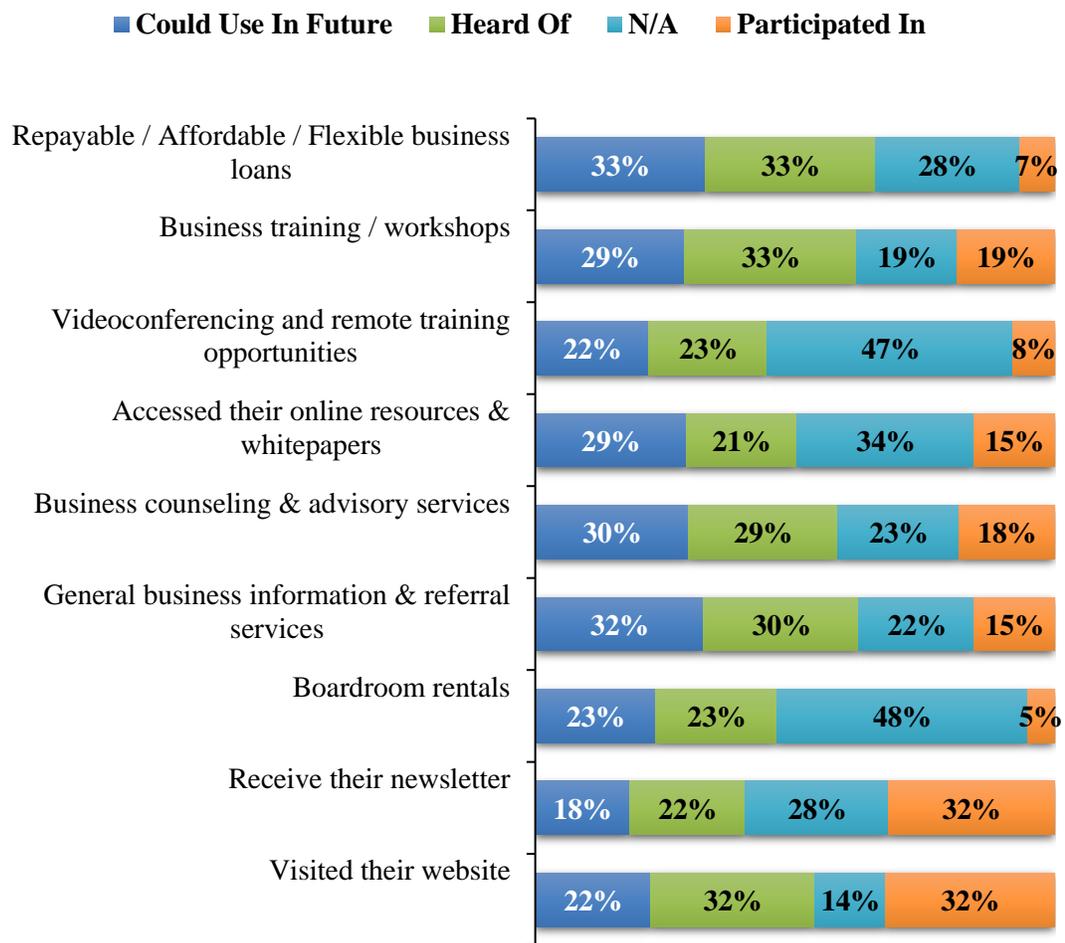
In total, 48% never used the company’s boardroom rentals. 32% and 30% believed they would use the company’s general business information/referral services and

business counseling/advisory services respectively, in the future. 34% had never accessed the company’s online resources.

Only 8% had used the company’s remote training opportunities while 29% believed they would use the company’s business training workshop in the future.

Lastly, 33% believed they would use the company’s affordable business loans in the future (see Figure 23).

Figure 23: *Community Future offers the following services. Which of their services have you heard of, participated in, or could use in the future?*



**Survey Question 20** asked, “**Would you like to receive information about Community Futures services and upcoming event?**” In total, 57% of the respondents showed no interest in receiving services or information about the company’s upcoming events.

### **Result Summary**

The purpose of this chapter is to describe the findings that emerged from this study. The participants in this study included businesses and residents from Ladysmith, Nanaimo, Parksville, Qualicum Beach, Gabriola and Bowser who were either (a) new potential business owners, or (b) current SME owners/entrepreneurs. A survey was designed based on a previous research study on SMEs conducted by Community Futures North Cariboo (see Appendix B) and (a) was distributed to 1377 SME owners listed with CFCI, (b) published on CFCI social media websites, such as the CFCI home website, Linked In, Facebook and Twitter, (c) published on Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and (d) sent to businesses associated with CFCI (these being the Downtown Nanaimo Business Improvement Association, the Mayor’s offices, Townsquared, and the Nanaimo Economic Development Corporation).

In total, 174 responses were received and 74% of the study’s sample population owned or operated a personal business at the time of this research.

The main categories the participants’ reasons for seeking business related services fell into were: Start-up/Working/Expansion Capital (18.3%), Staff-Qualified & Experienced/Training/Hiring (17.1%), New Business/Clients (12.2%), Finding Additional Time (9.8%) and Marketing Help & Self Exposure (6.1%). In total, 82.1% of participants listed the Internet as their number one source for finding support, while financial institutions, accountants, friends and family were among the most sought after advisory agents with a respective 26.2%, 33.6% and 39.3% respondents seeking their support on a monthly basis or more. Among the least solicited resources, with many admitting to never seeking the advisory help of these agents were: Service B.C. and

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Access Center (32.2% never solicited), Community Futures (34.2%), City Hall's economic development department (37.5%) and paid media (32%).

Confidentiality, value and usefulness of information provided, and industry or business specific knowledge and experience were identified by the participants as "very important". When it came to choosing a financial institution, the amount of fees associated with business loans, knowledge and expertise of the lender, and personal experience with the lending institution were considered "very important".

In total, 9.7% of respondents had used Community Futures' services on a regular basis, while 16.1% of them had used the company's services only occasionally. A further 59.7% of them had heard of the business but never solicited their services, while 14.5% had never actually heard of the company. Not surprisingly, given these numbers, a majority of participants were unfamiliar with Community Futures' business lending program, associated fees, interest rate and length of repayment schedules. In total, 57% of the respondents showed no interest in receiving services or information about the company's upcoming events.

## CHAPTER V

### Discussion

#### Research Purpose and Major Findings

The main objective of this research study was to identify the type of services required by small and medium-sized enterprises (SMEs) to expand and improve their product offerings. Furthermore, the study attempted to identify barriers preventing SMEs from accessing business information and financing from Community Futures Central Vancouver Island (CFCI). The following four questions brought focus to the scope of the study.

1. What business services do owners require for their businesses?
2. Where are business owners currently going for business service(s)?
3. What factors affect business owners when they seek financing or business-related service?
4. What is the awareness and perception of SMEs owners of the services offered by CFCI?

After careful analysis of the collected data, it was concluded that start-up/working/expansion capital, qualified & experienced staff, new business/clients, finding additional time and marketing help were the pressing needs of business owners. In addition, it was concluded that unfamiliarity with Community Futures lending programs was the main barrier preventing SMEs from accessing business information and services offered by the company.

#### Importance of the Results

The results of this research confirms the findings of previous studies while revealing other relevant and valuable information.

The results shed light on specific areas, such as financing, where SMEs owners need additional support to overcome obstacles. In total, 90% of all the businesses in the world are small or medium size enterprises (Kartiwi & MacGregor, 2007), and the sheer scope of their individual and collective impact on the economy of a region should be to attract the attention of policy makers to focus their efforts on the development of

strategies that cater to the specific needs of entrepreneurs. The results should encourage further and perhaps larger scale research as well as helping policy makers improve their regional, provincial and federal strategies to provide business owners with the support and expertise they require to thrive.

### **Results and the Literature Review**

The major results of this study were consistent with conclusions reached and suggestions made by previous studies that were discussed earlier. For example, the research participants chose Internet as their first choice for researching information and learning about new business practices, products and services. Calcagnini and Favaretto (2011) had found a similar result, where SMEs used advancement in technology to seek out new methods of merchandise distinction and value contribution.

Another conclusion, reached by Helms in 2003, was that financing hurdles posed the biggest challenge to would-be entrepreneurs. This was also confirmed by the results of this study. Start-up and working capital was identified by respondents as one of their most pressing sources of concern.

Yiu et al (2013) indicated that firms need financial capital to operate, and the absence of such resources may have key implications for business operations and the possibilities for failure. The study results strongly confirm the results of their study. The respondents indicated that start-up capital and working capital were the main problems that they faced in regards to financial resources. Most respondents also revealed that they sought information on the sources of start-up and working capital. A similar study by Allen and Hall (2009) indicated that entrepreneurs need start-up capital to commence their businesses, carry out market research and expand the products and services of the business. The study participants indicated that start-up capital was one of the major problems they faced and hence confirming Allen and Hall's study.

Furthermore, Fornoni et al's 2012 study demonstrated that entrepreneurs form a network of contacts including their family members, places of employment, affiliated organizations, friends, and educational institutions. The sample population of this study also identified themselves as members of Professional Associations and listed their family and friends as one of the main agents of support and advisory services.

Similarly, McDaniel and Richison, (2010) suggested that entrepreneurs could benefit from local community resources such as Chambers of Commerce for workshops and classes. This study's participants identified themselves as members of the Chamber of Commerce though, despite their membership, 19% had never used its services.

Lastly, Jonsson and Lindbergh (2013) argued that not only do entrepreneurs seek out banks for funding but also as sources of information on how to manage their finances. This finding was also confirmed in this study; participants listed the knowledge and expertise of the lender as an important factor in choosing a financial institution.

Slavec and Prodan (2012) found out that the strength of an entrepreneur's social links is a significant factor in financing choice. The bigger the strong-tie network, the less the need for seeking finances to offset debts as the strong ties the entrepreneur has will enable him or her to assemble the necessary financial resources. A majority of the respondents indicated that they have strong social ties with family members, financial institutions, accountants and friends whom they play an important role in supplementing the start-up and working capital of their business. This is in line with Slavec and Prodan's research on social ties and financial assistance.

This also confirms that most entrepreneurs are most comfortable in utilizing bootstrapping and venture capitalism approaches to funding rather than utilize the conventional means of acquiring funds such as banks and other lending institutions. Tomory (2011) argued that many start-up companies face a number of problems when endeavouring to secure financing from external sources such as banks and other financial lenders. As a result, they rely on other sources of finances by employing bootstrapping. The results of the study show that the respondents rarely utilized the financial institutions such as Community Futures but kept a strong network of friends, family and accountants among others. As such, they leveraged on the special relationships they had with these individuals to secure finances. Similarly, Daskalakis, et.al, (2013) found out that even though many businesses have forged strategic relationships with banks that have allowed their enterprises to access both short- and long-term debt, others do not have such a relationship and are incapable of accessing financial assistance of any kind from banks and other financial institutions. It is evident that most of the respondents preferred crowd

funding, bootstrapping and venture capitalism for starting and working capital to borrowing from banks and other financial institutions offering this type of aid.

Additionally, a majority of the respondents revealed that they did not utilize the services of the financial institutions such as Service B.C, Access Center, Community Futures, City Hall's Economic Development Department and Paid media. Upon further questioning, a majority of the respondents revealed that they were not interested in utilizing the services of Community Futures. A possible explanation towards this scenario is the fact that many of these institutions tend to be bureaucratic and have not developed relationships with these businesses (Daskalakis, et.al, 2013). This could also be as a result of confidentiality issues of the respondents, their concerns on the level of usefulness of these institutions, limited knowledge of these institutions and their experiences with these institutions.

A majority of the respondents indicated that they relied on financial institutions, accountants, friends and family as informational and financial advisory agents. It is evident that the respondents have a wide social network on which they rely for both information and financial assistance. This confirms the research of Semrau and Werner (2013) who found out that a strong network of contacts is needed to open up access to attractive resources, informational and financial. Sullivan & Marvel, (2011) also found out that obtaining necessary resources is a big challenge for entrepreneurs and thus an entrepreneur's network becomes his main source for identifying and obtaining necessary resources.

The respondent's indication that they keep a strong network of family, friends, accountants, financial institutions and business professionals is also in line with past research by Aldrich and Yang (2014) who indicated that business owner's associates or linkages are vital to whether he or she will have access to information and resources appertaining to the running of the enterprise. Aldrich and Yang (2014) in their study found out that networks create avenues by which an entrepreneur can utilize to enhance his efforts in the acquisition of resources. By keeping a strong network of friends, family and business professionals, the study results appear to confirm the main premise of the study by Aldrich and Yang (2014). The study also confirms the study of Anis and

Mohamed (2012) that indicated the linkage assures the entrepreneurs a good amount of needed support and also allows them to stand up to the difficulties they face.

Communities can offer incentives and other services, which will boost the development of small business development, such as financial resources and business coaching and mentoring services (McDaniel & Richison, 2010). An entrepreneur's network connection is the major way by which he or she gains access to enterprise-related information and resources. Fornoni et al (2012) claimed that social resources play an important role in bolstering success by supporting the position and appearance of power of an entrepreneur. Social links are important resources because they enable commercial activity, let business people to be better organized, help them access commercial opportunities, and advance innovation. The results also confirm the research of Fornoni et al. (2012) who identified several benefits of social networks such as the enhancement of an entrepreneurial attitude and facilitation of the launch of the company.

In addition to financing, attracting new clients were identified as the most pressing needs of respondents. This was a rather new result that was not directly reached or discussed in previous studies. One possible explanation for this result is Canada's current economic situation and the recent state of world financial affairs. Recently, the International Monetary Fund cut Canada's 2016 economic forecast, casting a pessimistic shadow on it. The institution also adjusted its forecast for the world's gross domestic product (Parkinson, 2015). Added to the sluggish recovery, Canada's continuous currency devaluation against the American dollar has caused an increase in consumer prices, especially food (Cross, 2014). Moreover, the oil price crash, reaching its lowest level in seven years, has added more strain to an already weak economy (Jones, 2015). Combined, these factors have perhaps increased the economic uncertainty most Canadians have been experiencing, forcing them to scale back on unnecessary spending. This impact is clearly felt by SMEs, highlighted by their struggle to increase traffic and attract more consumers.

The study also highlighted that hiring qualified and experienced staff, and training them was one of the pressing needs of the SMEs. According to Mazanai and Fatoki (2011), business development organizations (BDOs) are public and private organizations that help in improving the performance of SMEs by offering an array of business services

such as training, consultancy, marketing, information, and technology development and transfer that are both strategic and operational in nature. Despite having an understanding of the company's business-related programs and services, the participants' displayed lack of interest in receiving information about Community Futures upcoming events. A possible explanation for this outcome is that most of the respondents belonged to the age group of 51 and above and had been in business for more than five years. They may have been under the impression that these services and workshops are geared more towards a younger generation of new entrepreneurs and as such they may find it unhelpful to accept additional information.

As Amha and Ageba (2006) suggested the design of BDO service offerings should be customized to the demands of SME operators. It is possible that in the case of Community Futures, there is a mismatch between their services and the real needs of the business owners within the community. This explanation can equally be extended to explain the statistics provided earlier for the Chamber of Commerce in which, out of 42.3% of those identifying themselves as members, 19% had never in fact used the services offered by the organization.

### **Study's Limitations**

The sample population lacked a regulatory tool to check the reliability of data, and the instrument used to collect data imposed limitations to this study. Only 174 respondents participated in the survey and out of 174, there were 123 responses received from 1377 SME owners listed with CFCI, which is approximately an 8.9%, response rate. The remaining respondents were from the other sample sources such as the CFCI social media websites, Gabriola, Nanaimo, Ladysmith, Parksville and Qualicum Beach Chambers Newslines, and businesses associated with CFCI (Downtown Nanaimo Business Improvement Association, the Mayor's offices, Townsquared, Nanaimo Economic Development Corporation) with whom the survey link was shared. This finding may have been because the survey questionnaire was web based and not every individual that was contacted had timely access to the Internet. As well, another limitation involved that only 51 participants responded to the surveys that were shared through other sources. When this study was conducted by CFNC at Quesnel in 2011, the

survey was sent by both email and fax to 350 local business owners and had received 72 responses, which is approximately 21% response rate.

### **Response Rate**

Nulty (2008), states that whether a response rate is adequate or not depends on the purpose for which the responses are being collected. If the purpose of conducting the web survey questionnaire is to bring about improvements, and there is even one response which provides information that can help in bringing changes and improvements, then the purpose of conducting the survey has been achieved and the response rate is technically irrelevant.

Keusch (2012) mentioned that with an increase in the popularity of online surveys, the response rates are reducing and are reflecting a decrease in the participant's willingness to respond to the web surveys. The questionnaire required 3-15 minutes for completion and that might have discouraged some. The respondents may refuse to participate in surveys because of time constraints and rather would like to spend time completing other important tasks.

### **Proposed method design**

In order to improve the survey responses while conducting similar research in future, the focus should be on Questionnaire design and an attempt made to reduce the length of the survey. In addition to the Questionnaire design, mixed survey modes should be used such as; mail with return envelope, fax, telephone, email and web. The traditional methods such as; fax and mail, have better response rate as compared to web based surveys. The mixed-method design may also be the most cost effective approach to increase the survey responses (VanGeest, Johnson & Welch, 2007).

VanGeest et al (2007) suggests that surveys should have monetary incentives which help in increasing participation. Both CFNC and CFCI used monetary incentives such as; \$5 Tim Horton gift card and and lucky draw to Win \$100 prepaid Visa card for higher responses, which should be used in future studies as well.

Moreover, the frequent reminders should be sent to the non-respondents as helps in increasing participation. The impact of frequent reminders was evident in this study as

it was observed that the responses were higher on the days when the reminders were sent, such as February 1, 2016 and February 12, 2016 (see Appendix G) (Nulty, 2008).

Furthermore, the sample perhaps lacked diversity as it only covered business owners of six major cities: Nanaimo, Parksville, Ladysmith, Qualicum Beach, Gabriola and Bowser.

## CHAPTER VI

### Conclusion

The objective of this research paper was to identify type of services required by SMEs and the barriers preventing them from accessing services offered by Community Futures Central Vancouver Island. There is need for financial and information supports but many Small and Medium-sized Enterprises are not aware that such systems could facilitate a positive trend in their information seeking and demand for finance habits. The personal attitude towards these money lending and information sourced institutions, to a greater extent, affect the business decision to take up loans, ask for capital and seek information that would improve their business progress (Álvarez et al, 2014).

The mode of seeking information was through the Internet and it was prompted by the accuracy and updated information that exists on the web. The current market trends and availability of services that support business operations also exist on the Internet. The biggest challenge for all Small and Medium sized Enterprises is the financial constraints. This discourages potential entrepreneurs from undertaking a business venture. They do not view banks and other financial institutions as information centers but as money lenders who have very high and discouraging rates of interest.

One of the most attractive needs of business owners was the luring of new clients to the business to increase the market target. Economic uncertainty of the government institutions further discourages financial security of conducting business operations.

Lack of familiarity with programs was the main barrier to SMEs utilizing CFCI counselling and coaching services, and financing (such as loans and low interest rate) was the major concern of SMEs. However, it is also possible that the services offered by the company were not catering to the needs of the business owners and as a result of this mismatch, their counselling and financial programs were not used as much as expected. Other important barriers included, start-up/working/expansion capital, qualified & experienced staff, new business/clients, finding additional time and marketing help.

SMEs make up over 99% of the 1.1 million employers in Canada (Branch, Seens, & Song, 2015). Their significant economic contribution is undeniable and should not

only be noted by policy makers, but also supported at regional, provincial and national levels. This is especially of importance when the country is dealing with a grim economic outlook such as the one currently being experienced in Canada.

### **Suggestion for Future Research**

In order to improve SMEs access to CFCI business information and financing and for future research. It is suggested that future research should attempt to include,

- 1) A larger and more diverse sample population in order to reduce bias. It would have been beneficial to include other cities and towns in Canada, which could have helped in drawing a comparison between different areas governed by different community futures branches. A larger population could result in findings different than those revealed in this study, which could have helped in learning best practices from different community futures branches.
- 2) If applicable, more than one research instrument should be utilized for collection of data to increase reliability and accuracy of the outcome.
- 3) If a questionnaire is used, attention must be given to its length and clarity to increase incentive for participation by reducing the complexity of the questions and the time required for completion.
- 4) Two interesting findings of this paper were that majority of participants showed no interest in receiving information about Community Future services and upcoming events. Similarly, while 42.3% of this paper's participants identified themselves as member of the Chamber of Commerce, only 16% used the organization's services on a monthly basis and 19% never sought their assistance. Exploring the underlying roots of such responses was beyond the scope of this study but is of interest and can be used as a future research question to increase the contribution of these organizations to their community.
- 5) It will be interesting to track changes over time in people's attitudes, opinions and behaviors. This study can be repeated after stipulated time frame, especially when there is change in Canada's economic situation to see if there are any changes in the findings.

- 6) This study employed basic descriptive statistics analyses for the purposes of generating information requested by the CFCI, the use of more advanced statistical analyses is recommended given that it would provide further insightful information (e.g., employing analyses that differentiate the preferences of older versus younger business owners etc.) for CFCI and other related organizations.

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## Appendix A

### Self-Employment Survey - Community Futures Central Vancouver Island 2016

**The estimated time to complete this survey is 3-15 minutes or less.**

For the purpose of this survey, the definition of 'Self-Employment' shall be 1) A situation in which an individual draws personal income from their business operations and works for himself or herself instead of working for an employer, or 2) is an active working shareholder in a corporation and is compensated for their work either by a salary or dividends. A self-employed individual earns income by exercising their profession or business or an operation from a trade or business (Parker, 2004).

For the purpose of this survey 'businesses' can be defined as trade, practice, proprietorship, partnership or corporation.

We wish to ascertain the answers to the following questions,

1. What business services do owners require for their businesses?
2. Where are business owners currently going for business service(s)?
3. What factors affect business owners when they seek financing or business-related service?
4. What is the awareness and perceptions of Community Futures?

#### **Instructions:**

*If you need to interrupt the survey, simply exit the site. Re-enter by clicking again on the above link and*

*you will return to the same point on the survey automatically.*

*At this time, Online Survey does not have a feature to add a Back button into your survey. Please do not press 'continue' button unless you have answered all questions as you cannot navigate backwards to edit previous answers.*

**Survey Questions:**

Qus 1) Do you currently own/operate your own business?

- Yes (GO TO QUESTION 4)
- No (GO TO QUESTION 2)

Qus 2) Have you previously operated your own business?

- Yes (GO TO QUESTION 4)
- No (GO TO QUESTION 3)

Qus 3) Have you considered operating your own business?

- Yes (GO TO QUESTION 5)
- No (GO TO QUESTION 12)

Qus 4) How long have you (or did you) operate your business?

- less than one year
- 1 to 3 years
- 3 to 5 years
- 5 to 10 years
- 10 to 20 years
- More than 20 years

Qus 5) How significant are the following factors in determining where you go (or in future would go) for business support or advisory services?

Factors	Unimportant	Somewhat Unimportant	Important	Very Important
Cost of business support				
Availability and accessibility				
Confidentiality of your business information				
Value and usefulness of information/services provided				
Knowledge/experience pertaining to your specific business/industry				
Knowledge/experience of owning/operating a successful business				
Education credentials & accreditations				
Trust - having an established relationship with individual/organization				
Referrals/word-of-mouth testimonials from others				

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Qus 6) How important would additional information, training and/or support be for you and your business?

Issues/Challenges	Unimportant	Somewhat Unimportant	Important	Very Important
<b>FINANCE (overall)</b>				
Access to financing/capital				
Managing cash flow				
Understanding financial statements				
Collection of accounts receivable				
Bookkeeping & government reporting				
<b>SALES AND MARKETING (overall)</b>				
Corporate identity/branding				
Attracting new customers				
Customer service and selling skills				
Corporate image (e.g. store layout and design)				
Social media/E-commerce				
<b>PLANNING AND OPERATIONS (overall)</b>				
Business strategy and planning				
Increasing/maintaining sales				
Increasing/maintaining profits				
Controlling/maintaining costs				
Inventory management				
Sourcing quality suppliers				
<b>MANAGEMENT (overall)</b>				
Communication skills				
Networking				
Leadership				
Time management				
Team building				
<b>HUMAN RESOURCES (overall)</b>				
Staff recruiting/hiring				
Retention of staff				
Staff training/quality of staff				
Managing staff performance				

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HR policies, systems and procedures				
<b>OTHER(overall)</b>				
Long-term planning for selling your business/business succession				
Business valuation				
Marketing your business for sale / Finding a buyer				
Computer/technology skills				
"Greening" your business				
Exporting				
Identifying and testing business expansion				

Qus 7) To what extent do you or would you make use of the following services for business support & advisory services?

<b>Organization</b>	<b>Never</b>	<b>Once every few years</b>	<b>1-2 times per year</b>	<b>Several times per year</b>	<b>Monthly or more</b>
Chamber of Commerce					
Community Futures					
Business Improvement					
Small Business BC					
Service Canada					
Service B.C./Small business B.C./Access centre					
City Hall/Economic Development Department					
Financial Institutions					
Lawyer(s)					
Accountant(s)					
Bookkeeper(s)					
Paid Media (e.g. radio or newspaper staff)					
Marketing Consultants (e.g. web designers, social media consultants, etc...)					
Friends/Family					
Other business owners					
Other agencies (please specify)					

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Qus 8) When researching for information, new business practices, products and or services which of the following self-help or self-improvement methods are you most likely to use? (Select your top three)

- Books, eBooks, webinars and tele courses
- Networking, peer support, memberships (rotary, chamber)
- Referrals
- Internet
- Advisors / Professionals
- Coaching (life coaching, success coaching, business coaching, etc.)
- Media (Newspaper, radio, television)
- Other (please specify)

Qus 9) Identify which of the following you are currently a member of:

- Chamber of Commerce
- Downtown Business Improvement Association
- Business Networking Group
- Professional Association
- Other (please specify) \_\_\_\_\_
- None

Qus 10) How important are the following factors in determining the financial institution you would choose to / or are currently using for a business loan/line of credit?

Factor	Unimportant	Somewhat Unimportant	Important	Very Important
Low interest rates				
Minimal fees (application fees, annual fees, etc...)				
Longer repayment schedule (i.e. lower monthly repayments)				
Payment flexibility (e.g. no penalties for early repayment, options for interest-only payments, etc...)				
Simplicity and speed of loan application process				
Amount of security/collateral required				

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Knowledgeable guidance and advice from lender				
Referrals/word-of-mouth testimonials from others				
Your relationship/experiences with the lender at the lending institution (e.g. "My lender understands my business and its financial needs")				
Your relationship/experiences with the lending institution (e.g. "It's where I have my personal and business bank accounts")				

Qus 11) When researching financing option for your business, what words/phrases would you place in a search engine?

Qus 12) What is your most pressing need currently in your business?

Qus 13) How familiar are you with the organization, Community Futures?

- I've never heard of them
- I've heard of them, but never used their services
- I have occasionally used their services
- I have used their services on a regular basis

Qus 14) Community Future offers the following services. Which of their services have you heard of, participated in, or could use in the future?

Services	Heard Of	Participated In	Could Use In Future	N/A
Visited their website				
Receive their newsletter				
Accessed their online resources & whitepapers				
Boardroom rentals				
Videoconferencing and remote training opportunities				
General business information & referral services				
Business training/workshops				
Business counseling & advisory services				
Repayable/affordable/flexible business loans				

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Qus 15) To the best of your knowledge, what are your perceptions of Community Futures' business lending program? Please rate each of the following factors.

Factor	Very Effective	Effective	Needs Development	Unsatisfactory	Unfamiliar
Interest rates					
Fees					
Length of repayment schedule					
Payment flexibility (e.g. no penalties for early repayment, options for interest-only payments, etc...)					
Simplicity and speed of loan application process					
Knowledgeable guidance and advice from lender					
Overall perception of the lending officer					
Overall perception of Community Futures' business lending program					

Qus 16) Gender:

- Male
  Other  
 Female

Qus 17) Age group:

- Under 19
  Between 51 – 65  
 Between 19 – 30
  Over 65  
 Between 31 – 50

Qus 18) Profession and or Industry?

Qus 19) What is your postal code?

Qus 20) Would you like to receive information about Community Futures services and upcoming event?

- No  
 Yes (if yes)

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Print Name:

Email:

**Thank you very much for your participation!**

**Appendix B**

**Business Owners Survey – Community Futures Quesnel 2011**

Summary and Overview:

In May/June of 2011, a Quesnel Business Owners Survey was conducted by CFNC using a free version of Zoomerang ([www.zoomerang.com](http://www.zoomerang.com)). The survey was sent out via email & fax, to approximately 350 local businesses and business owners. 85% of survey respondents came from email, 15% via fax.

We had 72 people/businesses complete the survey (21% conversion rate). Of those 72, respondents, 48 are wanting Community Futures to continue providing them with additional business-related information on a regular basis.

The original intent of the survey was 4-fold:

#	Question asked in Survey	CF
1	What business services are owners wanting for their businesses?	Focus our marketing and training programs around the more important concerns facing local businesses.
2	Where are business owners currently going for business services?	Identify those resources most commonly used and ensure a strong referral network & awareness campaign is in place to facilitate increased client flow
3	What factors affect business owners when they seek financing or business-related service?	Identify marketing positioning strategy based on most important factors.
4	What is the awareness and perceptions of CFNC's services that are offered?	Review and modify products/services offered and underlying policies for CFNC's shortcomings. Amplify and promote CFNC's perceived strengths.

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Upon reviewing the results of survey, the following initiatives have been developed and/or implemented thus far:

- Integration of results into CFNC marketing strategy and plan
- Creation and distribution of information packages for a "warm" sales call, using the contact information provided, along with targeted business information tailored to each business owner's specified interests from question #1.
- Discussions with CFNC management and Board regarding survey results & possible policy changes to facilitate repositioning of CFNC brand.

The survey and its results are below.

Dear Quesnel business owner:

Community Futures is attempting to determine what the **key support needs are in our business community**. The data collected in this survey will help shape what programs and services Community Futures will offer to our business community. This is your chance to be heard. To thank you for completing our survey, we would like to offer you a **complementary \$5.00 Tim Horton's gift card**. Details are at the end of the survey.

The survey consists of 10 questions and will take approximately 5-10 minutes to complete.

Responses are for internal planning purposes and individual responses will be kept confidential. If you have any questions or comments regarding the survey, contact the Business Development Manager, Darryl Atkins, at (250) 992-2322.

Community Futures consists of a network of 269 independent, non-profit organizations across rural Canada. Community Futures North Cariboo is committed to the development of a sustainable and diversified economy in the Quesnel region by providing business development loans, free technical support & business information.

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1. Rate each of the following business issues/challenges based on the following:  
How important would additional information, training and/or support be for you and your business?

Not important

Very important

1	2	3	4	5	N/A
<b>FINANCE (overall)</b>			<b>MANAGEMENT (overall)</b>		
Access to financing/capital			Communication skills		
Managing cash flow			Networking		
Understanding financial statements			Leadership		
Collection of accounts receivable			Team building		
Bookkeeping and government reporting			Time management		
<b>SALES &amp; MARKETING (overall)</b>			<b>HUMAN RESOURCES (overall)</b>		
Corporate identity/branding			Staff recruiting/hiring		
Attracting new customers			Retention of staff		
Customer service and selling skills			Staff training/quality of staff		
Corporate image (e.g. store layout and design, staff u			Managing staff performance		
Social media/E-commerce			HR policies, systems and procedures		
<b>PLANNING AND OPERATIONS (overall)</b>			<b>OTHER (overall)</b>		
Business strategy and planning			Long-term planning for selling your business/business succession		
Increasing/maintaining sales			Business valuation		
Increasing/maintaining profits			Marketing your business for sale / Finding a buyer		
Controlling/maintaining costs			Computer/technology skills		
Inventory management			"Greening" your business		
Sourcing quality suppliers			Exporting		
			Identifying and testing business expansion		

**RESULTS (% = % of respondents who rated item as either a 4 or 5**

**["Important" or "Very Important"])**

Category	Sub-Category	%	Category	Sub-Category	%
Planning	Increasing/maintaining profits	86%	Management	Team building	54%
Planning	Increasing/maintaining sales	78%	Other	Computer/technology skills	54%
Marketing	SALES & MARKETING (overall)	78%	Finance	Understanding financial statements	53%

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Marketing	Attracting new customers	76%	Other	Identifying and testing business expansion	50%
Planning	Controlling/maintaining	71%	Planning	Sourcing quality suppliers	47%
Planning	Business strategy and planning	69%	HR	Staff training/quality of staff	47%
Finance	Bookkeeping and government reporting	67%	HR	Managing staff performance	47%
Management	Communications skills	65%	HR	HUMAN RESOURCES (overall)	46%
Finance	FINANCE (overall)	64%	HR	Staff recruiting/hiring	44%
Finance	Access to financing/capital	64%	HR	HR policies, systems and procedures	44%
Finance	Managing cash flow	61%	Other	Marketing your business for sale / Finding a buyer	44%
Marketing	Customer service and	61%	Finance	Collection of accounts	43%
Management	MANAGEMENT	61%	HR	Retention of staff	43%
Planning	PLANNING AND	61%	Marketing	Corporate identity/branding	42%
Management	Leadership	58%	Other	"Greening" your business	40%
Management	Time management	58%	Marketing	Corporate image (e.g. store	35%
Other	Long-term planning for	58%	Planning	Inventory management	35%
Management	Networking	57%	Other	OTHER (overall)	25%
Other	Business valuation	57%	Other	Exporting	19%
Marketing	Social media/E-commerce	56%			

2. What additional issues or challenges affect you and your business?

### All responses

1	Being a small business has been a struggle. The big businesses in town rule the roost. We are just nothing.
2	Tourism, Logging, Road Improvements
3	Updated building codes made more accessible directly to individual contractors.
4	Constantly expanding overhead costs, and the inability to get my name and services into the eye of the consumer, despite my advertising.

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5	At this point you have very successfully covered all the issues or challenges I can think of. Thank you for including my business in this survey.
6	The local long term economy and the sustainability of Quesnel
7	How to market an "intangible" service to a small town.
8	The rising costs of food and fuel.
9	Getting staff
10	Out of town companies working in area. Companies like Fortis, BC HYDRO, TELUS will bring in out of area people to do the same work we do.???
11	HST --- The additional tax increases what clients pay comparatively -- Also decrease in dollar and increase in gas prices --
12	Safety as an over all
13	Weather
14	Just the usual- competition, stress, lack of time. :)
15	HIGH COST OF TRANSPORTATION I.E SHIPPING. POOR QUALITY SHIPPING SERVICES. LOW QUALITY / COST CHINESE IMPORTS. H.S.T AVAILABILITY OF SPECIALIST MATERIALS. IMPORTING FROM THE U.S INFLATION
16	Trucking is a seasonal business, so finding ways to supplement our income in down times are usually an issue.
17	real-estate sales..:-)
18	Project/time management and training staff to understand and manage the multiple services our clients require.
19	None
20	Competition
21	Confidentiality agreements, bonding etc.
22	Smaller, tougher/tighter market
23	Local by-laws & obscure regulations
24	Frontage road upgraded with sidewalks for pedestrian safety. Highway access road, and turning lanes addressed for traffic safely.
25	Time management is a big issue for me. I would like to see more attention paid to time management, setting priorities and deciding which ones need to be dealt with first, or which ones will have the best long term benefit.
26	The ability to purchase logs at a decent price from forestry and be able to transport to mill
27	Maintaining sufficient business operations in economic downturns

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28	We are a new Heavy Duty Repair business so have not had enough experience to know what is really important and what is not.
29	customer demands
30	competition and security
31	Providing a quality product to a rather weak market. Trying to keep costs down.

3. To what extent do you make use of the following services for **business support & advisory services?**

Organization	Never	Once every few years	1-2 times per year	Several times per year	Monthly or more
Chamber of Commerce	50%	22%	10%	13%	6%
Quesnel Community & Community Futures	57%	19%	15%	6%	3%
Business Improvement	33%	31%	19%	10%	7%
Service Canada	60%	8%	15%	10%	7%
Service B.C.	44%	25%	7%	15%	6%
City Hall	46%	26%	13%	10%	4%
Financial Institutions	36%	13%	29%	13%	7%
Lawyer(s)	14%	22%	19%	15%	28%
Bookkeeper(s)	39%	29%	26%	0%	0%
Accountant(s)	33%	1%	19%	7%	39%
Financial	11%	7%	60%	8%	14%
Paid Media (e.g. radio or newspaper staff)	57%	13%	21%	6%	4%
Marketing Consultants (e.g. web designers, social media consultants, etc...)	21%	11%	25%	24%	18%
Friends/Family	51%	18%	18%	10%	3%
Other business owners	17%	8%	18%	24%	33%
	15%	4%	14%	42%	25%

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**Weighted Ranking: estimated average # of services provided, per business, per year, by each organization:**

Organization	Services per year provided
Friends/Family	5.3
Bookkeeper(s)	5.2
Other business owners	4.9
Financial Institutions	4.3
(Banks/Credit	
Paid Media (e.g. radio or newspaper staff)	3.5
Accountant(s)	2.9
City Hall	1.8
Community Futures	1.7
Service Canada	1.5
Business Improvement Areas (e.g.	1.5
Chamber of Commerce	1.4
Service B.C.	1.2
Financial Planner(s)/Advisor(s)	1.1
Marketing Consultants (e.g. web designers, social media consultants, etc...)	1.1
Quesnel Community & Economic	0.9
Lawyer(s)	0.5

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4. How significant are the following factors in determining which financial institution you go to for a business loan/line of credit?

Factor	Not important	2	3	4	Very important	N/A
Low interest rates	7%	6%	17%	13%	54%	4%
Minimal fees (application fees, annual fees, etc...)	1%	8%	13%	17%	56%	4%
Longer repayment schedule (i.e. lower monthly repayments)	8%	14%	28%	18%	21%	7%
Payment flexibility (e.g. no penalties for early repayment, options for interest-only payments, etc...)	7%	6%	11%	25%	43%	8%
Simplicity and speed of loan application process	1%	3%	18%	22%	44%	10%
Amount of security/collateral required	6%	6%	14%	29%	35%	11%
Knowledgeable guidance and advice from lender	3%	3%	6%	25%	50%	8%
Referrals/word-of-mouth testimonials from others	11%	10%	21%	26%	25%	6%
Your relationship/experiences with the lender at the lending institution (e.g. "My lender understands my business and its financial needs")	3%	0%	10%	29%	51%	6%
Your relationship/experiences with the lending institution (e.g. "It's where I have my personal and business bank accounts")	6%	1%	14%	26%	46%	4%

**% of people who rated each factor as "5-Very Important"**

Factor	%
Low interest rates	54%
Your relationship/experiences with the lender at the lending institution (e.g. "My lender understands my business and its financial needs")	51%
Knowledgeable guidance and advice from lender	50%
Your relationship/experiences with the lending institution (e.g. "It's where I have my personal and business bank accounts")	46%
Simplicity and speed of loan application process	44%
Payment flexibility (e.g. no penalties for early repayment, options for interest- only payments, etc...)	43%
Amount of security/collateral required	35%
Referrals/word-of-mouth testimonials from others	25%
Longer repayment schedule (i.e. lower monthly repayments)	21%

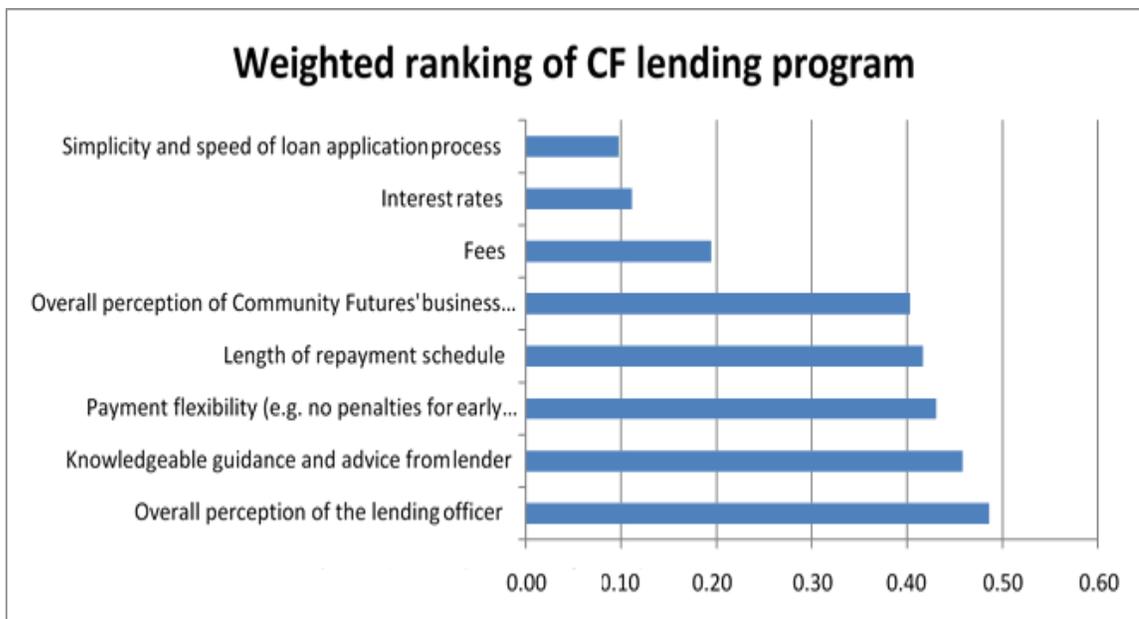
5. Rate each of the following factors. To the best of your knowledge, what are your perceptions of Community Futures' business lending program?

Factor	Very Unfavorable	2	Neutral	4	Very favorabl	N/A
Interest rates	3%	11%	43%	17%	6%	21%
Fees	1%	8%	46%	14%	8%	22%
Length of repayment schedule	0%	1%	49%	13%	15%	21%
Payment flexibility (e.g. no penalties for early repayment, options for interest-only payments, etc...)	1%	3%	40%	13%	18%	22%
Simplicity and speed of loan application process	6%	11%	36%	13%	10%	19%
Knowledgeable guidance and advice from lender	3%	1%	39%	11%	21%	21%
Overall perception of the lending officer	1%	0%	39%	15%	18%	24%
Overall perception of Community Futures' business lending program	3%	4%	44%	14%	18%	17%

Weighted ranking: Scoring of each component on a scale of -2 to 2. A score of 0 indicates the average rating of the factor is neutral

In other words, all components of our lending program are viewed positively to some extent by the business community.

Interest rates, application process and fees were our least positive trait.



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6. How significant are the following factors in determining where you go for business support or advisory services?

Factor	Not important	2	3	4	Very important	N/A
Cost of business support	1%	7%	21%	26%	40%	4%
Availability and accessibility	1%	3%	15%	31%	44%	4%
Confidentiality of your business information	1%	1%	13%	17%	64%	4%
Value and usefulness of information/services provided	0%	0%	11%	26%	57%	6%
Knowledge/experience pertaining to your specific business/industry	0%	1%	17%	28%	44%	6%
Knowledge/experience of owning/operating a successful business	0%	1%	15%	35%	43%	6%
Education credentials & accreditations	3%	14%	25%	31%	19%	6%
Trust - having an established relationship with	0%	1%	8%	31%	56%	4%
Referrals/word-of-mouth testimonials from others	4%	3%	24%	31%	35%	4%

**% of people who rated each factor as "5-Very Important"**

Factor	%
Confidentiality of your business information	64%
Value and usefulness of information/services provided	57%
Trust - having an established relationship with individual/organization	56%
Availability and accessibility	44%
Knowledge/experience pertaining to your specific business/industry	44%
Knowledge/experience of owning/operating a successful business	43%
Cost of business support	40%
Referrals/word-of-mouth testimonials from others	35%
Education credentials & accreditations	19%

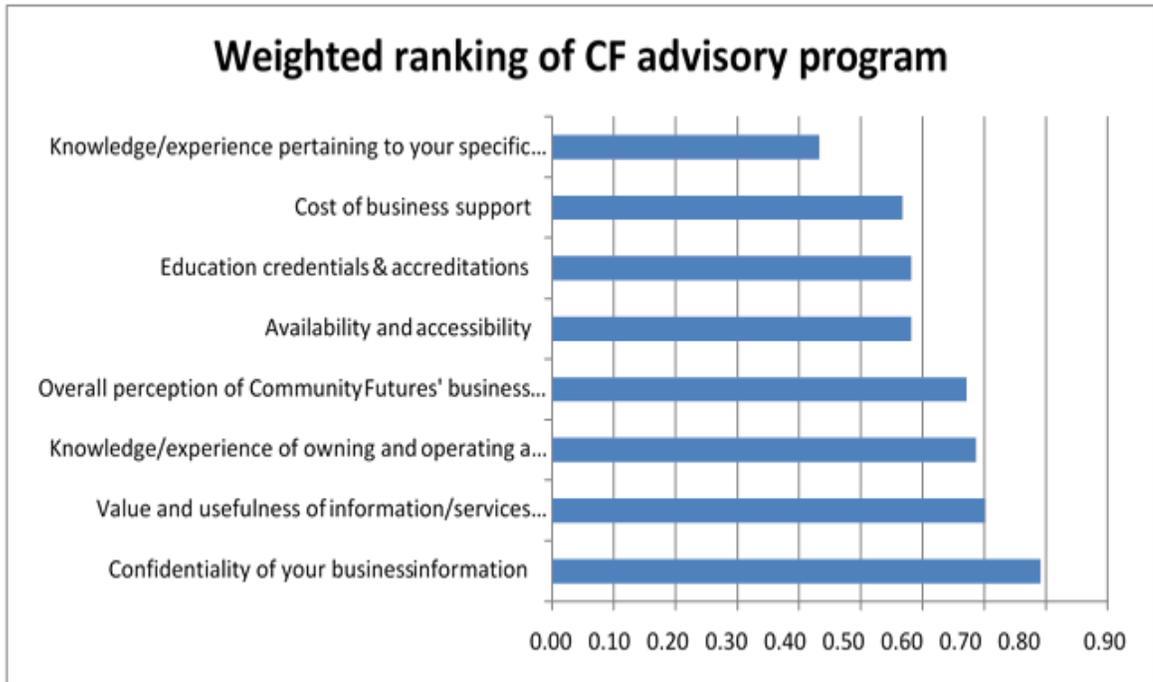
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7. Rate each of the following factors. To the best of your knowledge, what are your perceptions of Community Futures' business advisory services program?

Factor	Not important	2	3	4	Very important	N/A
Cost of business support	0%	1%	36%	25%	17%	21%
Availability and accessibility	1%	6%	28%	24%	21%	19%
Confidentiality of your business information	0%	3%	24%	21%	29%	24%
Value and usefulness of information/services provided	1%	0%	25%	36%	18%	18%
Knowledge/experience pertaining to your specific business industry	1%	4%	36%	29%	10%	19%
Knowledge/experience of owning and operating a successful business	0%	0%	31%	32%	18%	19%
Education credentials & accreditations	0%	3%	35%	26%	17%	18%
Overall perception of Community Futures' business advisory services program	1%	3%	26%	29%	21%	18%

Weighted ranking: Scoring of each component on a scale of -2 to 2. A score of 0 indicates the average rating of the factor is neutral

In other words, all components of our lending program are viewed positively to some extent by the business community. Compared to our lending program, our advisory program is favored more positively by the business community.



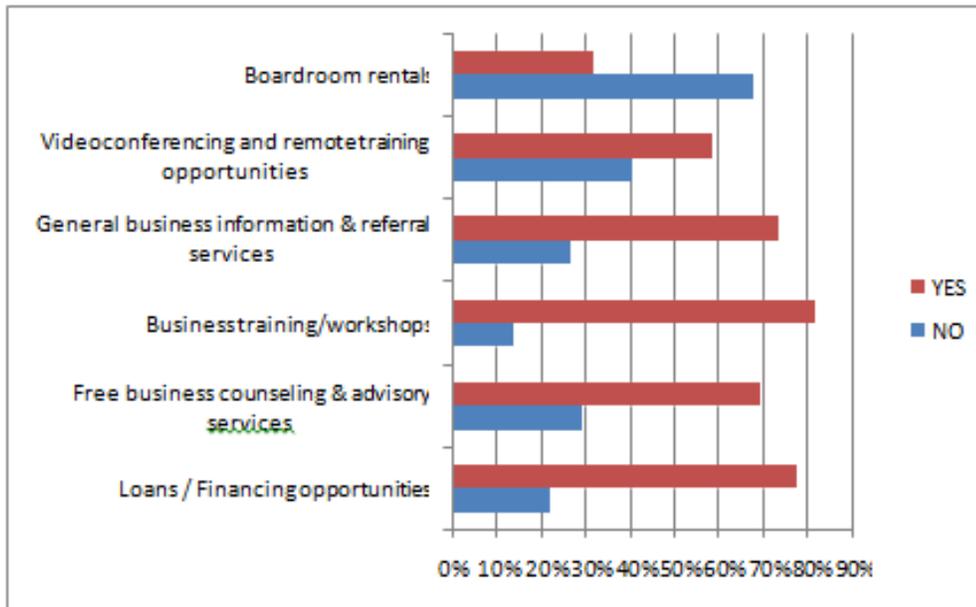
8. Briefly explain your understanding of Community Futures' role in the local community

1	To nurture and help grow business
2	They helped give us a small loan to help us with the closure costs of buying our business. Which we would not have been able to purchase without their help.
3	My wife and I have both used their services for our small business and have been very happy with the results. I like their willingness to help bring new business ideas to our community by helping new business owners get started and established!
4	Have no knowledge
5	Very helpful in teaching and communication. There when needed.
6	Have not dealt with Community Future before so cannot answer
7	I have never really understood the full role of CF in our community. There are a lot of resources for business and they lend money. That's about all I know
8	To provide training, knowledge, assistance and expertise for start-ups or for small businesses. You also provide loans for eligible organizations.
9	To assist small business in start-up and maintenance
10	To help new are exciting business with financial aid and support.
11	Assisting business owners in getting started or expanding their business.

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12	To help small business start-up and succeed in there endeavours.
13	There to help business Persons with their businesses finances and plans
14	Stimulate economy via activation or participation within small business community
15	I believe Community Futures is there to assist new business and to help existing business stay in business.
16	Help bring new business to life and help older business change for the time to make a better community
17	not clear
18	to help new business
19	higher risk loans for businesses business support programs and info
20	To aid people in starting up a business with financial and training options.
21	funding and support for local business
22	helping small business
23	to help small business start up
24	I don't know.
25	PROVIDING SUPPORT AND FINANCE FOR NEW AND ONGOING BUSINESS.
26	Helping people start small business and educating others to get started
27	Community Future is a center which has a wealth of resources for the self-employee and small business.
28	Govt. backed loan co
29	It is very valuable as a Community must work together to further their future!
30	Community future offer insight and information to existing businesses as well as those looking to start a business
31	To help and support new businesses.
32	Their role is to promote business.
33	Provides loans/financing for businesses - new and expanding, free services, training programs and videoconferencing. Support the community, both private and non-profit.

9. Are you aware that Community Futures offers the following business services?



10. Can you suggest any other ways Community Futures can support your business growth?

1	Can't think of anything you're needed to add at this time.
2	No
3	Just being there has been a help to me in my business.
4	Not sure
5	I feel if they could communicate more effectively to the entrepreneur as
6	Send all of us small business people information about the services :)
7	Not at this time.
8	I have a small home-based business and do not have any outside
9	I enjoyed the business owners meeting, much better than women in
10	Not at this time
11	I found them difficult to deal with. Was treated like I did not know much
12	not at this time
13	I think they are doing a wonderful job.
14	no.
15	I am very happy with the support provided to date and cannot provide
16	n/a
17	No
18	I had no idea that they offered these services.

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19	Legal advice, referral for working around country side restrictions, IE B
20	No
21	Great services keep doing what you are doing.
22	NOT at this time
23	Make businesses more aware of the services that are offered
24	no they do an excellent job
25	We fell they do a good job for the products they offer
26	n/a
27	I did not have a very positive experience with Community Futures in the past.

10. To thank you for completing the survey, we would like to offer you a \$5 Tim Horton's gift card. If you would like to receive your gift card, please enter your contact information below.

Please note: Only one gift card per person/business

Your contact information is confidential. Community Futures will not share or disclose your contact information.

Name

Business Name Address City Province

Postal Code

Email Address

**75%, or 54 respondents provided us with their contact information**

11. Are you interested in receiving additional information from Community Futures pertaining to ?

- business training courses;
- networking opportunities;
- government grants and subsidies; or
- Other important news that impacts your business?

No	Yes	Did not provide contact information
6	48	18

**Of the 72 survey respondents, 67% of them wish additional information**

**Thank you for your participation.**

**Appendix C**

**Vancouver Island University  
Research Consent Form**

**Barriers to information and financing in small and medium-sized enterprises in  
Central Vancouver Island**

Harpreet Kaur	David Robinson (Supervisor)
Recreation/Tourism	Recreation/Tourism
384 Georgia Avenue	Building: 250
Nanaimo v9r 3v8	Room: 342
Phone: (250) 797 4640	Phone: (250) 753-3245, Local 2491
Email: Harpreet.kaur1@live.com	Fax: (250) 740-6488
	Email: David.Robinson@viu.ca

**Thesis Topic: Barriers to information and financing in small and medium-sized businesses (SMEs) in Central Vancouver Island**

The purpose of this study is to research the barriers that are deterring SMEs from accessing business information and financing from Community Futures, Central Vancouver Island (CFCI).

During this study, you will be asked to complete a number of brief questions concerning your past personal experiences with factors such as perceived social support, opinion, behaviour or knowledge. You will also be asked for some demographic information (gender, age, etc.). Your participation to complete the survey will vary from 3-15 minutes depending on the answers you provide.

We do not foresee any risks or discomfort from your participation in the research. Your decision to participate or decline participation in this study is completely voluntary and you have the right to terminate your participation at any time without penalty. You may skip any questions you do not wish to answer. If you do not wish to complete this survey just close your browser.

All records of participation will be kept strictly confidential and will not be made public in any way that identifies individual participation. To maintain participant's anonymity, information such as name and IP address is not collected.

Please be advised, however, that this research study uses Constant Contact survey software which may store data you provide in the United States. As a result, there is a possibility that information about you that is gathered for this research study may be accessed without your knowledge or consent by U.S. government officials in compliance with their security legislation.

Once the completed questionnaire is received, the data provided will remain in the study results. All survey responses will be stored in the CFCI and researcher's computer till 31st Dec'16 and then deleted. The data access will be available to Student/Researcher-Harpreet

Kaur, Supervisor-David Robinson, and the members of CFCI. The results will be shared in a written research report with CFCI and VIU as a program requirement. Through this study CFCI is looking forward to improve its marketing strategies and plan that could help in overall improvement in the business.

If you have any concerns about your treatment as a research participant in this study, please contact the VIU Research Ethics Officer, by telephone 2507533245(ext-2665) or email: reb@viu.ca.

If you have any questions about this research project, or would like more information, please contact at the e-mail address below:

**Harpreet Kaur**  
**MASLM Student, Vancouver Island University**  
**survey@cfnanaimo.org**

You may print a copy of this consent form for your records.  
I have read and understand the above consent form. By clicking the '**Continue**' button, I indicate my willingness to voluntarily take part in the study.

## Appendix D

### Validation and Revision of Web Survey Questionnaire

Following were the changes that were implemented to the web survey questionnaire,

**Number of questions.** The survey that was used by CFNC was the starting point for the survey to be used in this study. It had only 12 questions, half quantitative and half qualitative questions. The final approved survey questionnaire that was used for CFCI had 20 questions, 18 quantitative and rest qualitative.

**Questions re-ordered.** Some of the questions were re-ordered between versions of the questionnaire. The question “How important would additional information, training and/or support be for you and your business?” in the CFNC questionnaire was question 1, however, in CFCI questionnaire it is Question 6. Similarly, Question 3, “To what extent do you or would you make use of the following services for business support & advisory services?” became Question 7 in the CFCI questionnaire. Also, Question 6, “How significant are the following factors in determining where you go for business support or advisory services?” was changed to Question 5 in the CFCI questionnaire (see appendices A & B).

**Questions removed.** After discussion in meetings with Community Futures, the following questions were removed: Question 2, “What additional issues or challenges affect you and your business?”, Question 7, “Rate each of the following factors. To the best of your knowledge, what are your perceptions of Community Futures' business advisory services program?”, and Question 10, “Can you suggest any other ways Community Futures can support your business growth?” The Community Futures members thought that the other questions in the survey already shared an insight on those issues.

In addition to the above changes made, CFNC had offered a \$5 Tim Horton's gift card to those who completed the survey. CFCI decided they will not offer any reward for conducting surveys for them as the members thought that the participation should be on a volunteer basis. They feared that offering a reward may make the responses biased (see appendices A & B).

**Questions added.** The following questions were added to the CFCI survey questionnaire with the aim of providing specific feedback related to Community Futures, and provide more insight about the respondents in reference to how long they have been operating their businesses, and how they research financing options, if required.

Question 1 “Do you currently own/operate your own business?”

Question 2 “Have you previously operated your own business?”

Question 3 “Have you considered operating your own business?”

Question 4 “How long have you (or did you) operate your business?”

Question 8 “When researching for information, new business practices, products and or services which of the following self-help or self-improvement methods are you most likely to use?”

Question 9 “When researching financing option for your business, what words/phrases would you place in a search engine?”

Question 11 “When researching financing option for your business, what words/phrases would you place in a search engine?”

Question 12 “What is your most pressing need currently in your business?”

Question 13 “How familiar are you with the organization, Community Futures?”

Question 14 “Community Future offers the following services. Which of their services have you heard of, participated in, or could use in the future?”

Question 19 “What is your postal code?” (see appendices A)

**Questions for which the scale was changed.** The scale for Question 5, “Rate each of the following factors. To the best of your knowledge, what are your perceptions of Community Futures' business lending program?” was changed from “Very Unfavorable – Very Favorable” to “Very effective – Unsatisfactory.” Similarly, the scale for Questions 6 and 10, “How important would additional information, training and/or support be for you and your business?” and “How important are the following factors in determining the financial institution you would choose to / or are currently using for a business loan/line of credit?” were changed from “Not Important – Very Important” to “Unimportant – Very Important.” Also, the scale for Question 15, “To the best of your knowledge, what are your perceptions of Community Futures' business lending program? Please rate each of the following factors,” was changed from “Very Unfavorable – Very Favorable” to “Very Effective – Unsatisfactory” (see appendices A & B).

**Appendix E**  
**Email Invitation**

**Subject: Self-Employment Survey: Central Vancouver Island 2016**

Dear Sir\Madam,

You are invited to participate in the Self-Employment Survey - Community Futures Central Vancouver Island 2016.

The survey results provide important information, which helps form our strategy development and enables us to make appropriate adjustments to our service delivery efforts. For this reason, we ask that you personally complete this important survey.

Please complete the survey by 16<sup>th</sup> Feb'16 and gain the opportunity of entering in a lucky draw to Win \$100 prepaid Visa card as a support to one of our local restaurant businesses.

To make participation as convenient as possible, we offer you the option of completing the survey via Internet. Completing the survey by the Internet is the easiest and most efficient way to participate in this study.

**To participate in the online survey, go to**

<http://survey.constantcontact.com/survey/a07ec3tob1pijbcfcii/start>

NOTE: If you are unable to click on the link directly, please copy and paste the entire link into the Address or Location field at the top of your Web browser, and press the ENTER key on your keyboard to access the survey Web site.

If you need to interrupt the survey, simply exit the site. Re-enter by clicking again on the above link and you will return to the same point on the survey automatically.

Please note that if you experience any technical difficulties with the Internet survey and need assistance, you may email us at [survey@cfnanaimo.org](mailto:survey@cfnanaimo.org) .

**You will be receiving another email reminding you to complete the survey online in about one week.**

We appreciate your time and assistance in providing information and input that will help us enhance the value of Community Futures to your organization.

**Appendix F**

**Email Reminder**

**Subject: Self-Employment Survey - Community Futures Central Vancouver Island 2016**

Dear Sir\Madam,

We recently contacted you on behalf of Community Futures to request your participation in the Self-Employment Survey - Community Futures Central Vancouver Island 2016. If you have not yet completed the survey via Internet, we would like to extend a reminder to you that you are still able to do so.

**To participate in the online survey, Go to**

<http://survey.constantcontact.com/survey/a07ec3tob1pijbcfcii/start>

NOTE: If you are unable to click on the link directly, please type the entire link into the Address or Location field at the top of your Web browser, and press the ENTER key on your keyboard to access the survey Web site.

If you need to interrupt the survey, simply exit the site. Re-enter by clicking again on the above link and you will return to the same point on the survey automatically.

Please note that if you experience any technical difficulties with the Internet survey and need assistance, you may email us at [Harpreet.kaur1@live.com](mailto:Harpreet.kaur1@live.com) .

We appreciate your time and assistance in providing information and input that will help us enhance the value of Community Futures to your organization.

**Appendix G**  
**Daily Response Count**

Figure 24: *Daily Response Count*

