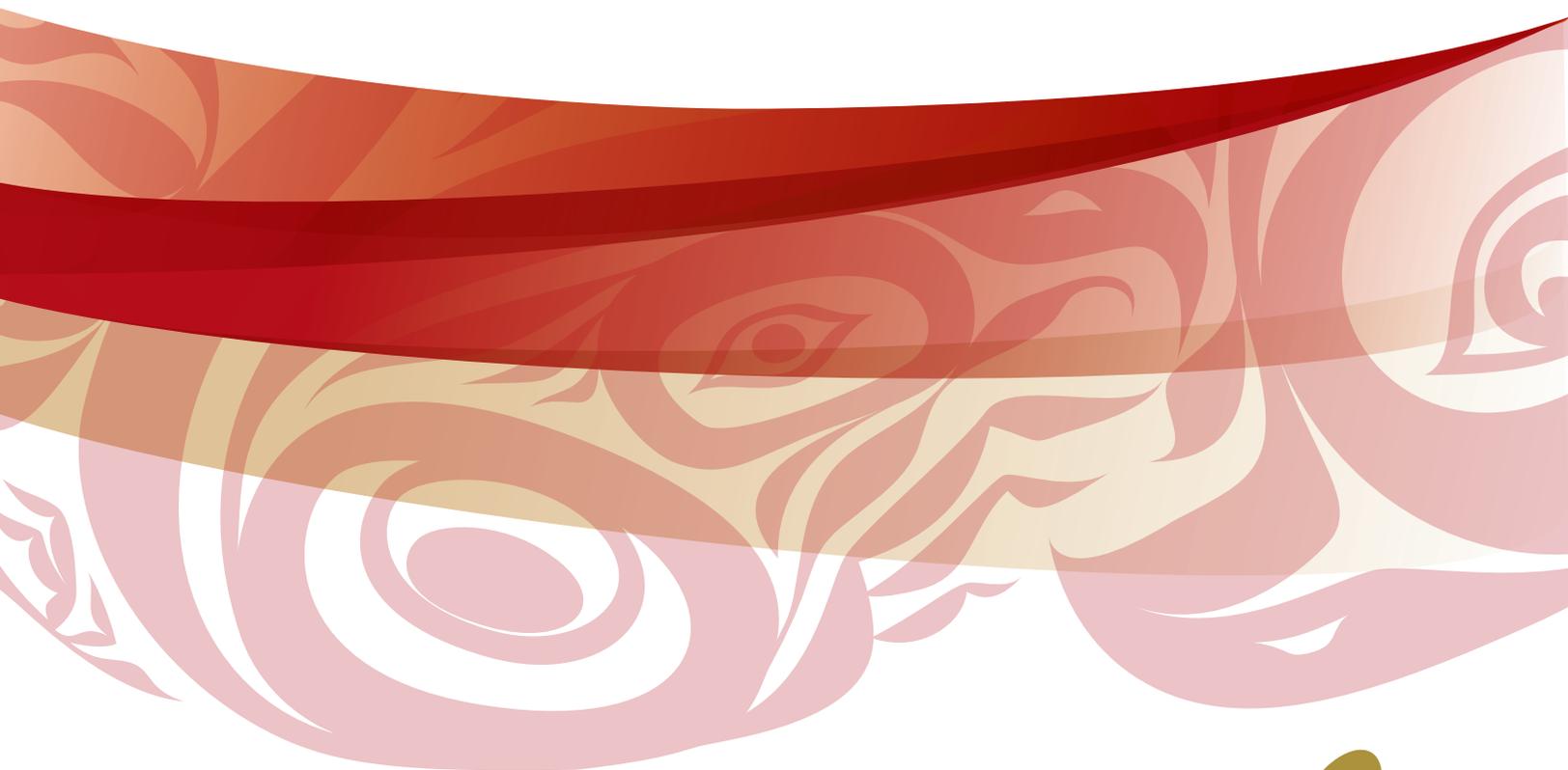


Canadian Council for
ABORIGINAL
BUSINESS



Promise and Prosperity

The Aboriginal Business Survey



In partnership with

ENVIRONICS
RESEARCH GROUP

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About CCAB

The Canadian Council for Aboriginal Business (CCAB) was founded in 1984 by a small group of visionary business and community leaders committed to the full participation of Aboriginal people in Canada's economy. A national non-profit organization, CCAB offers knowledge, resources and programs to both mainstream and Aboriginal-owned member companies that foster economic opportunities for Aboriginal people and businesses across Canada.

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Unless otherwise noted, all of the numbers in the charts are percentages.

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Executive summary

About the *Aboriginal Business Survey*

Aboriginal self-employment is on the rise. According to the 2006 Census, there are more than 37,000 First Nations, Métis and Inuit persons in Canada who have their own businesses, a significant increase of 85 percent since 1996.

Ninety-eight percent of all businesses in Canada are classified as small businesses (under 100 employees), and these small businesses employ half of the total labour force in the private sector. Like other small businesses across Canada, Aboriginal businesses create employment, economic prosperity and social well-being. The development of viable business opportunities is essential to the future prosperity of Aboriginal peoples, and for improving Aboriginal employment prospects, especially for the growing number of young Aboriginal job-seekers entering the labour market.

Yet, there is relatively little current information available on Aboriginal business owners. The last comprehensive study of Aboriginal businesses was conducted by Statistics Canada and Aboriginal Business Canada nearly a decade ago (2002).

The Canadian Council for Aboriginal Business (CCAB) embarked upon the *2011 Aboriginal Business Survey (ABS)* to address this knowledge gap and contribute to the understanding of the opportunities and challenges faced by Aboriginal businesses.

The *ABS* is a timely exploration of this growing business community. Our research seeks to deepen our understanding of privately-owned Aboriginal businesses, their goals and strategies, and to identify the key factors that contribute to growth.

The CCAB's goal is to widely communicate the research findings, so they can be used by Aboriginal people, businesses and communities, as well as by the mainstream business community and governments, to develop new tools and practices that fully realize the potential of Aboriginal small business in Canada.

The *2011 ABS* provides both demographic information, as well as insights into corporate governance, markets, competitive advantage and size of business (including number of employees and the number of Aboriginal employees). The research also examines trends in business growth (profitability, business income growth, financing, and obstacles to growth), use of private capital and government programs and Aboriginal business owners' perceptions of federal government Procurement Strategy for Aboriginal Business (PSAB) criteria.

The CCAB wishes to thank the supporters of the *Aboriginal Business Survey*; without their generous contribution, this initiative would not have been possible:

- Indian and Northern Affairs Canada
- IBM Canada Ltd.
- Royal Bank of Canada
- Canadian Education and Research Institute for Counselling
- First Air

As part of this research initiative, a unique and complementary survey has been conducted with Chief Executive Officers of Aboriginal economic development corporations (EDCs). EDCs are the economic and business development arm of a First Nations, Métis or Inuit government, and an important dimension of the Aboriginal business community. Many have become business success stories, and merit a better understanding of their success factors and limitations. The results of the EDC survey will be released separately in May 2011.

A copy of this report is available for download at www.ccab.com.

Research highlights

The number of Aboriginal business owners and entrepreneurs is growing at a rate that far exceeds that for self-employed Canadians overall.

The 2006 Census revealed more than 37,000 self-employed Aboriginal people in Canada, up from just over 27,000 in 2001 – an increase of 38 percent. During this time period, the rate of growth of self-employed Aboriginal people was five times that of self-employed Canadians overall (7%).

According to the 2006 Census, half (49%) of self-employed Aboriginal people are Métis, more than four in ten (45%) are First Nations, and two percent are Inuit. In *the 2011 ABS*, most First Nations business owners indicated that their business was located on reserve (72%).

Aboriginal businesses are diverse, and are not limited to any one region, industry sector or market.

Aboriginal entrepreneurs have built their businesses across the range of industries. They are well-established in the construction (18%) and primary sectors (agriculture, forestry, fishing and hunting, mining, and oil and gas extraction; 13%). Yet, just as many operate in knowledge and service-based sectors, such as education, scientific and technical services, or health and social services (28%).

Self-employed Aboriginal people can be found in all parts of the country, with the highest concentrations in Ontario (23%), British Columbia (22%) and Alberta (18%). Smaller proportions are located in Quebec (10%), Manitoba (10%), Saskatchewan (8%), the Atlantic provinces (5%) and the Territories (3%).

Most Aboriginal-owned businesses focus on their local community (85%) or their home province or territory (73%) to sell their goods and services. However, half have clients in other provinces or territories, and some do business internationally, both in the U.S. (26%) and outside North America (18%).

Aboriginal small business owners are succeeding, in terms of profitability and growth, but also in ways that go beyond the bottom line.

Aboriginal entrepreneurs are realizing business success. Six in ten (61%) Aboriginal businesses report profits for 2010. As well, one-third (35%) achieved increased revenues for 2009-2010, despite the lingering effects of the recent economic downturn. Sales remained stable for 37 percent of business owners surveyed.

These positive financial numbers only tell part of the story. Half (49%) of Aboriginal small business owners consider their business a success, not only because of profits and/or growth, but because they are doing work that is personally rewarding, and have a steady client base. By comparison, only one in ten report that their business has not been successful.

Future success will be evaluated primarily on the basis of stability and profitability. Aboriginal business owners rate stability (80%) and profitability (74%) as their most important business objectives for the coming year, followed by personal and/or family employment, growth and community service.

Aboriginal business owners also report the advantages of having a greater degree of control, independence and flexibility, and the ability to set their own hours.

Successful Aboriginal small businesses are distinguished by their use of annual business plans and innovation.

The Aboriginal business community was segmented into three categories of success, based on their profitability and sales growth over the previous fiscal year, and their expected income growth. The most successful group includes firms with all three of these profit and growth characteristics, representing one-quarter (26%) of all Aboriginal businesses. One in ten (11%) Aboriginal businesses comprise the low-success group, having none of these features of success.

Only a minority of Aboriginal small businesses had a formal business plan in place the previous year, but this is more common among the most successful businesses (33% vs. 19% among the low-success firms).

One hallmark of successful Aboriginal small businesses is their use of innovation. These businesses are more than twice as likely as the low-success group to have introduced new products or services, or new processes, in the past three years.

Aboriginal small businesses create jobs for Aboriginal and non-Aboriginal people alike.

The majority (63%) of Aboriginal small businesses are very small, with no employees. Almost four in ten (37%) Aboriginal entrepreneurs have at least one paid employee, which is consistent with Canadian entrepreneurs generally. Aboriginal business owners in the primary (55%) and construction (50%) sectors are most likely to employ others, while those in the service sector are least likely to do so (27%).

Aboriginal businesses provide an important source of employment for other Aboriginal peoples. The large majority (86%) of Aboriginal businesses with employees employ at least one Aboriginal person. On average, Aboriginal people comprise 62 percent of the employees of these firms.

Aboriginal entrepreneurs rely primarily on their own resources for both start-up and ongoing financing, and access to financing is considered one obstacle to growth.

To start a business, Aboriginal entrepreneurs rely most heavily on personal savings (55%), compared with business loans or bank credit (17%), credit from government programs (17%), or loans from Aboriginal lending institutions (15%). Personal savings are similarly the primary financing source for start-up small- and medium-sized enterprises (SMEs) across Canada.

Personal savings are also a main source of financing the ongoing operations of Aboriginal businesses (75% say it is important), together with retained earnings (74%). Other important sources of financing include business (62%) or personal (55%) loans from financial institutions, Aboriginal lending agencies (52%), and government grants or loans (51%).

Aboriginal small business owners consider access to financing, and access to equity or capital to be obstacles to their growth plans (these two issues are rated as obstacles by 43% and 38%, respectively). Yet, they also have a number of other concerns including, among others, overall economic conditions, competition and the sheer cost of doing business.

On-reserve businesses are experiencing less growth than off-reserve businesses, and one key reason may be greater difficulties accessing financing.

Business loans or credit from financial institutions have been less central to the start-up of on-reserve businesses (13% say they were a main source vs. 19% among off-reserve firms) and to the financing of their ongoing operations (26% say they are not at all important, vs. 18% among off-reserve firms).

Lack of access to financing may contribute to the lower growth experienced by on-reserve businesses. Three in ten (29%) saw their sales increase in the previous year, compared to four in ten (39%) off-reserve businesses. Expectations for future growth are also less widespread (61% expect sales revenues to grow in the next two years vs. 76% among off-reserve firms), despite placing a similar emphasis on growth as an objective for the coming year.

On-reserve businesses tend to be smaller (i.e., have no employees), are less likely to be incorporated (since it would make them ineligible for tax exemptions under the Indian Act) and more focused on local markets.

Many Aboriginal entrepreneurs are navigating their business planning (or growth) without outside advice or support.

Relatively few (38%) Aboriginal small business owners have an individual or organization that has provided them with particularly valuable business guidance or advice. In fact, most cannot envision the type of guidance they would most like to have. There appears to be an overall lack of awareness of the kind of information that is available to help successfully guide these small business owners.

A minority (29%) have used any government programs in the start-up or maintenance of their business. Reasons for not using such programs include a lack of awareness about what is available, a lack of perceived value to their business or being deterred by perceptions of “red tape.”

Despite the challenges of small business ownership, there is widespread confidence about the future.

There is a notably widespread sense of optimism about the future. Nationally, seven in ten (71%) Aboriginal businesses anticipate revenue growth in the next two years. This is consistent with the degree of optimism expressed by Canadian SMEs generally.

Most Aboriginal businesses owners see themselves maintaining their personal commitment to their business for some time to come. Seven in ten say it very likely that they will still be running their business five years.

Recommendations

With the release of this research, it is our hope that the sharing of findings and broad-based recommendations will contribute to a deeper understanding and positive attitudes of decision-makers about the challenges and opportunities faced by Aboriginal businesses. Our recommendations are meant to begin a discussion that we hope will lead to further recognition of the new Aboriginal business reality in Canada – a source of significant opportunity across virtually all industry sectors.

Based upon the findings in the *Aboriginal Business Survey*, CCAB recommends that the following actions be considered in order for more Aboriginal businesses to achieve success. These recommendations are made with four key audiences in mind: financial institutions, government, Aboriginal entrepreneurs, and organizations with the interest and capacity to work with Aboriginal businesses.

1. Improve access to capital for Aboriginal businesses.

Access to capital and financing are often cited as a major barrier to Aboriginal business start-up and expansion – particularly for businesses on reserve. These barriers provide an opportunity for financial institutions and government to evaluate their current offerings and better market their services to this growing business community.

Our research suggests Aboriginal entrepreneurs generally view working with financial institutions in a positive light. This provides a foundation for both Aboriginal and mainstream financial institutions to offer programs, services and information of greater value to these business owners. With access to capital often cited as an obstacle to business growth, and difficulties accessing financing a possible explanation for the underperformance of on-reserve businesses relative to those located off-reserve, financial institutions can offer financing for Aboriginal small businesses that more effectively meets the particular needs of these businesses.

Aboriginal entrepreneurs are most likely to want advice related to financial issues, accounting or business management, offering financial institutions the opportunity to become true mentors in these areas.

While Aboriginal business owners generally view banks as supportive of business performance rather than as impediment to the process, very few think of their bank as a key source of guidance or advice about their business. Financial institutions can enhance their Aboriginal business services by acting in the role of business advisor.

Government can support the more than 37,000 Aboriginal small businesses by building greater awareness of existing government programs through more effective marketing and outreach.

2. The creation of provincial and municipal Aboriginal procurement strategies.

The current federal Aboriginal procurement strategy has added to the capacity of Aboriginal businesses seeking to bid on government contracts. Provincial governments, Crown corporations and even municipal governments can implement procurement programs that will support eligible Aboriginal businesses seeking to make government a customer.

The federal Procurement Strategy for Aboriginal Business (PSAB) assists Aboriginal businesses to become familiar with bidding on federal contracts through contract set-asides. At a relatively small cost to government and taxpayers, PSAB helps to strengthen Aboriginal business bidding capacity, competitiveness, and Aboriginal employment. With six in ten of those survey respondents who have bid or considered bidding on a contract satisfied with the PSAB criteria, this program appears to have the support of those Aboriginal entrepreneurs who are familiar with it.

The Manitoba Government was one of the first provincial governments to emulate PSAB with the introduction of the Aboriginal Procurement Initiative. Aboriginal companies hire, train and retain Aboriginal people. Like Manitoba, other provincial governments, Crown corporations, and even municipal governments, should capitalize on the chance to support Aboriginal business in their respective jurisdictions.

3. Business planning by Aboriginal business owners is a critical success factor.

Focusing efforts on the development of a business plan could improve Aboriginal entrepreneurs' prospects for success.

Business success among Aboriginal entrepreneurs appears to be linked to the use of an annual business plan. Business plans are vital because they provide a clear picture of the desired future of a company. The creation and implementation of a business plan is not only good business practice, but it can be essential to obtaining start-up or ongoing financing. Aboriginal small business owners who learn more about and implement annual business plans are likely to see the benefits in their business performance.

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4. Building stronger networks will lead to sharing of expertise and knowledge among and between Aboriginal businesses.

Aboriginal businesses tend to operate in isolation from other businesses and business organizations – there is need for more active support systems that offer mentorship and advice to help small businesses operate more effectively.

There is an opportunity to build stronger Aboriginal business networks – locally, regionally and nationally. Relatively few Aboriginal small business owners identify professional groups or individuals to turn to for business advice. Even fewer know what type of business guidance they would seek even if it were available.

This business community could benefit from mentorship offered by Aboriginal organizations, chambers of commerce or other companies. One effective strategy may be to foster the development of networks at the local or regional level.

CCAB will use this important study as a foundation to better serve its mandate. CCAB intends to:

- Expand its Aboriginal Business Mentorship Program;
- Advocate for government Aboriginal procurement strategies; and
- Work proactively with financial institutions, government and other Aboriginal organizations to improve access to capital.

Methodology

The results of the 2011 ABS are based on a telephone survey conducted with a representative sample of 1,095 self-identified First Nations (on- and off-reserve), Métis and Inuit small business owners (defined as those with 100 employees or less) between September 10 and November 19, 2010. The research was conducted by Environics Research Group, one of Canada's leading public opinion research firms and the organization which conducted the *Urban Aboriginal Peoples Study* on behalf of the Environics Institute.

Information from the 2006 Census was used to establish quotas of Aboriginal entrepreneurs based on identity group, region, business type and size. Qualified respondents were located through various databases and organizations as well as a communications campaign alerting Aboriginal businesses to the study. A referral approach was also used to augment sample identified through other sources.

The design and interpretation of the 2011 ABS was guided by a Research Advisory Board of recognized experts from the private sector and government.



Aboriginal entrepreneurs in Canada

The purpose of this section is to provide a picture of the Aboriginal small business population in Canada, in terms of size and growth, as well as key characteristics (e.g., Aboriginal identity group, region and industry).

The number of self-employed Aboriginal people continues to trend upward, according to the latest Census data. Aboriginal entrepreneurs are located across Canada, they compete in every sector, and they are experiencing a growth rate that exceeds their Canadian counterparts.

Self-employment among Aboriginal peoples

The most recent Canadian Census data reveal the burgeoning entrepreneurial spirit among Aboriginal peoples. In 2006, 37,445 Aboriginal people of the experienced labour force 15 years and over reported that they were self-employed;¹ this is up from 27,210 (growth of 37.6%) in the 2001 Census,² and 20,195 (growth of 85.4%) in the 1996 Census.³ While growth in the number of self-employed Canadians also took place between the 2001 and 2006 Censuses, it was more modest at 7.2 percent – meaning that the rate of growth of self-employed Aboriginal people in Canada was five times that of Canadian business owners overall during that time.⁴

Of the three Aboriginal groups recognized by the Canadian Constitution, the Métis comprise the greatest proportion of the Aboriginal self-employed population (49.3%). First Nations representation among Aboriginal entrepreneurs follows closely at 45.0 percent, while 1.9 percent of self-employed Aboriginal people identify as Inuit. The remaining 3.7 percent self-employed respondents are categorized as multiple or other Aboriginal responses.

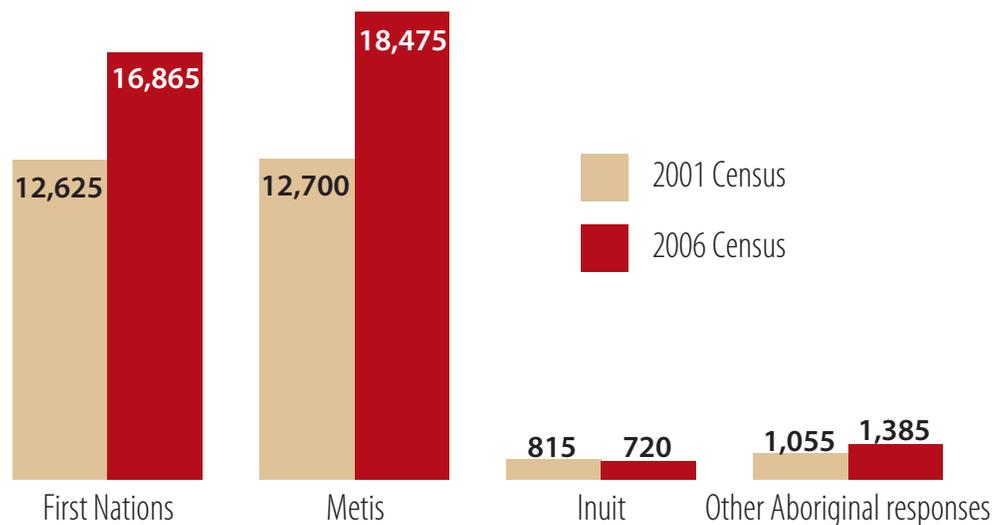
1 2006 Census Special Tabulation based on the “experienced labour force population,” which includes persons who were employed and persons who were unemployed who worked for pay or in self-employment since January 1, 2005. This definition is used for all statistics that reference the 2006 Census Special Tabulation and the 2001 Census.

2 Statistics Canada, 2001 Census of Population, Statistics Canada catalogue no. 97F0011XCB2001045.

3 Sawchuck, G. & Christie, P. (1999) “Aboriginal Entrepreneurs in Canada – Progress & Prospects,” *Insights On...* 3(3), 1-3.

4 Statistics Canada, 2006 Census of Population, Statistics Canada catalogue no. 97-564-XCB2006002 (Canada, Code01). In this instance, we are comparing the Canadian self-employed from “the total labour force” (i.e., in the week, Sunday to Saturday, prior to Census Day May 16, 2006) in 2006 with self-employed Canadians from the “experienced labour force” (a broader definition) in 2001. The difference is unlikely to be substantive enough to change the overall conclusion.

Population size of self-employed Aboriginal people
by Aboriginal identity



From 2001 to 2006, the greatest entrepreneurial growth came from the Métis (45.5% increase in self-employed Métis). Similarly, First Nation entrepreneurial activity has prospered between the last two Censuses (increase of 33.6%). In the same time span, the number of self-employed Inuit has shrunk slightly, dropping from 815 in 2001 to 720 in 2006 (-11.7%).

Proportion of the Aboriginal population. Another way to look at statistics of Aboriginal entrepreneurship is to look at self-employed Aboriginal people as a proportion of the overall Aboriginal population. In 2006, self-employed Aboriginal people comprised 6.6 percent of the Aboriginal labour force 15 years or over. Aboriginal people are about half as likely to be entrepreneurs as are Canadians in general, of whom 11.6 percent declared themselves self-employed.⁵

The *proportion* of self-employed Aboriginal people within the Aboriginal labour force did not grow between 2001 (when 7.2% declared self-employment) and 2006.⁶ While this seems contrary to the rapid growth rate described previously, it is because the Aboriginal population is younger and growing at a quicker pace than the rest of Canada. Between 2001 and 2006, the overall Aboriginal labour force 15 years and over grew by 29.7 percent, compared to 8.0 percent growth in the Canadian labour force.

Thus, the number of Aboriginal people in the labour force has been growing dramatically, as has the number of self-employed Aboriginal people. However, the rate of Aboriginal entrepreneurship within the Aboriginal population has remained flat, and represents a continuing gap compared to the non-Aboriginal population.

⁵ Statistics Canada, 2006 Census of Population, Statistics Canada catalogue no. 97-564-XCB2006002.

⁶ Self-employment representation among the non-Aboriginal population was similarly flat between 2001 (11.9%) and 2006 (11.6%).

Regional distribution

Self-employed Aboriginal people are most likely to be found in Ontario (23%), British Columbia (22%) and Alberta (18%).⁷ Compared to the total Aboriginal population (15 years and older), self-employed Aboriginal people are overrepresented in B.C. and underrepresented in Manitoba and Saskatchewan.

Region	Aboriginal self-employed population (15+)		Total Aboriginal population (15+)	
	N	%	N	%
Atlantic Provinces	1,940	5	50,260	6
Quebec	3,790	10	80,910	10
Ontario	8,750	23	178,170	22
Manitoba	3,925	10	117,205	14
Saskatchewan	2,880	8	91,290	11
Alberta	6,835	18	129,745	16
British Columbia	8,245	22	140,820	17
Territories	1,165	3	35,485	4
Canada	37,445	100	823,885	100

Industry

Aboriginal entrepreneurs have built their businesses across the gamut of industries in Canada. While the proportion of self-employed Aboriginal people operating in construction (18%) and primary sectors (agriculture, forestry, fishing and hunting, mining, and oil and gas extraction; 13%) remains quite prevalent, participation in the knowledge-based industries, including professional, scientific and technical, education, and health and social, continues to experience a growing Aboriginal presence (28%). However, there is still ground to make up with 37 percent of the overall Canadian self-employed population working in the knowledge-based sectors.⁸

⁷ 2006 Census Special Tabulation based on the “experienced labour force population,” which includes persons who were employed and persons who were unemployed who worked for pay or in self-employment since January 1, 2005. This definition is used for all statistics that reference the 2006 Census Special Tabulation and the 2001 Census.

⁸ In this sub-section, Aboriginal statistics are based upon “the experienced labour force 15 years and over,” while the Canadian statistics are based upon “the total labour force 15 years and over” (in both cases for the year 2006).

Industry	Aboriginal entrepreneurs		Canadian entrepreneurs	
	N	%	N	%
Primary	5,005	13	240,865	12
Construction	6,855	18	253,110	13
Manufacturing, transportation, warehousing	3,595	10	196,095	10
Wholesale, retail trade	3,325	9	219,825	11
Professional, scientific and technical services, education, health & social	10,205	27	724,270	36
Arts, entertainment, accomodation, food & cultural	4,515	12	178,240	9
Other services	3,935	11	176,535	9
Total – Population 15 years and over	37,445	100	1,993,710	100

2 Business characteristics

This section of the report explores what Aboriginal small businesses look like, in terms of their location, governance and size, and in what type of markets they operate. Most Aboriginal small businesses are very small in size, operating as a sole proprietorship and without employees, and are home-based. While most of these businesses focus on local markets and have a fairly diverse customer base, they nonetheless find themselves operating in a competitive business environment.

Business location

The majority of Aboriginal-owned businesses are located off-reserve and home-based. The most common reason for selecting a location is to be near family or in the owner's community.

Most (72%) First Nations business owners say their business is located on a reserve, while most Métis (97%) and Inuit (81%) say their business is located off-reserve. Overall then, a majority (63%) of Aboriginal businesses are located off-reserve (compared to 36% on-reserve). (Q.16)

The majority of Aboriginal businesses are home-based, and this is the case regardless of whether they operate on- or off-reserve. Two-thirds (67%) of Aboriginal small business owners report that their business currently operates from their home or the home of their business partner. (Q.15)

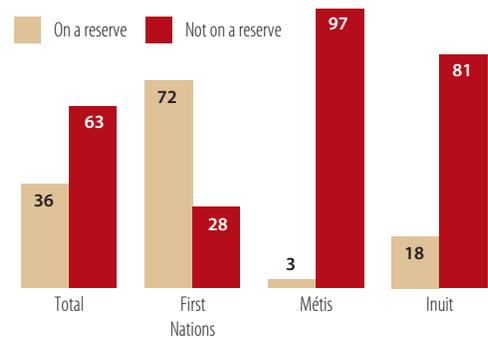
Home-based businesses vary in a predictable way by business type, being most common among smaller firms (i.e., unincorporated with no employees) and least common among larger firms (i.e., incorporated with employees). Firms operated from home are also more likely to be in the construction and service industries, and among university graduates.

Reasons for choosing location. The most common reason why Aboriginal business owners started their business where they did is because it is in a community where they already live or have family connections. When asked how they decided where their business should be located (unprompted, without offering response options), half (52%) of business owners say it was near their family or in their community. Some chose their location based on its proximity to customers and markets (20%), or the affordability of real estate (15%). Smaller proportions (6% or fewer each) took into account the tax benefits for on-reserve businesses (6%), the availability of space (3%) or labour (3%), or acquired an existing business in an already-established location (4%). (Q.17)

Proximity to family is the most common reason across all population segments. However, it is less commonly mentioned by owners of the largest businesses (i.e., incorporated businesses with employees), who are more likely than others to say they chose their location based on proximity to customers, markets or labour, or because they acquired an already-existing business.

Notably, only a small proportion (14%) of those with businesses located on a reserve explicitly mention the tax benefits of this location as a reason behind their decision to locate on-reserve.

Business located on-reserve or off-reserve?



Q.16 – Is this business located on-reserve or off-reserve?

Business operated from home?



Q.15 – Does this business currently operate from your home (If a partnership: or from the home of another business owner)?

Corporate governance

Ownership structure



Q.3 – Is the business a...?

Sole owners predominate among Aboriginal businesses.

Most Aboriginal businesses (72%) included in the survey are unincorporated, operating as either a sole proprietorship (61%) or a partnership (11%). One-quarter (26%) are incorporated under a federal or provincial charter, a proportion largely consistent with that reported by the 2006 Census.⁹ (Q.3)

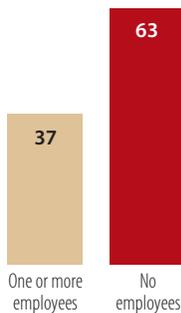
Businesses owned by one person are, by far, more common in Quebec (82%) and Ontario (76%). They are also more typical among on-reserve businesses (80%) than those off-reserve (50%), and therefore among First Nations business owners (75%), compared to Métis (47%) or Inuit (57%). Furthermore, women (69%) are more likely than men (55%) to be sole proprietors.

Sole proprietors are also more likely to be in the services sector, and are less likely to be successful (i.e., have not been profitable in the past year, have not experienced increased sales and do not expect income growth in the next two years).

Incorporated businesses are more common in Alberta and Saskatchewan, are typically larger businesses with employees, and evidence a higher rate of success (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years). As could be expected, on-reserve businesses are much less likely to be incorporated (8% vs. 37% located off-reserve) (an incorporated company is not eligible for tax exemptions under Section 87 of the Indian Act).

Size of business

Business employment structure



Subsample: Those who have employees

Q.2b – For the purposes of this survey, we are defining small businesses as those with 100 employees or less. Does your organization have 100 employees or less?

Four in ten Aboriginal business owners create jobs for others.

A sizable proportion of self-employed business owners also employ others. Almost four in ten (37%) report having at least one employee, while 63 percent say they have no employees, figures that are consistent with the 2006 Census. (Q.2b)

Aboriginal business owners in the agriculture and construction sectors are most likely to employ others, with at least five in ten indicating they have employees other than themselves. Service businesses have the lowest proportion of employees at 27 percent. Men (45%) are more likely than women (23%) to employ others, although this likely a reflection of the greater concentration of male business owners in the agricultural and construction sectors.

Businesses with employees also have a higher incidence of business success (i.e., firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) than those with no employees (40% versus 18%).

9 Among those businesses not a sole proprietorship, it was required that they be majority-owned by Aboriginal persons, but not a community-owned business, to qualify for the survey.

Markets

Most Aboriginal-owned businesses focus on local markets to sell their goods and services, with a small, but growing, group that operates outside Canada.

Geographical distribution of sales. Aboriginal small business owners are most likely to have clients in their own community or province/territory, but about half have clients in other provinces or territories, and smaller proportions operate internationally.

When asked in which of a list of geographical areas their business has clients, most Aboriginal small business owners say that they have clients in their local community (85%) and in their province or territory (73%). (Q.18)

A sizable proportion of Aboriginal business owners have also cast their sights further afield. Half (48%) have clients elsewhere in Canada, one-quarter (26%) have clients in the U.S., and two in ten (18%) have clients in countries other than Canada and the U.S. (up from 13% of Aboriginal business owners who sold goods and services outside of Canada in 2002¹⁰).

Local clients are the most common source of business for most segments of the Aboriginal small business population, with a few exceptions. Clients in other parts of the province or territory surpass local clients as the top market for incorporated businesses with no employees, while businesses in the agriculture sector are equally likely to have local clients and clients elsewhere in their province or territory.

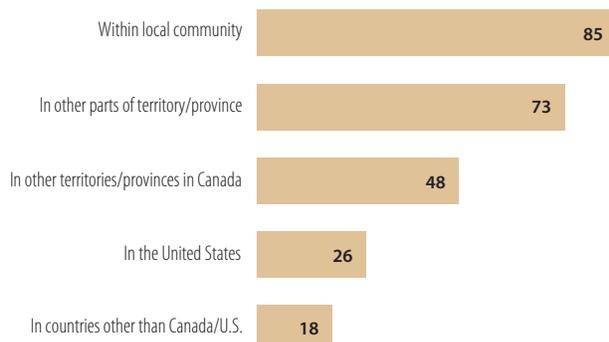
On-reserve businesses are more likely than off-reserve businesses to have clients in their local community, and less likely to have clients in other parts of their province/territory and in other parts of Canada.

Being active in parts of Canada outside their province/territory is more common among incorporated businesses with no employees, and those in the secondary and service sectors.

The secondary and service sectors are also the most active in U.S. and international markets; this is also the case for more established firms (prior to 2005) and B.C.-based businesses. Inuit are less likely than First Nations or Métis business owners to have accessed U.S. markets.

Type of client or customer. Aboriginal small business owners have a fairly diverse customer base. They are most likely to supply goods or services to private sector

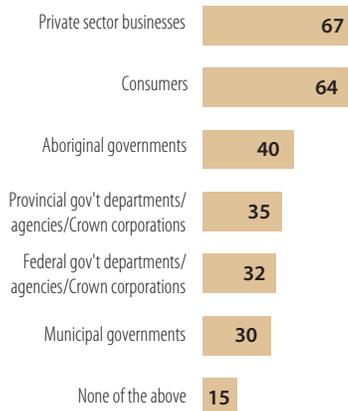
Location of clients



Q.18 – In which of the following places does your business have clients? Within your local community • In other parts of your province or territory • In other provinces or territories within Canada • In the U.S. • In countries other than Canada and the U.S.?

10 2002 Aboriginal Entrepreneurs Survey, Statistics Canada, *The Daily*, September 27, 2004.

Type of clients in past year



Q.19 – In the past year, did you supply goods or services to any of the following • Federal government departments, agencies or Crown corporations • Provincial government departments, agencies or Crown corporations • Municipal governments • Aboriginal governments • Private sector businesses • Consumers?

businesses (67%) and consumers (64%). Between three and four in ten each supply Aboriginal governments (40%), provincial government departments, agencies or Crown corporations (35%), federal government departments, agencies or Crown corporations (32%), and municipal governments (30%). (Q.19)

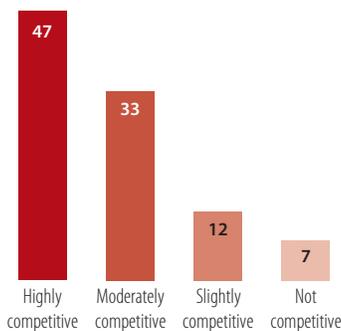
The largest businesses (i.e., incorporated with employees) have the most diverse clientele, being more likely than others to supply to private sector businesses, consumers, and provincial and municipal governments. Access to almost all of these customer types is less common among on-reserve than off-reserve firms, with the exception of Aboriginal governments, which are equally likely to be clients of both groups.

Across the country, firms in the Territories and in Saskatchewan are the most likely to do work for governments at the federal, provincial/territorial and municipal levels; businesses in the Territories are also the most likely to work with Aboriginal governments.

Client type also varies by Aboriginal identity group. Private sector clients are most common among Métis-owned businesses, which are in turn less likely than Inuit and First Nations firms to be supplying Aboriginal governments. Having municipal government clients is most common among Inuit businesses. First Nations firms are less likely than others to be supplying consumers or provincial governments.

Successful businesses (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) are more likely to have supplied all these types of customers or clients.

Level of competition



Q.20 – How competitive is the industry in which your business operates? Would you say ...?

External business environment

Most Aboriginal small business owners consider themselves to be in competitive industries; quality and experience are seen as their main competitive advantages.

Aboriginal business owners find themselves operating in a competitive environment. Eight in ten characterize the industry in which their business operates as highly (47%) or moderately (33%) competitive. Only two in ten (19%) rate their industry as slightly (12%) or not (7%) competitive. (Q.20)

Métis business owners, those located off-reserve, and those in Saskatchewan, Alberta and B.C. are most inclined to see their industry as competitive, as do the most successful firms (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years).

Competitive advantage. Aboriginal small businesses regard quality as their primary competitive advantage. When asked unprompted, without response options offered, one in three say their competitive advantage is offering high quality products or services (34%); experience, knowledge and reputation (18%)

is the next most widely cited advantage. Smaller proportions mention being identified as an Aboriginal business owner (11%), cheaper or competitive pricing (9%), strong relationships with clients (8%), offering better value (7%), being unique or the only one (6%), and location or proximity (6%). (Q.21)

High quality is the most widely identified competitive advantage across most population segments, but is particularly common for the youngest business owners (under 35), Métis and off-reserve businesses, and firms with employees. Experience is more likely to be identified as their advantage by business owners with at least some post-secondary education and by smaller businesses (i.e., firms without employees). Being an Aboriginal business is more widely regarded as an advantage by incorporated firms without employees, but also by on-reserve (and thus First Nations) businesses.

Successful businesses (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) are more likely than others to identify quality and strong client relationships as their competitive edge.

Employees

Almost four in ten Aboriginal business owners create jobs for others, for Aboriginal and non-Aboriginal people alike. Most hire full-time, permanent workers, as well as part-time employees and casual labour. Almost all have at least one Aboriginal employee, and employee skill development is important.

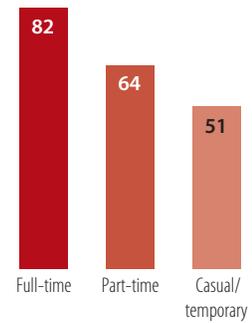
Aboriginal-owned businesses with employees (37% of the total sample) are most likely to hire full-time, permanent workers.

Eight in ten (82%) currently have full-time employees (representing 30% of all Aboriginal businesses). However, these businesses are also a source of part-time and casual work. More than six in ten (64%) currently have permanent part-time employees and half (51%) have casual or temporary employees (representing 23% and 19% of all Aboriginal businesses, respectively). (Q.22)

There is a range in the number of permanent full-time employees employed. More than half (57%) of Aboriginal businesses with employees have five or fewer who are full-time, including one-third (32%) with only one or two. Relatively few (4%) employ more than 25 full-time employees. On average, these small businesses report having 11 permanent full-time employees.

Aboriginal employees. Almost all (86%) Aboriginal businesses with employees say they employ at least one Aboriginal person (representing 31% of all Aboriginal businesses).

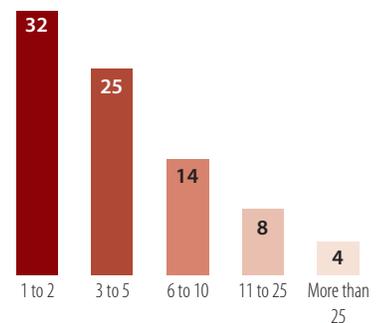
Full-time, part-time and casual employees*



Subsample: Those who have employees (37% of total sample)* In addition to proprietor

Q.22 – Excluding yourself, how many employees does your business currently have who are ...?

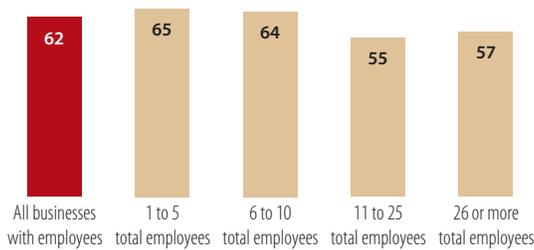
Number of full-time employees



Subsample: Those who have employees (37% of total sample)* In addition to proprietor

Q.22 – Excluding yourself, how many employees does your business currently have who are ...?

Average number of Aboriginal employees*
By total number of employees



Subsample: Those with employees (37% of total)* Includes full-time, part-time and casual employees

Q.23 – How many of your {employee type} are Aboriginal ...?

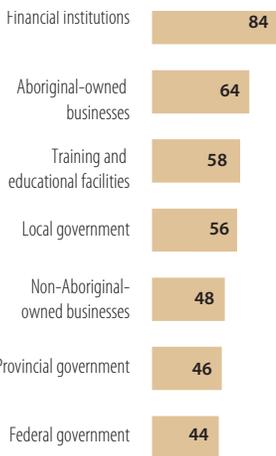
On average, Aboriginal people comprise 62 percent of the employees of these firms. This is higher among smaller firms (i.e., with fewer employees overall), but not dramatically so, suggesting that firms continue to hire Aboriginal employees at a similar rate as they grow. (Q.23)

On-reserve businesses employ a larger proportion of Aboriginal employees (87%), on average, than do off-reserve businesses (51%). Accordingly, the average proportion of Aboriginal employees is also higher among First Nations-owned businesses (83%) and unincorporated firms (71%).

Employee training. The majority of Aboriginal-owned businesses with employees provide them with formal training.¹¹

Six in ten (63%) supported or provided training or education for its employees in the past year. (Q.24)

Importance of institutions to business' success
% very important



Subsample: Those who have employees in any of the categories mentioned in Q.22

Q.24 – Did your business support or provide training or education for its employees in the past year?

Employee training is most likely to be offered by businesses in the agriculture, construction and service industries, and least common among secondary industries. Training is also more common among firms who have received government grants.

Also, successful firms (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) are more likely than others to invest in formal training for their employees.

3 Goals and objectives

This section of the report explores the motivations of Aboriginal small business owners, the extent to which these individuals feel their business has been successful and their future goals.

It is notable that Aboriginal small business owners are largely positive about what they have achieved to date, and expect to be still involved in their business in five years' time. At the same time, stability is the most widespread goal for the coming year, reflecting some of the challenges typical of small business ownership that these individuals find themselves facing (such as financing and cash flow, responsibility and risk, and long hours).

¹¹ "Training" includes courses, on-the-job training, apprenticeship training, private lessons, computer-based training, correspondence courses and/or workshops. It excludes training for workplace safety and first aid.

Reasons for starting business

Aboriginal business owners are most likely to have started a business out of interest in being self-employed, due to the identification of a market opportunity or the desire for a good income.

Aboriginal small business owners give a number of reasons for their decision to start their own business (when asked unprompted, without offering response choices). The most frequently mentioned reasons include a desire to be self-employed or an entrepreneur (25%), having identified a market opportunity (21%), and wanting to make money or a good living (20%). (Q.8)

Smaller proportions cite other reasons for starting a business such as enjoying their job or type of work (14%); the opportunity for independence, freedom or creative control (11%); or creating work for themselves because they are unemployed, retired or disabled (9%). Seven percent or fewer (each) began a business because they were tired of their previous job or working for others (7%); they used previous education or business experience to start a new business (7%); they were looking for a challenge (7%); or wanted to have more time for their family (6%). A few indicate they want to give back to their community generally (4%) or in terms of jobs (5%).

Reasons for starting a new business vary by identity group and age. Métis business owners are more likely to say they aspired to self-employment and having independence/creative control, while financial reasons, and being unemployed, retired or disabled are more common reasons for First Nations peoples. Younger business owners (under 35) are more likely than others to say they identified a market opportunity; a desire for entrepreneurship is more frequently identified by those aged 35 to 44; and the need for a job due to unemployment, retirement or disability is more common among older business owners (45 and older).

Reasons for starting business
Top mentions



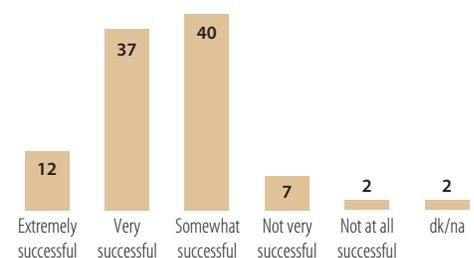
Q.8 – What is the main reason why you decided to start your own business?

Perceptions of business success

Almost all Aboriginal business owners have experienced at least some success, and about half consider their businesses very or extremely successful.

Aboriginal business owners are largely positive about their business success to date, based on their own personal objectives for the business. Half (49%) say their business has been extremely (12%) or very (37%) successful. Another four in ten (40%) describe their business as being somewhat successful. Only one in ten (9%) report that their business not been particularly successful. (Q.9)

Perceptions of business success



Q.9 – Based on your own personal objectives for your business, how successful do you feel your business has been to date ...?

Reasons business is successful

Top mentions



Subsample: Those who feel their business is extremely or very successful

Q.10 – Why do you feel this way?

Higher levels of self-perceived success are more common among First Nations and Métis business owners than among Inuit, who are in turn more likely to say their business has been somewhat successful. The smallest businesses (i.e., unincorporated businesses with no employees) are less convinced than others of the success of their business to date.

Not surprisingly, perceptions of success are more common among businesses who have clearly achieved financial success (i.e., firms that have been profitable and had increased sales in the past year, and expect income growth in the next two years). Nonetheless, there is a small proportion (14%) of firms that have none of these markers of financial success who nonetheless describe themselves as successful, indicating that they measure themselves against a different benchmark.

Although only a minority in each population segment describe their business as unsuccessful, this proportion is larger in Quebec (22%), among the oldest business owners (14% of those aged 55 and up), and among businesses located on-reserve (12%) (and accordingly, among First Nations peoples; 11%).

Perceived reasons for success. Business owners who feel their business has been extremely or very successful (49% of total sample) were asked why they feel this way (unprompted, without being offered response options). They base their perceptions on three main factors, including their degree of profitability and growth (33%), the personal rewards of the work (26%), and having a steady client base (23%). Smaller proportions judge their success on the longevity of their business (15%), their good reputation (9%), and the opportunities they have created for their employees and the broader community (9%). (Q.10)

Larger businesses (i.e., with employees) are more likely to cite their profit or growth as an indicator of success, while smaller businesses (i.e., without employees) are more likely to mention that they have a good client base.

Perceived reasons for less success. Business owners who think their business is moderately successful (40% of the total population) or who consider it unsuccessful (9% of the total population) list a wide range of reasons for this. Among both groups, the most common reason for not being more successful is the poor economy, followed by marketing difficulties, and a lack or loss of customers. Among business owners who feel modestly successful, there is a minority (27%) who can also point to positive indicators of success, such as doing rewarding work and achieving a profit or growth.

Future business objectives

Stability is of greatest importance to Aboriginal small business owners over the coming year, followed by profitability.

What do Aboriginal business owners most aspire to for their business? When asked to rate the importance of six types of objectives for their business for the coming year, stability and profitability come out on top.

Eight in ten (80%) business owners say that stability is an important business objective for them (rating it as “4” or “5” out of “5” for importance), while three in four (74%) place the same degree of importance on profitability. Slightly fewer, but still majorities, rate personal and/or family employment (63%), growth (62%) and community service (61%) as important to their business in the next year. Community employment is rated as the least important objective (52%). The proportion who rate each of these objectives as not at all important (rating it as “1” out of “5”) is very small, ranging between one and 15 percent. (Q.11)

There is a remarkable consistency in the order of importance of these objectives across different segments of the population, with a couple of notable exceptions. Inuit rate community service and community employment as top objectives, similar to the importance placed on stability, while profitability falls to the bottom of the list. On-reserve businesses also place greater importance on community service, rating it their third most important objective (after stability and profitability).

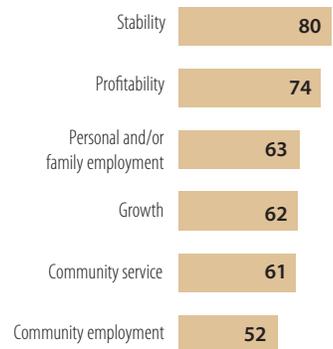
Advantages of being a small business owner

The greatest advantages of being a small business owner are seen to be those associated with being in control, having independence and being able to set one’s own hours.

Aboriginal business people value many things about being a small business owner, with the most frequently mentioned advantages having to do with control and independence.

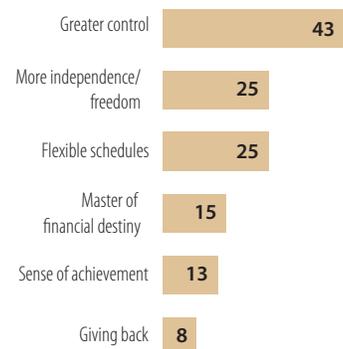
When asked (unprompted, without response options offered), more than four in ten (43%) say the greatest advantage of owning their own business is the degree of control, including being their own boss, making all the decisions and having creative control, and controlling one’s own destiny. One-quarter (25%) identify independence and freedom as benefits, such as the sense of personal autonomy gained from being a business owner and the freedom to do what one wants. Another quarter (25%) enjoy the ability to set their own hours or schedule. Other advantages include greater control over their financial destiny, including the tax breaks available to a small business owner (15%), a greater sense of achievement (13%) and the opportunity to give back to their community (8%). (Q.12)

Importance of objectives for your business
Top 2 box



Q.11 – Please rate the importance of each of the following objectives for your business over the coming year. Please use a scale from 1 to 5, where 1 means not important at all and 5 means very important.

Advantages of being a small business owner
Top mentions



Q.12 – What would you say are the greatest advantages or benefits of being a small business owner? Any others?

Challenges of being a small business owner
Top mentions



Q.13 – What are the greatest disadvantages or challenges of being a small business owner? Any others?

The perceived advantages to being a small business owner are largely consistent across the population, with a few exceptions. A flexible schedule is more frequently identified as a benefit by younger business owners (under 45 years), unincorporated businesses with no employees, and First Nations and Métis business owners (compared to Inuit). In turn, independence and autonomy is more commonly identified by older business owners (45 and older) and incorporated businesses with no employees. Métis are also the most likely to say an advantage of being a small business owner is having greater control.

Challenges of being a small business owner

Managing issues related to financing, cash flow, budgeting and payroll is the most challenging aspect of being an Aboriginal small business owner, followed by the burden of responsibility and long hours at work.

Aboriginal small business owners also identify a number of disadvantages or challenges (when asked unprompted, without offering response options). The most commonly identified challenge is financing, cash flow, budgets and payroll (37%). Responsibility, stress and risk (21%), and the long hours and limited time off (19%) are also seen as major challenges. Smaller proportions mention a number of other challenges or disadvantages, including competing with larger businesses (10%); recruitment, management and retention issues (9%); dealing with regulations, governments and bureaucracy (9%); finding and retaining clientele (8%); and marketing and advertising of services and products (5%). (Q.13)

The perceived disadvantages of small business ownership vary somewhat by business type, Aboriginal identity group and age. The smallest businesses (i.e., non-incorporated with no employees) are more likely than others to cite challenges related to finding customers and marketing their products or services, and are less likely to express concern about having to compete with other businesses. In contrast, incorporated businesses with employees are more likely to mention issues related to employees, dealing with regulations/governments/bureaucracy and taxes. Non-incorporated businesses with employees are least likely to mention the amount of responsibility and stress as a disadvantage.

Long hours and limited time off are challenges more commonly mentioned by younger business owners (under 45 years), and by Métis and First Nations peoples, compared to Inuit. Métis and business owners in the Prairie provinces are more likely than others to say dealing with regulations and governments is a challenge. Difficulties finding and maintaining clientele is more widely mentioned by on-reserve businesses than those located off-reserve.

Future expectations

Most Aboriginal business owners are confident they will still be running their business five years from now.

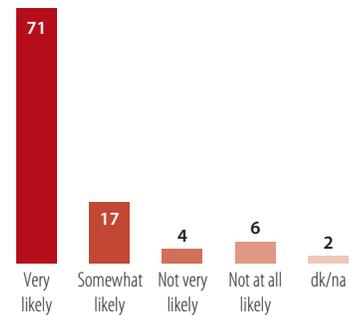
Notwithstanding the inherent challenges of running a small business, Aboriginal business owners are confident their business will be around for some time to come. Seven in ten say it is very (71%) likely that they will still be running their business in five years' time, and another two in ten (17%) say it is somewhat likely. Only 10 percent think it is unlikely that they will still be running their business. (Q.14)

As one would expect, younger business owners (under 55 years) and those with newer businesses (established in or after 1995) are more likely than others to believe their business will still be running five years from now. This view is also more common among business owners who have received government grants or contributions.

Although only a minority express serious doubt about the long-term nature of their business (i.e., not very or at all likely), this proportion is larger among small business owners without employees than those with employees.

Not surprisingly, those with successful businesses (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) are most certain (86% very likely) they will still be running their business for some time to come.

Likelihood of running business in five years



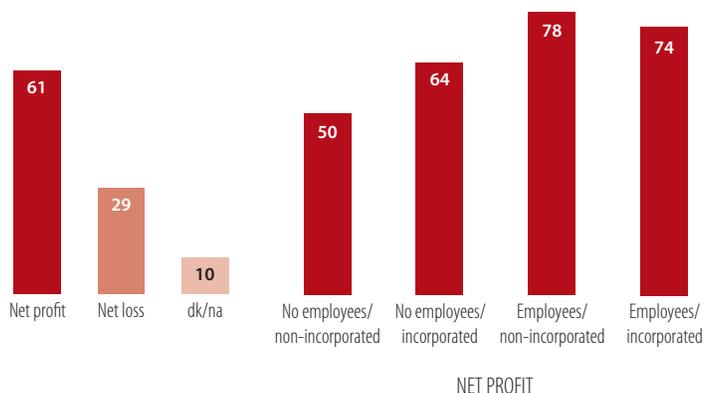
Q.14 – Thinking ahead, how likely is it that in five years time you will still be running this business? Is it ...?

4 Business growth

Beyond their personal sense of achievement, what degree of financial success have Aboriginal small business achieved? The 2011 ABS found relatively widespread profitability, and a modest degree of growth, between 2009 and 2010, and that the impact of the global economic downturn varied considerably across Aboriginal businesses.

More importantly, Aboriginal business owners expect their businesses to grow – and if they do not, overall economic conditions, and difficulties accessing financing and equity/capital, are considered the most likely reasons why not.

Net profit or net loss for previous fiscal year



Q.35 – For your most recent fiscal year, did your business experience a net profit or a net loss?

Profitability

A majority of Aboriginal business owners reported a net profit for their previous fiscal year.

Aboriginal small business owners are twice as likely to have experienced a net profit as a net loss for their most recent fiscal year. Six in ten (61%) say their business experienced a net profit, compared to three in ten (29%) who say they had a net loss (10% cannot or decline to provide this information). (Q.35)

A net profit is most common among larger organizations (i.e., those with employees)

and least widespread among unincorporated businesses without employees. Otherwise, similar proportions of businesses across industries, regions and location (i.e., on-reserve and off-reserve) say they were profitable in the past fiscal year. Interestingly, businesses without a business plan (61%) are as likely as those with one (60%) to report a net profit.

Just how profitable are Aboriginal small businesses? Half (51%) of those whose business experienced a net profit report modest gains under \$50,000 in the most recent fiscal year. Among the two in ten (19%) who report more substantial gains (\$90,000 or more), they are more typically larger businesses with employees (31% incorporated, 26% unincorporated). Aboriginal business owners in Alberta (37%) and those who operate businesses in agriculture (55%) are most likely to report net profits of \$90,000 or more in the past fiscal year. (Q.36)

Among those whose business experienced a net loss, business owners typically report a nominal loss of less than \$10,000 (45%), rising to seven in ten (69%) who report a loss under \$50,000. Only a handful (13%) report higher net losses, with few (3%) who say they lost \$90,000 or more. Seventeen percent of business owners in this group are unable or unwilling to specify the amount of their net loss in the past fiscal year. (Q.37)

Revenue growth

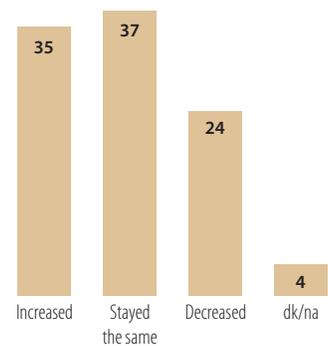
Though only one-third saw their revenues increase from 2009 to 2010, a majority of Aboriginal businesses expect revenue growth in the next two years.

The change in gross sales revenues (i.e., the total amount of money received for goods sold or services provided) for Aboriginal business owners between 2009 and 2010 was mixed. One-third (35%) report their revenues increased over the year, compared to one-quarter (24%) who say they saw a decrease. The remainder (37%) say their gross sales revenues stayed the same from 2009 to 2010. (Q.30)

Sales increases are much more likely to be reported by larger businesses (i.e., those firms with employees; 48%) than by smaller firms with no employees (28%). Regional variations in reported revenue growth are also evident— Aboriginal business owners in Manitoba (47%), B.C. (43%) and Saskatchewan (41%) are most likely to report an increase in gross sales revenues, while those in Quebec, Ontario and Alberta are among the least likely, perhaps reflecting the stronger economic downturns experienced in 2009/2010 by the latter provinces.

Sales increases are more widespread among businesses located off-reserve (39%), those who report they have a business plan (42%), and those who have received government grants and contributions (45%). However, similar proportions of Aboriginal business owners across industries saw gross sales revenues grow between 2009 and 2010.

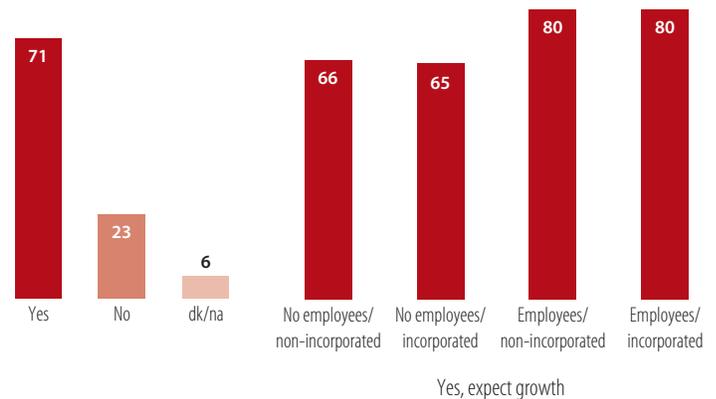
Change in gross sales revenues 2009–2010



Q.30 – Between 2009 and 2010, have your business' gross sales revenues ...?

Expectations of future growth. Although only a minority of Aboriginal business owners reported a sales increase in the previous fiscal year, they are nonetheless optimistic about future growth. Seven in ten (71%) expect sales revenues to grow within the next two years; only one-quarter (23%) do not expect growth. This optimism is generally widespread, with Aboriginal business owners in agriculture (82%), off-reserve businesses (76% vs. 61% of on-reserve businesses) and firms with a business plan (77% vs. 69% without a plan) among those most likely to expect growth in the next two years. (Q.31)

Expect growth in sales revenues over the next two years



Q.31 – Do you expect your business' gross sales revenues to grow within the next two years?

Notably, almost all of those Aboriginal business owners who have received government grants and contributions (91%) expect their gross sales revenues to grow in the next two years.

Not surprisingly, the percentage of Aboriginal business owners who expect their revenues to grow rises to nine in ten (89%) of those who saw increased sales revenues between 2009 and 2010.

Finally, expectations of growth are not influenced by profitability. Similar proportions of business owners with a net profit (75%) and a net loss (67%) in the most recent fiscal year anticipate growth in revenues in the next two years.

Income growth. Perhaps a reflection of their optimism about future revenues, a sizable majority of Aboriginal business owners expect their business income (i.e., the amount remaining after all expenses have been deducted from revenues) to grow in the next two years.

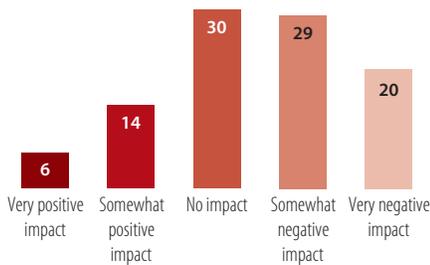
Three-quarters (75%) of Aboriginal business owners say they expect their business income to grow in the next two years, compared to two in ten (20%) who do not (5% are unable or unwilling to say whether or not they expect business income to grow). (Q.38)

Aboriginal business owners in western Canada (Manitoba, Saskatchewan, Alberta and B.C.) are among the most optimistic of future business income growth, although (albeit smaller) majorities in other regions also foresee income growth. Notably, those Aboriginal businesses that have received government grants or contributions (89%) are considerably more likely than those that have not (73%) to think their business income will grow in the next two years.

Impact of recession

One in two Aboriginal business owners say the recent global economic recession had a negative impact on their business, but taught them the value of more aggressive business practices and greater monitoring of the bottom line.

Impact of recession



Q.39 – To what extent did the recent global economic recession have an impact on your business? Would you say it had a ...?

A majority of Aboriginal business owners say the recent global economic recession had an impact on their business, and that in most cases, the impact was negative.

One in two Aboriginal business owners say the recent recession had a very (20%) or somewhat (29%) negative impact on their business. A negative impact was more widespread among businesses in B.C. and Alberta, as well as off-reserve businesses (54% versus 39% of businesses on-reserve). Perhaps surprisingly, two in ten (20%) feel the recession had a positive impact on their business, namely on-reserve businesses (25%) and those who have a business plan (26% vs. 17% who do not). Three in ten (30%) say the recession had no impact on their business whatsoever. (Q.39)

What lessons, if any, did business owners learn as a result of the recession? More than half (56%) of businesses who felt some impact (positive or negative) from the recession did glean some valuable lessons, namely the need for more aggressive business practices (19%) and more monitoring of the bottom line (12%). Smaller proportions in this group (5% or fewer each) mention other lessons such as the acceptance of slow growth, the benefit of saving money, and making adjustments to staffing and pricing. However, a sizeable minority say they learned nothing (34%) or are unable to specify what they learned (10%). (Q.40)

Growth strategies

The most popular avenue for achieving business growth is increasing client base, followed by growing sales, and offering new services and products. Overall economic conditions, closely followed by access to financing and access to equity or capital, are seen as top barriers to growth.

Aboriginal businesses focus on improving the basics. Among the businesses that expect revenues to grow in the next two years (who represent 71% of the total population), half (49%) expect the growth to come from an increase in the number of clients/customers in their current market. The second most commonly cited reason for growth is an increase in sales to existing clients/customers (20%), followed by plans to offer a new product or service (11%), and expansion into new markets in other parts of Canada (10%). Smaller proportions of Aboriginal business owners (4% or fewer each) plan to grow through expansion into foreign markets or have other, unspecified avenues for growth. (Q.33)

Growth strategies are generally common to Aboriginal businesses of all types across industries and regions. However, as one might expect, finding new customers is a particularly popular growth strategy among smaller businesses (i.e., those with no employees).

Obstacles to growth. There are a number of growth hurdles facing Aboriginal firms. Among the difficulties mentioned by companies expecting growth (including currently unprofitable businesses) are overall economic conditions (46% cite this as an obstacle to future growth) and access to financing (43%), followed by access to equity or capital (38%), the sheer cost of doing business (38%) and competition (38%). (Q.34)

At least one-third of Aboriginal business owners also expect the cost of borrowing (37%), infrastructure costs (such as Internet, telephone, electricity, etc.) (36%), government policies rules and regulations (34%), and a lack of available skilled labour (33%) to be challenges to future growth. Of least concern to Aboriginal businesses are trade regulations and/or the exchange rate (15%).

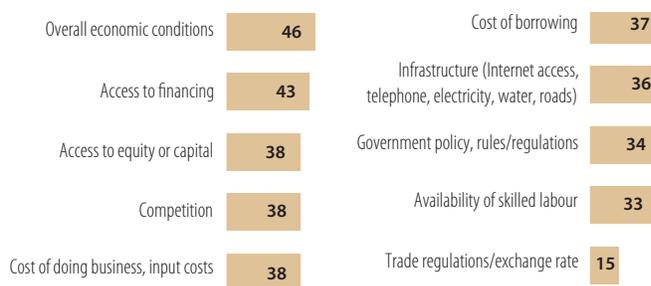
How do you expect to achieve this growth?



Subsample: Those who expect that their business' gross sales revenues will grow within the next two years

Q.33 – How do you expect to achieve this growth? By selling more to existing customers • By finding new customers within existing markets * By expanding into new markets in other parts of Canada * By expanding into foreign markets * By offering a new product or service?

Obstacles to growing business over the next two years
Top 2 box



Subsample: Those who expect that their business' gross sales revenues will grow within the next two years

Q.34 – To what extent do any of the following present obstacles in growing your business over the next two years? Please use a scale from 1 to 5, where 1 means not at all and 5 means a great deal.

Generally speaking, Aboriginal business owners display a similar pattern of concern about these obstacles, regardless of industry, region, location (i.e., on-reserve or off-reserve), business type and degree of business success. However, there are some notable variations. For instance, Aboriginal business owners with a business plan are much more likely than those without one to anticipate that access to financing (55% versus 38%), and access to equity or capital (46% versus 35%) will present obstacles to their business growth in the next two years.

As well, business owners who experienced a net loss in the past year (but still expect to grow in the next two years) display considerably greater concern about access to financing, the cost of borrowing, competition, overall economic conditions, and access to equity and capital than those who had a net profit.

Concern about overall economic conditions and competition is less acute among on-reserve businesses than off-reserve businesses. Regionally, Aboriginal business owners in Atlantic Canada (64%) are more likely than those elsewhere to see access to financing as an obstacle, and businesses in Saskatchewan are most likely, by far, to say access to equity or capital (65%), and availability of skilled labour (57%) will present obstacles to their growth in the next two years.

In the case of businesses not expecting to grow (who represent 23% of the total population), the most frequently cited reason is lack of access to financing and/or economic conditions (51%), followed by lack of interest in expanding further (33%). Least common is the reluctance to take on the risks associated with growing their business (11%). (Q.32)

5 Growth factors for Aboriginal business

This section of the report explores various factors that can contribute to or impede the growth of small businesses, and the extent to which they are a consideration for Aboriginal businesses.

Financing and barriers to capital have traditionally been cited as obstacles to starting up and growing a business for Aboriginal entrepreneurs, and the widespread reliance on personal savings for these purposes reported in the *2011 ABS* tends to support this view. The results also reveal that many Aboriginal businesses have introduced recent innovations, but relatively few have a business plan. As well, there is clearly an opportunity to increase awareness of and access to support or guidance from outside organizations, including financial institutions and governments.

Financing

By far, Aboriginal business owners rely on personal savings for start-up financing, which also ranks as a top source of ongoing financing for most businesses.

Access to sufficient levels of capital is a critical component of the successful growth and development of any business. Several factors may impede a firm’s ability to obtain this necessary financing, including its stage of development, sector of operation or size.

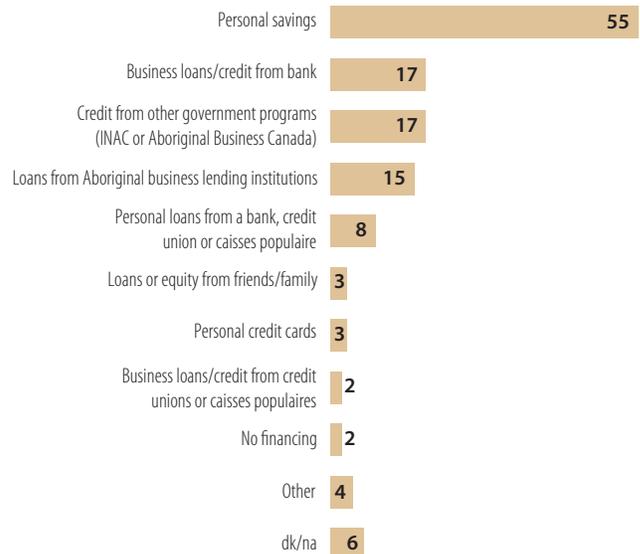
As noted in a previous section of the report, Aboriginal business owners rank access to financing and equity/capital as top obstacles to their business’s future growth. This view is widespread. Inadequate access to debt and/or equity capital to finance their business may in part explain the common reliance of Aboriginal business owners on personal savings, both as start-up financing and a source of financing ongoing business operations, even among established and larger firms.

Start-up financing. Aboriginal businesses relied much more heavily on personal savings than on loans, equity or debt to start up their business. More than one-half (55%) of business owners say they used personal savings to start up their business. At a distant second, less than two in ten each say they used business loans/bank credit (17%), credit from other government programs (such as INAC or Aboriginal Business Canada) (17%) or loans from Aboriginal business lending institutions (15%) to start their business. Much smaller proportions of business owners (8% or fewer each) used personal loans from a bank, loans or equity from friends and/or family, and personal credit cards to start their business. (Q.41)

Personal savings are used most frequently by smaller businesses (i.e., unincorporated, with no employees) as a source of start-up funds, although it is also the top source of start-up financing for larger businesses, albeit to a lesser degree. Among larger, incorporated businesses, business loans or credit from a bank (37%) is almost as common a source of start-up financing as personal savings (43%).

Personal savings are also used more frequently in the services sector (65% versus an average of 45% of business owners in other industries), where start-up costs are generally lower, and among newer businesses (i.e., established since 2005).

Sources of financing used to start up business



Q.41 – What was the main source of financing you used to start up your business? Did you use any other sources of start-up financing?

In fact, the use of personal savings as a source of start-up funds appears to have increased over time. Newer businesses (i.e., established in the past 15 years) are more likely than older ones to say they used personal savings (61% vs. 39%). In turn, older businesses (i.e., those established prior to 1995) are twice as likely as those more recently established to say they used business loans and credit from a bank as start-up financing.

A potential explanation for the apparent increase in use of personal savings as start-up financing may be shifts in the demographic composition of Aboriginal business owners over time. The high growth sectors for Aboriginal businesses in the past two decades have been non-primary industries, such as services, and the financing needs of these ventures are significantly different than the SMEs that composed a significant proportion of the 1996 sample. Self-employment as a result of education and training in the services sector produces entrepreneurs with different needs than entrepreneurs who own larger SMEs. As well, limited access to financing may be further exacerbated by the fact that businesses in this sector are typically very small, sole-owner enterprises that evidence a lower rate of business success (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years).

Notably, Aboriginal businesses that have received government grants and contributions are much more likely to mention they used business loans/bank credit and credit from other government programs as start-up financing.

Finally, perhaps surprisingly, while businesses located on-reserve are twice as likely as those located off-reserve to have used loans from Aboriginal business lending institutions as start-up financing, the overall proportion of on-reserve businesses that reported using this form of financing is small (20%). On-reserve or off-reserve, Aboriginal businesses rely, first and foremost, on personal savings for start-up financing.

Importance of current sources of financing
Very/somewhat important



Current sources of financing. In addition to being the primary source of start-up financing for Aboriginal businesses, personal savings are the most common source of financing ongoing business operations.

Three-quarters (75%) of Aboriginal business owners cite personal savings as an important source of financing to their business at the present time, including 52 percent who say it is very important. Retained earnings are an equally important financing source (74%). Fewer, albeit still majorities, say *business* loans or lines of credit from financial institutions (62%), *personal* loans or lines of credit from financial institutions (55%), Aboriginal lending agencies and capital corporations (52%), and government grants and loans (51%) are important sources of financing to their business at this time. (Q.42)

Q.42 – Please tell me whether each of the following sources of financing is very important, somewhat important, not very important or not at all important to your business at the present time ...?

The importance of current sources of financing is fairly consistent among Aboriginal business owners, with a few exceptions. For instance, not surprisingly, retained earnings are a more common source of current financing for successful businesses (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years). Notwithstanding this difference, successful and unsuccessful businesses differ little in the importance they place on personal savings, business loans or lines of credit, government grants and loans, and personal loans or lines of credit to their business at the present time.

The importance of personal savings is higher among on-reserve businesses, which are also more likely than off-reserve businesses to say business loans from financial institutions are *not at all* important at the present time (26% vs. 18%).

Larger, more established businesses clearly require a greater range of financing options. Owners of incorporated businesses with employees are much more likely than others to say business loans or lines of credit from financial institutions, along with Aboriginal lending agencies and capital corporations, are very important to their business at the present time.

Barriers to capital. Aboriginal business owners have mixed views about whether or not there are barriers that restrict their access to capital.

When asked what barriers, if any, restrict their access to capital (unprompted, without being offered response options), equal proportions of Aboriginal business owners cite at least one barrier (42%) or none at all (41%). A small proportion of business owners (17%) is unable or unwilling to specify any barriers that restrict their access to capital. (Q.43)

Among those business owners who perceive barriers to capital, no one barrier stands out. Indeed, they cite a wide variety of barriers, but most commonly mention government regulations and bureaucracy (10%), lack of collateral (7%), and poor credit rating or debt-to-equity ratios (6%). Eight percent of on-reserve businesses mention section 89 of the *Indian Act* (which limits on-reserve businesses from using assets as collateral).

Smaller proportions (4% or fewer each) cite being a new, high-risk business; lack of profitability; lack of knowledge and/or information; or being located on a reserve as barriers that restrict their access to capital.

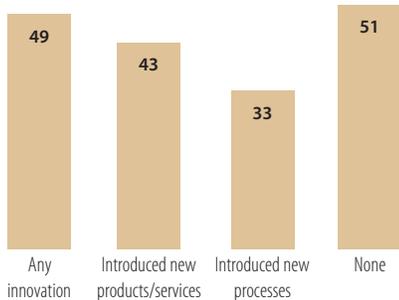
Business owners in B.C., Alberta, Saskatchewan and Ontario are more likely than their counterparts in other parts of the country to perceive barriers to capital, as are those with a business plan (53% versus 38% of those with no business plan).

The proportion of Aboriginal business owners who perceive no barriers does not vary across the population, with one exception: this perception is more widespread among men (44%) than women (35%).

Innovation

Aboriginal businesses recognize the importance of being innovative.

Innovation within business



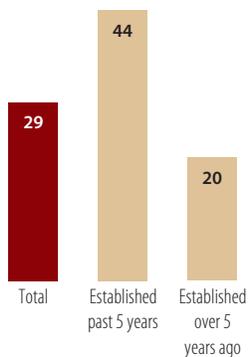
Q.27 – I would now like to ask you about innovation within your business. In the past three years, did your business ...?

Aboriginal businesses, particularly successful ones, are innovating in product and process design. Despite an adverse economic climate, fully half (49%) of Aboriginal businesses introduced new products and services and/or new processes in their business in the last three years. The largest group (43%) introduced a new product or service, followed by one-third (33%) who introduced a new process to improve their business. One-quarter (26%) of Aboriginal business owners report they did both in the last three years. (Q.27)

Aboriginal SMEs most likely to introduce innovations in the past three years include incorporated firms with employees (65%), firms with a formal business plan (62% versus 42% of those with no business plan), and Aboriginal firms that have received a government grant or contribution (61% versus 47% of those who have not).

As well, successful firms (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) introduced new products (55% versus 43%) and processes (42% versus 33%) at a higher rate than Aboriginal businesses overall.

Had a written business plan in place for the past year



Q.25 – Did your business have a written business plan in place for the past year?

Business plan

A minority of Aboriginal businesses have a formal business plan.

Relatively few Aboriginal businesses report having a written business plan in place for the past year. Three in ten (29%) say they did, and this is twice as common among newer ventures (44% of those firms established in the last five years versus 20% of businesses established 2004 and prior) and businesses that have received government grants and contributions, the requirements of which likely necessitate a written business plan. It is also more common among business owners who have taken business training courses at the post-secondary level (39%). Seven in ten (71%) Aboriginal businesses did not have a written business plan in place. (Q.25)

Composition of business plan. Among those with a business plan, the composition of the plan varies. A financial plan was the most common feature (82%), followed by a marketing plan (77%), while fewer have a product

development plan (47%) or a human resources plan (45%). As could be expected, business plans vary somewhat by industry sector: for example, product development plans are more common among businesses in agricultural and secondary industries compared to businesses in the construction and services sectors. Business plans among on-reserve businesses are also less likely than off-reserve businesses to include a marketing plan. (Q.26)

Business training

Three in ten Aboriginal business owners have taken business training courses.

A minority of Aboriginal business owners have had formal business training at the college or university level. Three in ten (28%) say they have taken business training courses, while seven in ten (71%) have not. (Q.C)

Business training is more common among incorporated firms with no employees (39%), firms in the service sector (36%) and women business owners (37%). Such training is also understandably more common among those with a college or university education; only nine percent of those with a high school diploma or less education have taken formal business training.

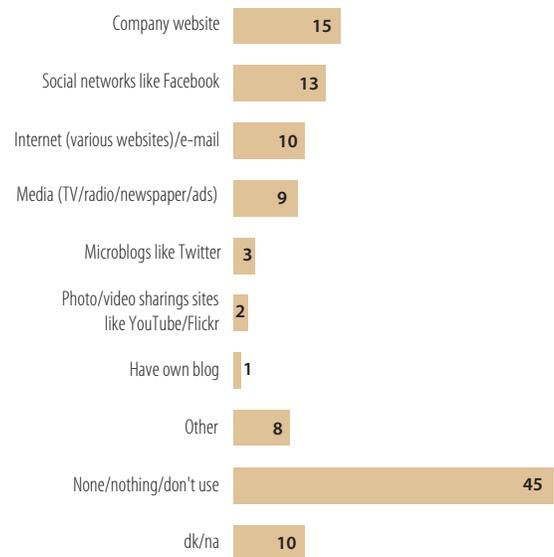
Social media

Close to half of Aboriginal business owners use some type of social media in their business, most commonly a company website.

To what extent do Aboriginal entrepreneurs use social media tools in their business? Aboriginal businesses are split on their use of social media: almost half (45%) say they use some form of it in their business activities, while an equivalent proportion (45%) do not (10% of business owners are unable to say whether they use social media). Social media use is lower among on-reserve businesses (33% vs. 52% of off-reserve businesses) and among less successful businesses (32%). (Q.28)

The most common type of social media used is a company website (15%), followed by social networks such as Facebook (13%), e-mail and Internet searching (10%), and following media (e.g., newspapers; 9%). Three percent or fewer use other forms of social media such as microblogs (e.g., Twitter), photo or video sharing on sites like YouTube, or have their own blog.

Social media tools used in business



Q.28 – Which, if any, social media tools do you use in your business?

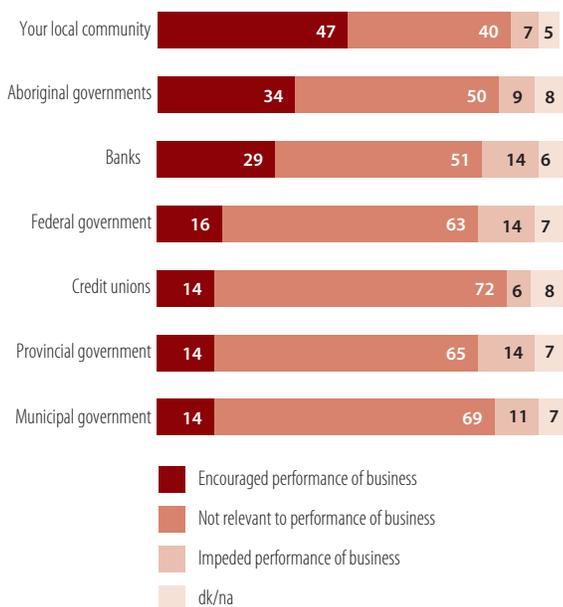
Institutional supports

A minority of business owners have someone who has provided them with advice about their business. While governments and financial institutions certainly offer business support, relatively few Aboriginal businesses find these organizations relevant to their business performance.

Owning a business is not an easy job, and while Aboriginal people have resources available to them through government, financial institutions and community, it is not always clear what organizations or groups offer the greatest support.

When Aboriginal business owners are asked which individuals or organizations have been particularly important in providing them with guidance or advice about their business (unprompted, without providing response options), a majority (a total of 62%) say there is no one who has played this role or offer no response. Small proportions say that Aboriginal organizations (10%), business development associations (8%), or family and friends (4%) have provided important advice. There are also a few mentions of government programs generally (4%), Aboriginal Business Canada (3%) or the Business Development Bank of Canada (1%). Two percent mention a bank, credit union or lending group. (Q.45)

Role in supporting business



Q.47 – For each of the following organizations or groups, please tell me whether you feel it has encouraged the performance of your business, is not relevant to the performance of your business, or has impeded the performance of your business ...?

Aboriginal business owners were also asked which of a range of organizations or groups encouraged, impeded or were irrelevant to the performance of their business. In general, it is most common to view these organizations as irrelevant to their business. The local community is viewed as the most encouraging (47%), followed by Aboriginal governments (34%) and banks (29%). (Q.47a)

Relatively few Aboriginal business owners indicate that any of these organizations are barriers to their business (ranging from 6% to 14%). Moreover, in the case of the community, Aboriginal governments, banks and credit unions, positive involvement is seen to outweigh the negative. However, governments (federal, provincial and municipal) are felt to be as likely to impede as to encourage Aboriginal business.

Smaller businesses tend to find certain external organizations less relevant to their performance. For instance, incorporated businesses with no employees are less likely than others to consider the local community, Aboriginal governments and municipal governments relevant to their business, while banks and provincial governments are viewed as less relevant to unincorporated businesses with no employees.

While minorities perceive these organizations as impediments to their business performance, this perception is stronger among business owners in Saskatchewan for all of these groups, except their local community.

Across identity groups, Inuit and First Nations business owners are more likely than Métis to find their local community and Aboriginal governments encouraging of their businesses; in turn, Métis find these two groups less relevant to their business than do others. The greater support from the local community felt by First Nations and Inuit is clearly a function of the smaller, tightly-knit communities on First Nations reserves and in Inuit communities (while Métis primarily live in urban areas).

Surprisingly, perceived support from banks and the federal government do not vary by identity group, despite the fact that these organizations can be integral to First Nations communities, who, for the most part, are subject to the *Indian Act*.

It appears that female entrepreneurs may have a stronger network in the community, with 58 percent of women claiming that their local community has encouraged their business performance, compared to only 40 percent of male respondents. Similarly, 42 percent of self-employed Aboriginal women recognize Aboriginal governments as encouraging, while only 29 percent of men connect Aboriginal governments with positive business performance.

Although, in the case of almost all of these organizations, majorities of business owners indicate that they are irrelevant to one's business performance, this does not necessarily suggest that these entities are inadequate or not important to the prosperity of Aboriginal entrepreneurs. In fact, many of the organizations listed offer grants, loans, and training—some initiatives are even Aboriginal-specific. Then why are many of them viewed as irrelevant to business performance?

It may be that some of these entities have not created sufficient awareness in the Aboriginal business community of the support they offer. Merely getting the message out to Aboriginal entrepreneurs, economic development officers and Aboriginal organizations might increase Aboriginal participation and relationships. Perhaps this is why many participants identify local community and Aboriginal government as encouraging to their businesses; it may be due to the strong connection and relationship many Aboriginal entrepreneurs have with their communities.

Type of guidance desired. Relatively few Aboriginal business owners can identify the kind of advice or guidance they would like to have about their business that they don't currently have access to. The most commonly desired information is financial or accounting advice (12%), and business management mentoring (11%). Smaller proportions would like marketing advice (6%), advice about how to locate resources (5%) and assistance with government programs (4%). Two-thirds (65%) cannot think of any guidance they might like to have, which may be a case of not knowing what they do not know, and presents an opportunity for the private sector and governments to educate and inform. (Q.46)

Use of government programs

A minority of Aboriginal business owners have used any government programs, including one in ten who report using INAC’s Aboriginal Business Canada program.

A modest number of Aboriginal business owners have used a government program in the start-up and maintenance of their business. Three in ten (29%) report using a government program, the most common being Indian and Northern Affairs Canada’s (INAC) Aboriginal Business Canada (ABC) program (10%). Small proportions have used unspecified small or start-up business loans/ grants from government (3%), various employment/training/ apprenticeship programs (3%) or funding from Aboriginal organizations (3%). A range of other government programs are identified by one percent or fewer each. A majority of seven in ten (69%) Aboriginal business owners indicate they have not used any such government programs (2% are unsure or unwilling to say). (Q.48)

Government programs used in the start-up and maintenance of business



Q.48 – What government programs, if any, have you used in the start-up and maintenance of your business?

Reported use of any government programs is highest in Saskatchewan (40%) and lowest in Alberta (18%), and relatively even elsewhere. Such program use is also lower among incorporated firms with no employees, firms in the agricultural sector and Aboriginal business owners without a post-secondary education.

Reported use of INAC’s ABC program is, by far, the highest in Saskatchewan (23%). It is also accessed primarily by First Nations and Métis business owners; fewer than one percent of Inuit say they have used this program (although the proportion of Inuit who have used any government program is similar to First Nations and Métis). Notably, highly or moderately successful firms (based on their profitability, sales growth and expected income growth) are more likely to have used the ABC program than low-success firms.

Reasons for not using government programs. Aboriginal business owners who have not used any government programs in the start-up and maintenance of their business (69% of the total sample) were asked the main reasons why not (unprompted, without offering response options).

A variety of different reasons are given, including a lack of awareness of the programs available (22%), a lack of perceived value or relevance to them (17%), concerns about too much paperwork or red tape (17%), a desire to be independent and not rely on government (15%), and not qualifying or applying and being turned down (15%). Smaller proportions (6% or fewer each) have not used a government program because they had difficulty accessing them, found

nothing applicable to their business, found it hard to find information about them, or because they have just started or are a very small business. (Q.49)

A lack of awareness is more often cited as a reason for not using government programs for Aboriginal business in the Prairie provinces, among Aboriginal business owners without a post-secondary education, and among Métis and Inuit business owners than First Nations. Lack of awareness is also more common among firms in the agricultural sector, while lack of need is more widely cited among those in the construction, secondary or service sectors. Highly or moderately successful firms (based on their profitability, sales growth and expected income growth) who have not used a government program are also more likely than low-success firms to say they do not need such programs. Aboriginal business owners in the Territories are the most likely to say they have not used government programs because of the bureaucracy involved, while those in Quebec are most likely to want to avoid relying on the government.

Competing for federal government contracts

One in six Aboriginal business owners have bid or considered bidding on a PSAB set-aside. A majority of this group consider the current PSAB criteria to be reasonable.

The Procurement Strategy for Aboriginal Business (PSAB) has been a conduit to increase the number of Aboriginal suppliers bidding for, and winning, federal contracts.

Four in ten (39%) Aboriginal business owners have bid or considered bidding on a Government of Canada contract. Within this group, a minority (40%) indicate that the contract was a PSAB set-aside – representing 16 percent of all Aboriginal business owners.¹² This breaks down into nine percent who have bid on a PSAB set-aside, and another seven percent who have considered bidding on one. (Q.50 and 51)

Having bid or considered bidding on a PSAB set-aside is most widespread in the Territories (29%), among incorporated businesses with no employees (23%), and among business owners with a university degree (36%); it is lowest among the youngest business owners (9% of those under 35), and those with a high school education or less (9%). Successful firms (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years) are more likely than less successful firms to say they have pursued or considered a PSAB set-aside.

Bidding on PSAB set-aside contract

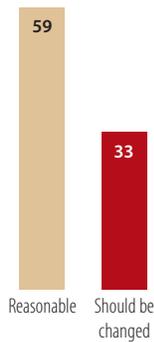


Subsample: Those who have bid or consider bidding on a Government of Canada contract

Q.51 – Was the contract a PSAB {If asked: Procurement Strategy for Aboriginal Business} set-aside?

12 The Procurement Strategy for Aboriginal Business (PSAB) is “a strategy that was launched by the federal government to increase the number of Aboriginal suppliers bidding for, and winning, federal contracts.” The strategy often uses set asides exclusively for Aboriginal business to bid on. The eligibility requirements for the Set-Aside program include proof of Aboriginal identity of the business owner and/or a proportion of the employees, such as Indian registration in Canada, membership in a recognized Aboriginal organization, acceptance by an established Aboriginal community, or enrolment or membership in a group with a land claim agreement. Indian and Northern Affairs Canada. Procurement Strategy for Aboriginal Business (PSAB) Frequently Asked Questions. Retrieved on February 3, 2011 at: <http://www.ainc-inac.gc.ca/ecd/ab/psa/faq-eng.asp#100126>

Is PSAB criteria reasonable or should be changed?



Subsample: Those whose contract was a PSAB set-aside

Q.52 – The eligibility criteria under a PSAB set-aside are that Aboriginal persons have majority ownership and control; in the case of an enterprise with six or more employees, at least 33 percent of full-time employees are Aboriginal persons; and, in the case of a joint venture or consortium, 33 percent of the work is performed by Aboriginal persons. Do you think the current criteria are a reasonable way to prove a business is an Aboriginal business, or should the criteria be changed?

Views of current PSAB criteria. Aboriginal business owners who have ever bid or considered bidding on a PSAB set-aside are more likely to support than oppose the current PSAB criteria.¹³ Six in ten (59%) say that the criteria are a reasonable way to prove a business is Aboriginal, while one-third (33%) say the criteria should be changed (7% cannot provide an opinion). (Q.52)

Satisfaction with the current PSAB criteria is highest among successful firms (i.e., those firms that have been profitable in the past year, had increased sales and expect income growth in the next two years), while less successful firms are divided about the suitability of the criteria.

Those dissatisfied with the criteria would prefer to see it focus more on the owner(s) or operator(s) of the business, and less on the employee make-up. When asked how and why the criteria should be changed (unprompted, without offering response categories), the two primary recommendations are to require businesses to be 100 percent Aboriginal-owned and operated (34%), and to reduce the requirements for number of employees, both generally and specific to Aboriginal employees (26%). The main reasons for this are the difficulty finding qualified Aboriginal employees (31%), and the perceived frequency with which non-Aboriginal firms qualify for a PSAB set-aside due to their affiliation with an Aboriginal firm (7%). (Q.53)

6 Aboriginal businesses by degree of success

This chapter examines the differences between firms that have achieved varying levels of success in terms of profitability, revenues and growth in business income. Some of these differences have been noted throughout the report. The aim of this section is to provide a summary of those differences, as well as insight into actions that less successful Aboriginal firms might take to improve their financial performance. The analysis undertaken here replicates an analysis by D. Caldwell and P. Hunt in their 1998 report, *Aboriginal Business Characteristics and Strategies for Growth, for Industry Canada*.

¹³ As part of the question, respondents were told: “The eligibility criteria under a PSAB set aside are that Aboriginal persons have majority ownership and control; plus in the case of an enterprise with six or more employees, at least 33 percent of full-time employees are Aboriginal persons; or, in the case of a joint venture or consortium, that 33 percent of the work is performed by Aboriginal persons.

The ABS data set was divided into the following three categories, based on the financial performance information available in the ABS questionnaire:

- **Group A** contains businesses that were profitable in the past fiscal year (2009-2010), increased sales from 2009 to 2010, and are expecting increased business income of over the next two years.
- **Group B** has one or two of the profit and growth characteristics of the Group A firms, but not all three.
- **Group C** has none of the profit and growth characteristics of Group A firms.

One-quarter (26%) of the Aboriginal firms surveyed are in Group A, six in ten (63%) are in Group B and only one in ten (11%) are in Group C, proportions that are largely consistent with the 1998 findings.

Business objectives

Among the various goals of firms explored in the survey, stability is most frequently mentioned as important by all three groups. But the subsequent rankings of the three groups differ somewhat. Groups A and B have fairly similar rankings, placing stability first and profitability second. However, Group A chose growth as the third most important goal, whereas Group B chose personal and family employment. Group C firms also chose stability as an important goal most frequently, but then rank personal and family employment, and growth as their next most important goals (profitability is a distant fourth). Notably, while stability and growth may rank among Group C's top three goals, firms in this group typically feel much less strongly about these goals (i.e., fewer deem them very important) compared to firms in Group A and B.

The least attractive goal among those offered in the survey is community employment. This was rated as an important objective by 54 percent of firms in Group A, 54 percent of firms in Group B and 38 percent of firms in Group C.

External business environment

Aboriginal business owners running successful firms (Group A) are slightly more likely to rate their environment as competitive. Eighty-five percent of Group A firms see their environment as competitive versus eight in ten (79%) Group B firms and seven in ten (71%) Group C firms. But, about the same proportion (between 44% and 50%) of firms in all three groups see their business environment as *highly* competitive.

Notably, while offering a high quality product/service, knowledge and reputation, and identity as an Aboriginal business, are most frequently cited by firms

in all three groups as top competitive advantages, Group A and B firms are substantially more likely than Group C firms to identify a high quality product/service as their competitive advantage (39% and 34%, respectively, versus 22%).

Business plan

Successful firms are more likely to have a written business plan. About three in ten firms in Group A (33%) and Group B (29%) say they had a written business plan in place for the past year, compared to two in ten (19%) Group C firms.

Innovation

Successful firms are much more likely to innovate within their business in the past three years. More than half of Group A (55%) firms have introduced new products and services in the past three years, compared to four in ten Group B (41%) firms and two in ten Group C (22%) firms. Similarly, the most successful firms (Group A: 42%) have also introduced new processes in the last three years, in contrast to others (31% of Group B firms and 20% of Group C firms).

Markets

Geographical distribution. Aboriginal businesses concentrate on selling to local markets. Similar proportions in each of the three groups indicate their biggest market is within their local community. At least three-quarters of firms have at least some sales in this market.

Successful firms are more likely to be active in the wider Canadian market. A higher proportion of firms in Group A (85%) have clients outside the local community in other parts of their province or territory than do firms in Group B (71%) and, especially, those in Group C (53%).

Fewer of the less successful firms have clients in *other* provinces or territories within Canada. However, a similar proportion of firms in all three groups have clients in the U.S. or other countries.

Type of client or customer. A diverse client base is much more common among successful firms. More successful firms are considerably more likely than less successful ones to supply goods or services to: private sector businesses; consumers; Aboriginal governments; provincial governments; and municipal governments. Notably, the most successful firms (Group A) are more likely than firms in Group B and C to also say they supply the federal government (46% versus 29% and 18%, respectively). In particular, low-success firms (Group C) are much less likely than others to say they have ever bid or considered bidding on a federal government contract.

Financing

Personal savings are the most typical source of start-up funds for firms in all three groups. But, successful Aboriginal business owners are more likely to say have used business loans and credit from a bank as source of start-up funds (Group A: 23%; Group B: 16%), compared to less successful firms (Group C: 7%).

This difference is likely more a function of other characteristics of successful firms than actual level of business success (i.e., profitability, growth, etc.) since at the point of start-up, firms have to yet to demonstrate this. For instance, less successful firms are more likely to be sole proprietorships that require less start-up capital compared to incorporated businesses and partnerships.

Personal equity is the most common form of investment in Aboriginal firms. Retained earnings are the second most common source of investment capital to a majority of businesses, but more common among firms in Group A (80%) and Group B (74%) than Group C (60%). Otherwise, less successful firms are as likely as successful firms to rank business loans or lines of credit from financial institutions, personal loans or lines of credit from financial institutions, Aboriginal lending agencies and capital corporations, and government grants and loans as important sources of financing to their business at the present time.

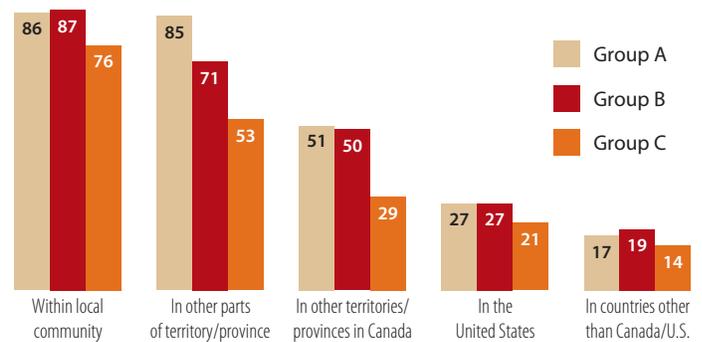
Other factors

Group A firms are also more likely than others to:

- be an incorporated business or partnership (47%, compared to 21% of Group C firms);
- be based outside the home (48% are based outside the home, compared to 14% of Group C firms); and
- be located off-reserve (69% versus 51% of Group C firms).

Factors that are not significantly different between successful and less successful Aboriginal businesses include gender of owner, whether or not the business owner has business training, degree of reliance on the local market, access to government programs, barriers to capital, and, generally speaking, length of time in operation and regional location of the business.¹⁴ As well, similar proportions of successful and less than successful Aboriginal businesses are found across major industry sectors.

Location of clients
By group success



Q.18 – In which of the following places does your business have clients • Within your local community • In other parts of your province or territory • In other provinces or territories within Canada • In the U.S. • In countries other than Canada and the U.S.?

¹⁴ Aboriginal businesses in Saskatchewan have a slightly higher incidence of Group A firms, whereas those in Alberta have a slightly higher incidence of Group C firms.



Aboriginal businesses from a boarder perspective

This section presents comparisons between Aboriginal businesses and Canadian businesses generally, to explore the extent to which Aboriginal businesses may be unique in their experiences and activities/behaviour.

Comparisons to a number of sources suggest that, while self-employed Aboriginal people, and especially those with businesses on-reserve, might operate in a different business environment than self-employed Canadians generally, there are more similarities than differences between the two groups. In particular, the business outlook of both populations is very positive; both groups are also more likely to use personal savings rather than loans from a financial institution as a source of start-up financing.

Demographic profile

According to the 2006 Census, the demographic profile of Aboriginal business owners is similar to that for Canadian business owners overall.¹⁵

In both groups, self-employment is more widespread among men (63% of self-employed Aboriginal people and 66% of self-employed Canadians) than women (37% and 34%, respectively).

Aboriginal people business owners are slightly younger than Canadian business owners overall. Half (50%) of Aboriginal entrepreneurs are between the ages of 15 to 44, compared to four in ten (42%) self-employed Canadians generally. In turn, self-employed Canadians are more likely to be 55 years and over (29%, vs. 21% of self-employed Aboriginal people).

¹⁵ Data in this section are based upon the 2006 Census total labour force definition.

Business structure and size

Incorporation is slightly more common among Canadian businesses generally than among Aboriginal businesses, but the two groups are equally likely to employ paid help. One-quarter (27%) of self-employed Aboriginal people have incorporated businesses compared to (35%) of self-employed Canadians overall; this is likely a reflection of the smaller number of on-reserve businesses that are incorporated due to the constraints of the *Indian Act*. Similar proportions of Aboriginal (36%) and Canadian (39%) entrepreneurs have paid employees.¹⁶

Business location

In the 2011 ABS, a majority (67%) of Aboriginal small business owners report that their business currently operates from their home or the home of their business partner, which is similar to Canadian business owners generally. In 2008, six in ten (60%) of all self-employed Canadians reported that they work from home.¹⁷

Impact of global recession

Aboriginal small business owners are more likely than Canadian small business owners generally to have felt an impact, either positive or negative, from the recent global economic recession.

The proportion of Aboriginal small business owners who feel the recession had no impact on their business (30%) is smaller than among Canadian small business owners overall (48%), according to a September 2010 survey conducted for RBC.¹⁸ In turn, Aboriginal small businesses are more likely to say they experienced either a positive impact (20% vs. 8% among Canadian small business generally) or a negative impact (49% vs. 36% among Canadian small businesses generally). Neither the 2011 ABS nor the RBC survey included any failed or aspiring entrepreneurs.

¹⁶ 2006 Census Special Tabulation based on the experienced labour force population 15 years and over.

¹⁷ "Study: Working at home," Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/101207/dq101207b-eng.htm>.

¹⁸ "2010 RBC Small Business Survey," Globe and Mail, <http://www.theglobeandmail.com/report-on-business/your-business/grow/expanding-the-business/2010-rbc-small-business-survey/article1743772/> (Accessed February 17, 2011).

Start-up financing

Personal savings are by far the main source of start-up financing reported by Aboriginal small business owners, and also appear to be the most widely used start-up financing source among Canadian businesses generally. However, due to the different ways in which the survey questions have been asked, it remains unclear the extent to which financial difficulties and barriers to capital may be greater obstacles for Aboriginal businesses (and particularly for those located on-reserve, who face the constraints of the *Indian Act*).

A 2007 Statistics Canada survey of small and medium enterprises (SMEs) found that informal sources, such as personal savings, are also the top source of financing used by start-up Canadian SMEs, ahead of commercial or personal loans from financial institutions.¹⁹ Similarly, a 2006 CFIB survey found that owners of Canadian SMEs were most likely to have used their own funds, assets or equity to build their business, and more so than business or personal loans from banks.²⁰

Business outlook

Aboriginal small business owners are optimistic about the future of their businesses, a view that they share with Canadian small business owners generally.

Looking toward the future, majorities of Aboriginal business anticipate growth over the next two years (71%) and are confident they will still be running their business in five years' time (71%).

Canadian small business owners have a similarly optimistic outlook (although differences in questionnaire wording mean direct comparisons cannot be made). The September 2010 RBC survey revealed that most (72%) Canadian small business owners are optimistic about the success of their company over the next year.

Another measure of small business confidence is the Business Barometer Index calculated by the Canadian. For September to November 2010, the Index averaged 64.8 (on a scale of 0 to 100), indicating that expectations of stronger performance among small business owners outweighed expectations of weaker performance.²¹ According to the CFIB website, ratings between 65 and 75 indicate when the economy is growing.

19 "Key Small Business Financing Statistics December 2009", SME Financing Data Initiative, http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/h_02169.html (Accessed March 6, 2011). Definition of SMEs is fewer than 500 employees and annual revenues of less than \$50 million

20 Bruce, Doug, "Banking Matters," Canadian Federation of Independent Business, www.cfib-fcei.ca/cfib-documents/rr3044.pdf (Accessed February 24, 2011)

21 Mallett, Ted, "Retailers keeping holiday expectation in check; national small business confidence modest," Canadian Federation of Independent Business, http://www.cfib-fcei.ca/english/research/canada/34-business_barometer/1542-retailers_keeping_holiday_expectations_in_check_national_small_business_confidence_modest.html (Accessed February 17, 2011).



Methodology

The results of the 2011 *Aboriginal Business Survey* are based on a telephone survey with a representative sample of 1,095 First Nations, Métis and Inuit small business owners conducted from September 10 to November 19, 2010. The margin of error for a sample of 1,095 is +/- 3.0 percentage points, 19 times in 20. The margin of error is greater for results pertaining to regional or other subgroups of the total sample.

Sample design

The primary methodological challenge in conducting this survey was defining and locating a representative national sample of Aboriginal small business owners. While there are various organizations that maintain databases of Aboriginal businesses, there is no single, comprehensive sampling frame available for the Aboriginal small business population. The solution was to use the 2006 Census, which provides comprehensive and reasonably current statistics of Aboriginal small businesses, to construct an ideal profile of this population based on Aboriginal identity, business type and size, and region. Quotas were established for each of these characteristics, and interviewing was conducted with the goal of “populating” all these cells until quotas were full.

CCAB was responsible for identifying and mining existing databases and/or lists for contact information for Aboriginal businesses. In addition, communications efforts to identify potential sample for the survey included notices on the CCAB website and Aboriginal websites, press releases, and networking with a range of organizations to locate willing, qualified respondents. A 1-800 number was set up for potential respondents to call if they were interested in participating. A referral approach (i.e., study participants suggest friends or colleagues as possible new participants) was also employed to boost the sample. Sources of sample included:

- CCAB member organizations
- Aboriginal business directories such as <http://www.aboriginalbusinessdirectory.ca/>
- Band offices
- Industry Canada
- Northeastern Alberta Aboriginal Business Association (NAABA)
- Members of Canadian Chamber of Commerce
- Aboriginal Chamber of Commerce (ACC)
- National Aboriginal Capital Corporations Association (NACCA)
- Métis provincial organizations

Within this sample frame, respondents were screened to ensure they self-identify as an Aboriginal person, and own a small business of 100 employees or fewer.

Despite these efforts, the number of sample records obtained was not sufficient to fulfill the original sample size desired (1,200 interviews), and reflects the difficulty finding the smallest businesses (i.e., unincorporated and without employees) who may not (yet) be listed on established databases.

In total, 1,095 surveys were completed, and the data were weighted by identity group, business size and type, and education to ensure the final results were representative of the Aboriginal self-employed population according to the 2006 Census.

Questionnaire design

Using Statistics Canada's 2002 *Aboriginal Entrepreneur Survey* as a guideline (as well as input from the 1996 and 1997 *Aboriginal Business Surveys for Industry Canada*), Environics developed an initial content outline, followed by several drafts of the questionnaire. The questionnaire was designed to include both structured questions, to obtain quantifiable information, and open-ended questions, to capture greater depth and unprompted response to certain types of questions. Input on the questionnaire design was solicited from the ABS Research Advisory Board and study supporters.

Prior to the launch of the survey, the questionnaire was pilot tested with "live" respondents. The pilot test consisted of interviews with a small sample of participants, conducted in the same manner as for the full survey. A small number of relatively minor questionnaire changes were implemented following feedback from the pilot test.

Telephone interviewing

Fieldwork was conducted at Environics' central facilities in Toronto. Field supervisors were present at all times to ensure accurate interviewing and recording of responses. During fieldwork, 10 percent of each interviewer's work was unobtrusively monitored for quality control.

All interviews were conducted in English. The average length of the interview was 22 minutes. A minimum of five calls were made to each business selected into the sample before classifying it as a "no answer."

The survey was conducted in accordance with the standards set out by the Marketing Research and Intelligence Association (MRIA) and applicable federal legislation (PIPEDA), and was registered with the Canadian Survey Research Council.

Completion results

The effective response rate for the survey is 30 percent, which is reasonably good for this type of survey with busy, hard-to-reach professionals.

The response rate is calculated as the number of responding participants (completed interviews, disqualifications and over-quota participants – 1,449), divided by unresolved numbers (busy, no answer – 1,037) plus non-responding households or individuals (refusals, language barrier, missed callbacks – 2,296) plus responding participants (1,449) $[R/(U+IS+R)]$. The disposition of all dialed sample is presented in the following table.

	N
Total sample dialed	5,951
UNRESOLVED NUMBERS (U)	
Busy	22
No answer	337
Answering machine/voicemail	678
RESOLVED NUMBERS (Total minus Unresolved)	
OUT OF SCOPE (Invalid/non-eligible)	1,179
Non-business	29
Not-in-service	1,053
Fax/modem	97
IN SCOPE NON-RESPONDING (IS)	
Refusals – other than respondent (e.g., gatekeeper)	78
Refusals – respondent	601
Language barrier	52
Callback missed/respondent not available	1,537
Break-offs (interview not completed)	28
IN SCOPE RESPONDING (R)	
Disqualified	349
Quota filled	5
Completed	1,095
RESPONSE RATE $[R / (U + IS + R)]$	30%

Respondent profile

The table below presents a profile of the final weighted sample of Aboriginal small business owners, by both personal and business characteristics.

	%		%
IDENTITY		TYPE OF BUSINESS	
Métis	49	Sole proprietorship	61
First Nations	48	Corporation	26
Inuit	2	Partnership	11
GENDER		SIZE OF BUSINESS	
Male	62	No employees	63
Female	38	Employees	37
AGE		SECTOR	
Under 35	9	Service	49
35 - 44	25	Secondary	25
45 - 54	29	Construction	16
55 or older	33	Primary	8
EDUCATION		YEAR ESTABLISHED	
Did not complete HS	29	Prior to 1995	26
HS graduate	9	1995 - 2004	35
Some post-secondary	15	2005 - 2010	36
Completed college	37		
Completed university	4		
Post-graduate studies	4		
REGION			
Atlantic Canada	5		
Quebec	6		
Ontario	23		
Manitoba	14		
Saskatchewan	9		
Alberta	17		
British Columbia	21		
Territories	6		

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