



# Royal Commission on Renewing and Strengthening Our Place in Canada

## Built to Last Entrepreneurial Success Stories of Newfoundland and Labrador

By:  
P.J. Gardiner Institute for  
Enterprise and Entrepreneurship

March 2003

The views expressed herein are solely those of the author and do not necessarily reflect those of the Royal Commission on Renewing and Strengthening Our Place in Canada.

**TABLE OF CONTENTS**

	Page
Executive Summary .....	<i>iii</i>
Introduction .....	1
Purpose .....	2
Previous Research on Success Factors .....	3
Method .....	6
Sample Design .....	6
Selecting a Research Population.....	6
The Sampling Frame .....	6
What Constitutes a Successful Firm? .....	6
Procedures for Nominating Successful Firms .....	8
A Second Source of Firm Nominations .....	8
Sample Selection .....	9
Participant Solicitation.....	10
Interview Procedure .....	10
Coding of Data .....	11
Confidentiality of Data .....	11
Follow-up Survey by Facsimile.....	11
Results.....	12
Firms Nominated for the Sample.....	12
Description of the Final Sample.....	12
Detailed Analysis .....	14
Overviews of Businesses Interviewed .....	14
Enterprise Age.....	14
Involvement .....	14
Business Structure .....	14
Sectors .....	15
Markets.....	15
Definition of Success .....	15
Business Objectives.....	16
Performance Measures .....	17
Internal Success Factors.....	19
External Success Factors .....	21
Critical Activities of Success .....	23
External Relationships .....	24
Internal Challenges and Obstacles .....	26
Addressing Internal Challenges.....	27
External Challenges and Obstacles .....	28
Addressing External Challenges .....	29
Greatest Challenge.....	30
Challenges Facing Newfoundland and Labrador Entrepreneurs.....	31
Future Expectations .....	32
Future Opportunities for Business.....	33

	Page
Newfoundland and Labrador: A Good Place to do Business? .....	34
Recommendations to Federal Government .....	36
Recommendations to Provincial Government .....	37
Advice to Business Owners and Prospective Entrepreneurs .....	38
Conclusions .....	41
References .....	49

**Appendices:**

Appendix A:	Letter to Economic Zone Boards
Appendix B:	Selection Criteria
Appendix C:	Nomination Form
Appendix D:	Telephone Solicitation Script
Appendix E:	Interview Guide
Appendix F:	Follow-up Survey
Appendix G:	Cover Letter
Appendix H:	Final Sample
Appendix I:	Company Profiles

**List of Tables:**

Table 1:	Empirical Research on Success Factors of Canadian SMEs .....	4
Table 2:	Sample Distribution by Region.....	12
Table 3:	Sample Distribution by Industry .....	13
Table 4:	Sample Distribution by Gender .....	13
Table 5:	Primary Markets .....	15
Table 6:	Definitions of Success .....	16
Table 7:	Business Objectives.....	17
Table 8:	Business Performance Criteria .....	18
Table 9:	Internal Success Factors .....	19
Table 10:	External Success Factors .....	21
Table 11:	Important Daily Activities of Business Owners.....	23
Table 12:	Important External Relationships.....	25
Table 13:	Internal Challenges Faced by SMEs .....	26
Table 14:	External Challenges Faced by SMEs.....	28
Table 15:	Biggest Challenge Facing Business Owners .....	30
Table 16:	Challenges Facing Newfoundland and Labrador Entrepreneurs ..	32
Table 17:	Position of Business in Five Years .....	32
Table 18:	Potential Opportunities .....	34
Table 19:	Categorization of Response Tone .....	35
Table 20:	Positive and Negative Themes of Province.....	35
Table 21:	Recommendations to Federal Government .....	36
Table 22:	Recommendations to Provincial Government .....	38
Table 23:	Advice to Entrepreneurs .....	38
Table 24:	Characteristics of Successful Firms in Newfoundland & Labrador .....	44
Table 25:	Major Challenges .....	46



## **EXECUTIVE SUMMARY**

An assessment of this province's strengths and weaknesses cannot be accurately accomplished without evaluating the business community and more specifically entrepreneurial activity in small and medium sized businesses.

Considering the fact small and medium sized businesses account for over 54% of total employment in Newfoundland and Labrador, it is important that the Royal Commission has made it a priority to understand existing businesses in the province and to make a concerted effort to recommend strategies for business growth and expansion. The Survey of Success Stories is a survey of a representative sample of successful small and medium sized businesses, covering all regions of the Province and including both women and men as the principal owners of these businesses. A critical review of SMEs in Newfoundland and Labrador provides crucial information about the provincial business community, internal and external business success factors, business challenges and future opportunities in the province. This report draws conclusions in the form of aggregate data as well as brief individual profiles of the businesses surveyed.

The Survey of Success Stories study consists of the following phases:

- Phase I: Literature Review and Research Design; Questionnaire Design; Sample Identification; and Survey Delivery
- Phase II: Data Analysis and Recommendations

For purposes of designing the sample, it was decided to primarily look to the provincial economic zone boards. These boards support economic activity and have close proximity to businesses in their region. They are aware of business activity in their zone and quite often document businesses success stories and new business growth in the area.

The economic zone boards were asked to consider four broad dimensions of performance when deciding which firms to nominate for the study: Ability to fund growth; Growth; Industry reputation; and Community reputation. Each zone was asked to nominate (at least) three local firms that could be considered exemplary along the performance measures provided. The nomination instructions indicated that only operating, for-profit enterprises should be submitted and that franchises and professional services were specifically excluded. As well, the instructions specified that at least one of the nominations should be a female-owned firm. To support the zone nominations, the provincial Department of Industry, Trade, and Rural Development was asked to submit nominations from its Getting the Message Out program. It is worthy to note that there was substantial overlap between the list of nominees compiled from the submissions of the zone boards and the list submitted by the GMO program.

A sample of 26 firms was selected from a master list of nominated firms. The purpose of selecting 26 firms was to use one as a pilot for the survey and 25 in the final sample. In the end, all 26 firms were included in the analysis. Three levels of stratification were employed to ensure the sample would be representative. First, an important priority of the study was to ensure the sample reflected the geographic diversity of the province. A second goal of the sample selection process was to ensure the sample was representative of a broad range of industries. A third important consideration with respect to sample composition was gender representation.

The interview was semi-structured and consisted of three loosely defined sections. The first section was intended to build rapport and to obtain contextual information on the firm and its history. The second section focused on the factors contributing to or inhibiting success. The final section of the interview dealt with recommendations for the future. A follow-up facsimile survey was also undertaken to gather further information for company profiling.

One of the chief limitations associated with this study is the lack of a comparison group of unsuccessful firms. While the research design permits the identification of common factors amongst the successful firms studied, one cannot conclude with certainty that the factors identified in this study distinguish successful firms from other firms. Consequently, it is notable that the 26 firms participating in the study are distributed across 10 diverse industries. This finding serves as a reminder that successful firms can be found in many industries and are not restricted to a narrow list of industries that may be favoured by policy makers or government programs. It may be, therefore, that exceptional firms will be easier to identify in commonplace, unspectacular industries where strong performance reflects entrepreneurial behaviour and extraordinary competitiveness more than it does industry growth and favourable market conditions.

Successful firms were indeed observed that catered solely to local and regional markets, but it was evident that firms find it necessary to seek new markets in order to grow. The majority of firms already have pursued opportunities for growth beyond the borders of the province and more than a third of the firms are currently serving international markets. Although considered successful by outsiders, the firms in the study are dynamic and continuously evolving. Some firms measure their performance in comparison to competitors, some look to customer feedback to monitor their progress and some firms compete against themselves in order to continually improve. Firms tend to prefer measures that are objective and unambiguous and employ multiple measures that provide feedback on a variety of performance dimensions.

The question concerning internal factors that contributed to success produced 95 items, representing an average of 3.7 factors per firm. Featuring prominently among internal factors contributing to success is a conspicuous attentiveness to the customer. The fact that nearly all of the internal factors represent intangibles points to the knowledge-based nature of the firms in the sample. If internal factors tend to

be controllable, factors associated with the external environment are usually beyond the control of any one firm.

External factors contributing to success were mentioned less frequently than internal factors, appearing 57 times. This represents an average of 2.2 factors per firm. Federal programs and agencies, for example, tended to be valued for their funding, and unsurprisingly were usually cited by firms located in growth industries. Firms in the study value information that is specific to their needs and their problems at hand, rather than more generic forms of assistance applicable to a wide range of business situations. Interviewees expressed a desire for more sharing of information amongst firms and for firms in the province to work together. Industry associations, trade shows, and seminars delivered by highly qualified industry experts are especially well regarded by firms in the sample.

The fact that a significant proportion of the province's best-run firms still experience capital shortages emphasizes just how severe the problem of accessing capital is for small and medium-sized firms. This is particularly true for rural firms. In the latter instance there is evidence that firms operating in certain industries (e.g. technology, crafts) benefit from government programs that provide funding, but firms operating in more traditional, less glamorous industries have few sources of capital available to enter new markets, develop new products, or invest in additional capacity, even though they possess a strong track record of success.

Although interviewees tended to view most obstacles as challenges, problems posed by government produced outright anger on occasion. Excessive regulations tend to have a cumulative effect on firms, stifling their daily operations and competitiveness. Firms attributed these to a lack of awareness and understanding on the part of government officials of the demands on firms in the private sector. Signage regulation emerged as a key problem for firms in the tourism industry.

Firms participating in the study were able to suggest a considerable variety of recommendations for both the Government of Canada and the Government of Newfoundland and Labrador. Key recommendations to the federal government centered on the control of the province's resources, support for entrepreneurship and addressing the problem of transportation. In the case of taxation, government should revise the system to reward, rather than penalize, firms that grow. Recommendations to the provincial government followed a similar pattern but also emphasized the promotion of the province, and providing more funding for education. It is worth noting that most of the recommendations to government tended to address the elimination of obstacles rather than direct incentives to business. Many of the firms stressed the fact that they felt handouts to business were counterproductive and detrimental.

If there is one word that describes the participants in this survey, it is passion. Across the board, participants continually identified passion for their businesses.



The overall tone of the interviewees is quite positive when discussing potential business opportunities in the province. They discussed the importance of perseverance in the start up and operation of a business. They used phrases such as hard work, commitment, positive attitude, and dedication to describe the mindset and work ethic that is required for the operation of a successful business. Participants suggested that family support, knowing the business community, and using contacts to the best possible advantage is crucial to the success of a business.

The business owners in the sample look internally at the individual when contemplating the successfulness of a business venture. While the journey of a successful business venture requires many directories, road signs, warning signals, and maps, the critical resource is the attitude, desire, and perseverance of the individual business owner.

## **INTRODUCTION**

The mandate of the Royal Commission on Renewing and Strengthening Our Place in Canada (Royal Commission) is to conduct a critical assessment of Newfoundland and Labrador's strengths and weaknesses and to bring forward recommendations on how best to achieve prosperity and self-reliance. In an effort to achieve this mandate, various research projects and consultation initiatives have been undertaken, resulting in a collection of vital statistics and data. The fundamental purpose of the plan is to effectively engage individuals and ascertain necessary resources to develop a blueprint for greater prosperity and self-reliance in the future. (Young, Davis, Igloliorte).

One of the many research initiatives of the Royal Commission is entitled Survey of Success Stories: Newfoundland and Labrador Entrepreneurs. This research is undertaken to draw conclusions about successful achievement by small and medium sized enterprises (SMEs) in Newfoundland and Labrador. The Royal Commission has an intended purpose for this study that coincides directly with their mandate and program goals. An assessment of this province's strengths and weaknesses cannot be accurately accomplished without evaluating the business community and more specifically entrepreneurial activity in small and medium sized businesses.

Businesses are often faced with a wide variety of problems and challenges in their efforts to survive and expand. By developing a better understanding of the needs, issues, and opportunities of SMEs in Newfoundland and Labrador, the Royal Commission is better able to make recommendations to business owners and prospective entrepreneurs in Newfoundland and Labrador. Considering the fact small and medium sized businesses account for over 54% of total employment in Newfoundland and Labrador, it is important that the Royal Commission make it a priority to understand existing businesses in the province and make a concerted effort to recommend strategies for business growth and expansion. (CFIB, part. I)

## **PURPOSE**

The Survey of Success Stories is a survey of a representative sample of 25 successful small and medium sized businesses, covering all regions of the Province and including both women and men as the principal owners of these businesses. It is a formalized systematic process that uses face-to-face interviews to gather information from businesses to provide to the Royal Commission. A critical review of SMEs in Newfoundland and Labrador will provide crucial information about the business community in Newfoundland and Labrador, internal and external businesses success factors, business challenges and future opportunities in the province.

The Survey of Success Stories study consists of the following phases:

- Phase I: Literature Review and Research Design; Questionnaire Design; Sample Identification; and Survey Delivery
- Phase II: Data Analysis and Recommendations

As indicated, the intention of this research project is to study and evaluate the successful achievement by small and medium sized businesses in Newfoundland and Labrador. The specific objectives of this study are to:

1. Represent a sample of 25 successful small and medium sized businesses
2. Obtain geographic representation across all regions of the province
3. Include both women and men as the principal owners of these businesses
4. Devise an initial definition or identification of “success”
5. Determine as required in consultation with successful businesses and organizations, the factors (managerial, financial, cultural and public programs, etc) that contributed to success.
6. Draw conclusions in the form of aggregate data as well as brief individual profiles of the businesses surveyed.
7. Provide recommendations to the Royal Commission about the significance of the survey and analysis for Newfoundland and Labrador’s continuing place with in Canada and for the Province’s ability to achieve prosperity and self-reliance.

## **PREVIOUS RESEARCH ON SUCCESS FACTORS**

The search for the factors that cause certain firms to be successful has been likened to the search for the Holy Grail. Nevertheless, the question of why some firms succeed and others fail is important to all who are interested in understanding how an economy creates innovation and wealth, and remains one of the central questions in business research. In certain disciplines such as entrepreneurship and strategic management, explaining variation in the performance of business ventures continues to be a fundamental goal underlying the process of theory development.

Nearly all studies of the factors accounting for the success of small firms have occurred since the 1980s (Hall, 2000). Prior to this, economic research tended to be structured around a “representative firm” model in which firms in the same industry were assumed to use the same production processes, produce identical products and face identical costs (Jensen and McGuckin, 1996). Under this model all firms were assumed to react similarly to external events, and it was the industry or even the geographic region that was treated as the subject of research interest, rather than the individual firm.

In the 1980s, largely due to the pioneering work of David Birch (1987), there emerged a growing recognition of the importance of entrepreneurship and small and medium-sized enterprises (SMEs) to the economies of developed countries. This important discovery rekindled interest in the work of the economist Schumpeter (1942), who described the process of economic growth as one where competition and differences in firms produced economic growth and increases in living standards. According to Schumpeter’s view, firms constantly search for new products and new ways of doing things to try to gain competitive advantage. This viewpoint assumes that economic growth is not evenly spread across firms, but rather the result of successful firms replacing less successful firms.

SMEs exhibit greater variance in profitability, survival and growth compared to larger firms (OECD, 1997). Moreover, they play a vital role in economic development in most OECD countries, accounting for over 95 percent of enterprises and 60 to 70 percent of jobs. They are especially important to the creation of new jobs and are considered by most to be the engine of economic growth. In 1998, for example, firms with fewer than 50 employees created three-quarters of new jobs in the province of Newfoundland and Labrador (CFIB, 2002).

A considerable number of studies have been undertaken to examine the factors contributing to the success of SMEs. This body of work has been reviewed on several occasions, including Cooper and Gascón (1992), Wingham and Kelmar (1992), Storey (1994) and Hanlon (2000). Over 200 potential predictors of performance have been studied empirically (Hanlon, 2000), yet despite the scope of the research effort, overall findings to date generally have been limited and inconclusive. One important exception, however, is a seminal study by Statistics Canada (Baldwin et al., 1994) providing strong evidence of a link between innovation and firm growth;

this latter discovery is considered by some to be the single most important finding of recent economic research (OECD, 1996).

Overall, our knowledge of why certain firms are successful is still rudimentary and incomplete. A variety of factors have contributed to this gap in understanding, including variation across samples employed in prior research, the potential impact of idiosyncratic environmental conditions and events, the tendency of entrepreneurs to pursue diverse goals, the diversity of performance measures employed in prior studies, and a heavy tendency by researchers to employ variables that are easy to investigate in large-scale surveys (Cooper, 1994). Although our study cannot claim to overcome all of these problems, its design does indeed benefit from the prior knowledge and identification of these issues. In particular, the decision to employ face-to-face interviews for data collection permitted the investigation of potentially complex variables while minimizing overly restrictive and unrealistic assumptions.

A significant proportion of studies of small firm success factors have been Canadian in origin but there have been very few studies of Atlantic Canada and only two with a focus on Newfoundland and Labrador. Table 1 summarizes the findings of this body of research.

*Table 1 – Empirical Research on Success Factors of Canadian SMEs*

<b>Author</b>	<b>Geographic Scope</b>	<b>Findings</b>
Ibrahim & Goodwin (1986)	Montreal & New York	<ul style="list-style-type: none"> <li>▪ Both entrepreneurial behaviour &amp; managerial skills are key success factors in small business management</li> </ul>
Doutriaux (1991)	W. Canada, ON, Que.	<ul style="list-style-type: none"> <li>▪ Small start-ups benefit from a single R&amp;D or marketing orientation or no specialization at all</li> </ul>
Chaganti et al. (1989)	Saskatchewan	<ul style="list-style-type: none"> <li>▪ Key factors: product scope, quality image orientation, innovativeness depended on the nature of the competitive environment</li> </ul>
Lorrain & Dussault (1988)	Québec	<ul style="list-style-type: none"> <li>▪ Key factors: business &amp; managerial ideology, production behaviour, finance behaviour, business knowledge before start-up</li> </ul>
Baldwin, Chandler & Papaliadis (1994)	Canada	<ul style="list-style-type: none"> <li>▪ Innovative activity is the strongest predictor of success</li> <li>▪ Management, marketing and skilled labour are important in explaining growth</li> </ul>
Johnson, Baldwin & Hinchley (1997)	Canada	<ul style="list-style-type: none"> <li>▪ The typical survivor is small &amp; stable, growing at 6.6% per year</li> <li>▪ The typical survivor does not rely on a business plan, and does rely on the domestic marketplace</li> <li>▪ Higher growth firms invest in innovation &amp; human resources</li> <li>▪ Faster growth firms focus less on price</li> </ul>
Lefebvre and Lefebvre (2000)	Canada	<ul style="list-style-type: none"> <li>▪ Building stronger technological &amp; non-technological capabilities may be more important to export performance than operating in a high knowledge sector</li> <li>▪ R&amp;D and knowledge intensity are strong determinants of export performance</li> </ul>
Brown & Hanlon (2002)	Canada	<ul style="list-style-type: none"> <li>▪ 47 behaviours reflecting 9 behavioural dimensions are associated with entrepreneurial success in new ventures</li> </ul>

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

<b>Author</b>	<b>Geographic Scope</b>	<b>Findings</b>
O'Farrell (1990)	Nova Scotia	<ul style="list-style-type: none"> <li>▪ Key factors: product/market strategy, quality control, plant productivity, R&amp;D commitment, personnel skills, # of local competitors</li> </ul>
Hanlon & Barnes (1992)	Atlantic Canada	<ul style="list-style-type: none"> <li>▪ 22 variables differentiated between High, Low &amp; Moderately successful firms</li> <li>▪ These variables reflected personal characteristics of the owner, firm characteristics &amp; behaviour, and environmental characteristics</li> </ul>
Roskin & Pynn (1987)	Newfoundland & Labrador	<ul style="list-style-type: none"> <li>▪ 9 factors: management experience, equity base, entrepreneurial drive, work ethic, formal education, market opportunity, financial institutions, economic climate, government policy</li> </ul>
Hanlon (2001)	Newfoundland	<ul style="list-style-type: none"> <li>▪ Ambitious visions and the quality and quantity of resources provided by supporters inside and outside the firm account for 22-30% of new venture performance</li> </ul>

## **METHOD**

### **SAMPLE DESIGN**

A variety of factors were taken into consideration when designing the sample for this survey. These are outlined in detail below.

#### **Selecting a Research Population**

For the purposes of the study we were interested in investigating independently owned, for-profit, operating SMEs with head offices in Newfoundland and Labrador. Consistent with OECD usage of the term, an SME was defined as a business enterprise having fewer than 500 employees. Holding companies were specifically excluded from the study. After consultation with representatives of the Commission, it was also decided not to include franchisees and professional services such as legal and medical practices.<sup>1</sup>

#### **The Sampling Frame**

One of the key issues in designing the research was how to identify a list of "successful" candidate firms from which to draw a sample that could be considered representative. Prior research indicates, for example, that samples comprised of winners or nominees of public awards for entrepreneurship or business performance can often be biased as a result of the nomination process (Hanlon, 1999). Compounding the problem was the fact that performance data for small firms is usually held solely by the entrepreneur and is not publicly available.

It was decided to request the 20 economic zonal boards in Newfoundland and Labrador to nominate firms within their zones for inclusion in the study. This strategy offered two advantages. First, soliciting nominee firms from zone boards across the province provides an intrinsic source of geographic representation. Second, zonal boards are arguably in a superior position to identify exemplary firms at the grassroots level. Economic zone boards were established to support economic activity and have close proximity to businesses in their region. They are aware of business activity in their zone and quite often document businesses success stories and new business growth in the area.

#### **What Constitutes a Successful Firm?**

One of the most important decisions in the research project required determining the basis on which firms should be considered successful. Even in the case of large firms, there can be controversy over the selection of appropriate measures of performance. Financial and market performance measures commonly have been used but even these have been criticized by some as being too narrow. In the case of

---

<sup>1</sup> Franchisers were still eligible to participate despite the fact that none were included in the final sample.

small, private firms the difficulty is compounded by the fact that information concerning a firm's performance is usually possessed solely by the entrepreneur and is not in the public domain.

Over 40 measures of performance have been observed in prior research on small firm success factors (Hanlon, 2000). In general, it appears that objective and subjective measures have enjoyed roughly equal acceptance and that multiple measures are used nearly as frequently as single measures (Hanlon, 2000). Multiple indicators are generally preferable for two reasons. First, it has been argued that organizational effectiveness should be assessed either in terms of the firm's ability to satisfy numerous constituencies, including the owner, customers, employees, creditors, suppliers, government and the community (Pickle and Friedlander, 1967; Robinson, 1983), or in terms of its ability to meet a variety of organizational goals (Etzioni, 1960). Both of these frameworks suggest that performance is multidimensional in nature. A second advantage stems from the fact that predictor variables correlated with performance may change as the definition of performance changes.

Good performance measures should be capable of reflecting the potential for purposeful (i.e. goal-oriented) behaviour (Downey and Ireland, 1988). This is especially true in the case of research on new and small businesses, where differences among founder motivations and founder objectives have been well documented. Here goal divergence can be expected to be greater than in the case of large, publicly traded firms because of pressures the latter group faces to exhibit profits in the short term.

In line with the foregoing observations, the study employed multiple indicators of performance. Specifically, we asked the economic zone boards to consider four broad dimensions of performance when deciding which firms to nominate for the study: ability to fund growth, growth, industry reputation, and community reputation. In addition, we supplied four examples of concrete measures for each dimension, providing a total of 16 individual criteria on which potential nominees could be evaluated during the course of the nomination process. These are listed below, along with the broader performance categories they reflect:

**1. Ability to Fund Growth, as measured by:**

- New Investment
- Ability to Attract Outside Capital
- Efficiency
- Profitability

**2. Growth, as measured by:**

- Revenues
- Job Creation
- New Products & Product Lines
- New Market Segments



- 3. Industry Reputation, as measured by:**
  - Industry Leadership & Recognition
  - Market Share
  - Product/Service Quality
  - Customer Satisfaction
  
- 4. Community Reputation, as measured by:**
  - Employee Satisfaction
  - Community Support & Recognition
  - Stakeholder Relations
  - Public Image

The economic zone boards were asked to take the above criteria into account when identifying appropriate nominees to participate in the study (Appendix B). They were not, however, required to rate or rank their nominees in terms of individual performance. On the one hand our goal was to ensure the selection process would be undertaken in a thoughtful manner, but we did not want the process to become excessively arduous nor could we afford, given the tight time frame surrounding the study, to incur significant delays as a result of zone boards collecting formal data to support their decisions.

### **Procedure for Nominating Successful Firms**

A letter (Appendix A) describing the study and soliciting the names of successful firms was sent by email to the executive director of each of the 20 economic zone boards in Newfoundland and Labrador. This email request was forwarded on December 12<sup>th</sup>, 2002 and was accompanied by an attachment in MS Word format, consisting of a set of instructions (including performance criteria to be considered) for nominating exemplary firms (Appendix B) and a copy of the form to be used when submitting nominations (Appendix C).

Each zone was asked to nominate (at least) three local firms that could be considered exemplary along at least several of the 16 performance measures. The nomination instructions indicated that only operating, for-profit enterprises should be submitted and that franchises and professional services were specifically excluded. Information requested for each nomination on the nomination form included firm name, community, name of the individual owner, and industry. The instructions specified that at least one of the nominations should be a woman-owned firm.

Within 2-3 days of the email request a follow-up phone call was made to ensure the earlier email had been received and to request a prompt response to our solicitation.

### **A Second Source of Firm Nominations**

We also asked a senior representative of the Government of Newfoundland & Labrador's Getting the Message Out program (Department of Industry, Trade & Rural Development) to nominate potential firms across the province. This

representative was sent a copy of the documentation received by the economic zones, including the email letter explaining the purpose of the study (Appendix A), the instructions for nomination firms (Appendix B), and the nomination form (Appendix C).

### **Sample Selection**

The sample of 26 firms was selected from a master list of nominated firms that was compiled from the nominations submitted by the zonal boards and by GMO. The purpose of selecting 26 firms was to use one as a pilot for the survey and 25 in the final sample. In the case of large samples it is usually desirable to employ some form of random selection. In the case of small samples, however, other techniques are often better suited to ensuring adequate representation. Small samples have the advantage of permitting extensive and in-depth exploration of the phenomena under investigation; as noted earlier, these were desirable attributes in the context of the current study.

Three levels of stratification were employed to ensure the sample would be representative. First, an important priority of the study was to ensure the sample reflected the geographic diversity of the province. Although roughly half of the businesses in Newfoundland and Labrador are located in the Avalon region, it was decided to include a smaller proportion of firms on the Avalon in order to include a larger, more diverse base of firms located in rural and remote regions of the province. Some initial consideration was given to drawing the sample from five regions in the province (Avalon, Eastern, Central, Western and Labrador), but this strategy was subsequently abandoned in favour of a more rigorous and more costly approach that entailed obtaining representation from each of the 20 economic zones located across the province. An objective of this phase was for the sample to include at least one firm from each of the 20 economic zones. Zone 19, Capital Coast Development Alliance, was expected to have additional representation due to its substantially larger size.

A second goal of the sample selection process was to ensure the sample was representative of a broad range of industries. The concern here was mainly due to a desire to ensure that the results of the study would not be limited to one or two industries (e.g. retail and personal services), which could easily dominate the sample. Such industries tend to contain a high proportion of the firm population and consequently could have severely limited the generalizability of a small sample in the absence of specific actions to ensure broad industry representation. Although the zonal boards were not asked to employ industry criteria in nominating firms, they were asked on the nominating form to indicate the industry in which each of the nominated firms operated. This information subsequently permitted industry to be taken into account when the decision was made by the researcher as to which nominated firms would be included in the final sample.

A third important consideration with respect to sample composition was gender representation. Although women-owned enterprises still constitute a minority of

existing firms, the proportion of women-owned start-ups is growing at a rate roughly twice that of start-ups. The main objective here was to attempt to ensure that women would constitute a significant proportion of the final sample. No fixed target was set, but it was believed that a sample in which at least one-third of the members were women would facilitate any subsequent analysis of gender-related concerns. Given a sample size of 25, this suggested a target of approximately 8-10 women. In order to ensure that adequate numbers of women would be nominated, the zonal boards were instructed to ensure that at least one of the three firms they nominated was owned by a female entrepreneur.

There was substantial overlap between the list of nominees compiled from the submissions of the zonal boards and the list submitted by the GMO Program. During the process of selecting firms for the sample an effort was made to give preference to firms that had been nominated by both sources. This objective, however, was considered to be a lower priority in comparison to the stratification targets described above.

### **PARTICIPANT SOLICITATION**

Following the finalization of the sample selection, prospective survey participants were contacted by telephone during the period January 9<sup>th</sup> - January 28<sup>th</sup>, 2003 to solicit their participation in the study. The researcher described the project, purpose of the study and indicated that s/he had been chosen to participate in the study. A copy of the telephone script is located in Appendix D. In cases where telephone contact was unsuccessful, three separate attempts on different dates were made before dropping the firm from the sample and substituting a new candidate.

Those agreeing to the study were informed of the confidentiality procedures in place and the estimated duration of the interview and were asked for permission to audio record the session. This was followed by a request for an appointment to conduct the interview.

Ethical issues such as confidentiality, security, and other related concerns not addressed at the time of solicitation were addressed at the start of the interview session. A summary paragraph outlining these issues is included in the interview guide (Appendix E).

### **INTERVIEW PROCEDURE**

Semi-structured interviews were used to collect the data. A copy of interview guide is located in Appendix E. The interview consisted of three loosely defined sections. The first section was intended to build rapport and to obtain contextual information on the firm and its history. The second section focused on the factors contributing to or inhibiting success. The final section of the interview dealt with recommendations for the future.

The pilot interview was carried out during the week of December 30, 2002. Given the fact no major changes were made to the interview guide as a result of the pilot, this interview was included in the final analysis of survey results. The remaining 25 interviews were carried out during the weeks of Jan 16<sup>th</sup> to Feb 6<sup>th</sup> 2003. Twenty of these were conducted in person, and with one exception were held at the interviewee's place of business, including locations in Goose Bay and Labrador City. The five remaining interviews were conducted by telephone. These telephone interviews were only utilized where distance posed a severe obstacle (four instances) or where it was necessary to reschedule an interview (one instance).

One trained researcher conducted all 26 interviews. A typical interview lasted approximately one hour in duration. A portable tape recorder was used to aid the researcher in gathering all the required data.

### **CODING OF DATA**

Each tape-recorded interview was subsequently transcribed. Because the data was qualitative in nature, a careful system of coding was employed to organize and categorize the responses to each interview question. To maintain consistency only one researcher was assigned to code the transcripts. However, an additional experienced researcher also independently coded several interview transcripts and inter-rater reliability was assessed in order to ensure the validity of the coding procedures.

### **CONFIDENTIALITY OF DATA**

Prior to forwarding the interview cassettes to outside transcribing professionals, all identifying information concerning the name of the individual respondent and firm was removed from the tape and substituted with an identifying letter. Consequently the anonymity of the participants was preserved. The interview guides and transcripts have been stored in a secure location.

### **FOLLOW-UP SURVEY BY FACSIMILE**

A final step in the research process consisted of sending a two-page survey (Appendix F) to each participating firm by facsimile. This brief survey was designed to collect demographic and other descriptive data on the participating firms, and was accompanied by a cover letter (Appendix G) thanking the firm for its participation in the study. Firms were requested to return their completed survey by facsimile. Follow-up telephone calls were made to encourage prompt response.

## **RESULTS**

### **FIRMS NOMINATED FOR THE SAMPLE**

A total of 65 firms were nominated by 19 of the 20 economic zone boards. In addition, the request to the GMO program resulted in a total of 35 nominations, including 10 firms that had also been nominated by the zonal boards. The considerable overlap between the lists of nominees from the two sources provides a useful indication of the validity and effectiveness of the sampling process.<sup>2</sup> Given the existence of thousands of small firms across the province, reaching independent agreement on a significant proportion of nominated firms can be considered a positive result.

### **DESCRIPTION OF THE FINAL SAMPLE**

Attempts were made to contact a total of 33 firms. Out of these 33, 29 businesses were contacted successfully. Of these firms, three could not be scheduled in the window available. With only one refusal, an effective response rate of 86.2% proves to be very effective and positive for this study. This favourable response to the study had resulted in a final sample consisting of 26 successful small and medium enterprises can be found in Appendix H. A breakdown of this sample is summarized in the tables below.

*Table 2: Sample Distribution by Region*

<b>Region</b>	<b>%</b>	<b># of Firms</b>
Avalon	30.8%	8
Eastern	7.7%	2
Central	15.4%	4
Western	26.9%	7
Labrador	19.2%	5
<b>Total</b>	<b>100%</b>	<b>26</b>

---

<sup>2</sup> During the course of compiling the sampling frame it was also learned that the economic zone boards or the GMO program had also nominated 10 of the 23 businesses that had been visited previously by the Royal Commission.

*Table 3: Sample Distribution by Industry*

<b>Industry</b>	<b>%</b>	<b># of Firms</b>
Retail	11.6%	3
Industrial Equipment & Wholesale	7.7%	2
Personal Services	19.2%	5
Manufacturing	23.1%	6
IT & Communications	7.7%	2
Mining & Oil	3.8%	1
Fisheries & Aquaculture	7.7%	2
Agriculture	3.8%	1
Business Services	7.7%	2
Other	7.7%	2
<b>Total</b>	<b>100%</b>	<b>26</b>

*Table 4: Sample Distribution by Gender*

<b>Gender</b>	<b>%</b>	<b># of Owners</b>
Male	60.0%	14
Female	40.0%	12
<b>Total</b>	<b>100.0%</b>	<b>26</b>

In an effort to profile the participating businesses, the first question in the interview guide asked specific information dealing with the activities of the business. In addition, the follow-up survey by facsimile requested the business owners to provide further information on their business operations. While responses to the facsimile survey were not received from all businesses, 18 of the business owners did complete and return the questionnaire. The profiles of each of the 26 businesses are outlined in Appendix I.

## **DETAILED ANALYSIS**

### **OVERVIEWS OF BUSINESSES INTERVIEWED**

*“I love this shop. Everything about it . . .”*

If there is one word that sums up or describes the participants in this survey, it is passion. Across the board, participants continually identified passion for their businesses. They hold a special fondness and appreciation for their operations that clearly influences their commitment and perseverance.

There are many commonalities in this sample of 26 business owners. However, the sample is also well diversified in other aspects.

#### **Enterprise Age**

The businesses represented have been in operation from three years to 106 years. The mean age of operation is 17 years, while the standard deviation is 19 years.

#### **Involvement**

These business owners began operating in a variety of ways. Sixteen members of the sample began operation through their own start up initiative. Six business owners purchased their enterprises. Two of the sample participants bought into newly formed companies, while two others represent owners that have inherited family business operations. This is a well-diversified sample that represents a variety of business entry options. This sample suggests that start up is the most predominant means of entrepreneurial activity. It is interesting to note that demographic information could raise questions regarding whether this will remain the case. Many current business owners are approaching retirement, as they are comprised of the baby boomer segment of the population. There may be an abundant opportunity for individuals to enter business through purchase options in the future.

#### **Business Structure**

The participants in this study also represent a variety of business structures. Approximately 38 percent of participants operate as sole proprietors. Nearly 33 percent represent corporations, while 29 percent are partnerships. It is interesting to note that several of the partnership agreements represent family based partnerships, including spouses.

## **Sectors**

As previously indicated, many sectors of the economy have been included in this study. The manufacturing sector, which includes craft manufacturers, is captured quite well in the study. It should be noted that some of the operators represented in this manufacturing category also retail products at some level.

## **Markets**

Businesses participating in this study vary greatly in terms of their core business markets. The range includes businesses that solely serve a local demand, while other operations have demonstrated success in the pursuit of international markets.

*Table 5 – Primary Markets*

<b>Primary Markets</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Local	4	0.154
Regional	4	0.154
Provincial	3	0.115
National	4	0.154
International	9	0.346
Other	2	0.077
<b>Total</b>	<b>26</b>	<b>1.000</b>

The number of businesses indicating international market activity in this study is very encouraging. SMEs recognize the value in growth and expansion through the pursuit of international markets. The study identified that owners in the sample are quite interested in exporting and recognize the opportunities presented. The following quote identifies a view of export markets,

*“The world is the marketplace. If you can create a product that the world needs. . . than that’s an opportunity . . .”*

## **DEFINITION OF SUCCESS**

*“Luck is not a strategy for success.”*

The definitions of success identified in the study varied greatly. These definitions included financially and non-financially based definitions. Some business owners indicated that success was based on items that can be measured quantitatively, while others require a qualitative analysis. Eleven of the 26 study participants indicated more than one basis for the definition of success. These business owners see success across a variety of factors.



Table 6 – Definitions of Success

Definitions	Frequency	Relative Frequency
Quality of product/service	6	0.193
Financial measures	5	0.161
Business plan, goals	4	0.129
Customer service level, retention	4	0.129
Growth, change, progress	4	0.129
Not financial	3	0.097
Asset accumulation	2	0.065
Remaining in operation	2	0.065
Awards, public recognition	1	0.032
Total	31	1.000

One emerging theme in the study is the emphasis that business owners place on quality. As indicated above, this item appeared six times during discussion of this question. Business owners across a variety of sectors attribute success with the provision of quality on both products and services. This appeared to be linked with the concept of customer service, which was indicated in four instances. Quality on the service side is indicated throughout the research as a critical component of business operation. Participants mentioned such factors as the “customer experience” and “knowing the customer”. In one case, a business owner explained how she personally knows customers that come into her store and as a result is able to offer unique, personal service. The value of intimate customer interaction was noted as an element of quality service throughout the study.

Although five participants indicated that they do use financial data and measures to determine success, three others indicated that success was not necessarily financial. One business owner specifically stated:

*“Success is such a strange term, I don’t think we are successful, if you base it on money . . . but I think that we are a real success because we have grown the business.”*

The data suggests that some business owners do not equate success directly with profit or the bottom line. Small business owners appear to place significant emphasis on growth as an indicator of success. Growth was alluded to in a number of ways, including change to satisfy demand, change to remain competitive, initiatives as a result of innovation, and creativity. Progress in general was identified as a success factor.

### **Business Objectives**

As can be seen in the table below, business owners expressed objectives that related to market development initiatives in four instances. This reflects the fact that

business owners are seeking new markets as a means of business growth. One business owner shared the following,

*“Every year we sit down and ... try to look for new markets, new market trends, product knowledge, new products that are coming on to the market...”*

Throughout the study, this was particularly evident in terms of interest in and value placed on international market development.

*Table 7 – Business Objectives*

<b>Objectives</b>	<b>Frequency</b>	<b>Relative Frequency</b>
New market development	4	0.250
Employment (sustain or create)	3	0.189
Profitability/other financial indicators	2	0.125
Quality levels – product and service	2	0.125
Establishment and acceptance	2	0.125
Product development	1	0.062
Competitive pricing	1	0.062
Production levels	1	0.062
<b>Total</b>	<b>16</b>	<b>1.000</b>

Employment as a business objective was indicated three times during discussion of this question. Interviewees indicated objectives to sustain full time employment for themselves and create employment for other. One business owner described her past employment objective,

*“Never steering from the goal to earn a full time living, ...that was what I wanted, that’s basically how I base my success right now.”*

The data indicates that only nine of the 26 businesses represented in the sample clearly addressed objectives in answering this question. Seventeen interview participants did not indicate future objectives. This data however, cannot determine that these interviewees are operating in the absence of objectives, as the next interview question determined that many of the business owners use benchmarks to measure performance. Quantitative objectives must have been reviewed in developing such benchmarks.

**PERFORMANCE MEASURES**

*“We’re able to find solutions to problems that other companies have not.”*

As the table below depicts, the data is clustered. In 18 instances business owners discussed the importance of using a variety of benchmarks to measure performance. Some of these benchmarks included several quantitative measures: financial measures, productivity levels, and activity volumes. In terms of financial measures, revenue was the most widely referenced indicator. Of the 18 references to the use of benchmarks, nine specifically pertained to revenue in terms of volume and/or dollar value. In three of the 18 references to benchmarks, business owners specifically indicated the use of profitability as a measure. The idea of using projections, particularly from a business plan was also indicated as a useful tool. One business owner stated,

*“I’m very fortunate that I’ve exceeded my projections, but I still think of it (business plan) as my sounding board.”*

*Table 8 – Business Performance Criteria*

<b>Performance Criteria</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Benchmarks (financial, volume, productivity, projections)	18	0.409
Customer feedback, loyalty, repeat purchase	13	0.296
Historical Data Comparison	7	0.159
Competition Comparison	2	0.045
Personal Satisfaction	1	0.023
Public Recognition	1	0.023
No Measurement	2	0.045
Total	44	1.000

Performance criteria that occurred second most frequently in the study are of a qualitative nature. Owners focused on the use of customer response and satisfaction as a measure of performance. This specifically includes such language as customer loyalty, customer feedback, level of customer satisfaction, and repeat purchase. One business owner stated,

*“I think that I would have to say the customer feedback...tells all”.*

As will be evidenced throughout this report, business owners demonstrated a strong customer orientation.

The use of historical data comparison was indicated in seven instances. This often related to reviewing quantitative data, such as sales, against past performance. Another theme, which did present itself in two instances, was the use of a competition analysis to measure performance.

Overall, the use of specific criteria to measure performance is wide spread. Only two of the 26 businesses represented in the study did not provide specific examples of performance criteria used. It is also interesting to note that performance criteria indicated by business owners were numerous. Fifteen of the 26 business owners indicated multiple measures of performance. Thus, it is clear that these successful businesses are actively tracking performance.

**INTERNAL SUCCESS FACTORS**

*“Education is a big, big important factor. You have to keep up with that. . . You have to keep on top of the industry.”*

There were a total of 20 instances in which business owners referred to role that knowledge and expertise played in success of the business. This included reference to the importance of a solid understanding of the business and the industry. In some cases specific technical experience of the owner was cited as a critical factor for success. Business owners also indicated the importance of professional development, continual learning, and training, including academic and experience-based learning. One interviewee mentioned the benefit of the opportunity to apprentice with an individual in the same industry, prior to starting the business. Another business owner indicated the importance of learning and recognizing his own limitations.

*Table 9 – Internal Success Factors*

<b>Internal Factors</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Knowledge and Expertise, including training	20	0.211
Skilled and Committed Employees	16	0.168
Customer Orientation	15	0.157
Perseverance, Dedication, Determination	12	0.126
Uniqueness, Specialization	6	0.063
Family Support	5	0.052
Good Product, Facilities, and Process	5	0.052
Ability to Change and Diversify	3	0.032
Internal Investment/Financing	3	0.032
Marketing	3	0.032
Pleasure, Passion	3	0.032
Technology	2	0.021
Creative Decision Making	1	0.011
Networking	1	0.011
<b>Total</b>	<b>95</b>	<b>1.000</b>

The role of employees in the success of a business emerged as a dominant internal success factor in this study. During the interview this topic was addressed a total of 16 times. Fourteen of the 26 interviewees indicated the importance of employees in the successful operation of a business. In discussing this theme, one business owner stated,

*“People... We’ve got great people.”*

The idea of customer orientation being fundamental to the success of a small business emerged in this question in a dominant position as well. In 15 instances business owners directly linked their customer orientation focus with success. Business owners described this factor with phrases such as: know your customer, exceed customer expectations, and customer friendly. One entrepreneur stated,

*“From a success point of view, I’ve built this business on reliability, availability, and customer service all around. That’s why almost all of my customers have started with me and are still with me.”*

This topic emerged multiple times during the survey with many business owners.

Reoccurring topics resulting from this question, as well as throughout the study material, were the concepts of perseverance, dedication, and determination. Reference to the important of these characteristics or qualities were indicated 12 times in the material. One owner stated,

*“I wouldn’t give up, right. I needed it, I had to have it, and I didn’t stop.”*

Business owners also described this with such as words as commitment, hard work and strong work ethic. In discussing success, many business owners indicated the link between these areas and success. It appears that these topics were seen as necessary and fundamental elements of their success.

It is interesting to note that all 26 business owners indicated multiple internal success factors. During several interviews six individual internal success factors were indicated. During one interview a business owner identified seven internal success factors. It is clear that business owners recognize the dynamics of successful management in that they have made it clear that a combination of many factors are necessary for success.

Of the themes identified in the table above, it is interesting to categorize each of them as relating predominantly to the entrepreneur or overall organization. It appears that six of the themes can be specifically and solely attributed to the entrepreneur, while eight fit more appropriately as organizational characteristics or factors. This data provides the basis for an argument that business owners recognize that their own individual characteristics, including knowledge, perseverance, family support, passion, networking skill, and creativity, play an instrumental and

fundamental role in success. This information supports the argument that value is created when the owner is also the operator of a small business.

**EXTERNAL SUCCESS FACTORS**

*“Government has been really good ...I find that advice helps almost as good as money, or sometimes better than money”*

As the table identifies, study participants cited a diverse variety of success factors that relate to many stakeholders. All participants provided valuable information concerning success factors. A total of 10 businesses provided three or more individual external factors. This, coupled with the diversity of the responses, may suggest, at least, a moderate awareness of the impact of the external environment.

*Table 10 – External Success Factors*

<b>External Success Factors</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Government Support, financial, other supports	18	0.314
Growing Economy and/or Industry	8	0.140
Community Involvement and Support	7	0.123
Customer Support, referrals and loyal business	6	0.106
Positive Relationships Partners and Suppliers	6	0.106
Structures Conducive to Business Success, transportation networks, signage approval	4	0.070
Reputation of business or province	4	0.070
Lack of Competition	2	0.035
Media	1	0.018
Recognition – Awards	1	0.018
<b>Total</b>	<b>57</b>	<b>1.000</b>

The data is clustered strongly around the concept of government support with 18 references to such support as an external success factor. These references included financial and other supports, such as professional advice in the areas of research and development or marketing.

Such references were made by a total of nine businesses. Of these businesses, six are in the manufacturing sector. This likely reflects the fact that government programs, both federally and provincially, have been supportive of manufacturing initiatives, as manufacturing has been highlighted as a growth sector.

A theme that also presented itself frequently was the value of the external economy and/or industry. Eight references were cited which indicated the important role that economic conditions play for small businesses. One interviewee stated,

*“The economy has been, in the years that we’ve been in business, ...improving...It’s been very positive..”*

Such references in the material speak to the vital role that economic conditions play for small businesses.

The concept of community as an external factor was referenced by survey participants a total of seven times. This theme includes such factors as business involvement in the community and support from the community. Throughout the study there are numerous references made to business owners volunteering time and donations to communities, groups, and initiatives. Although the frequency of this theme is not particularly strong, it may indicate an appreciation for the value received from acting as a good corporate citizen. One study participant states,

*“I’m very involved in the community. There are many committees that I sit on. The Chamber of Commerce...I teach Junior Achievement... I teach about my business and I teach them how they could go into business.”*

Another interviewee sums up the relationship between community support and customer service,

*“No business survives without their customers being satisfied. ...With your customers, you may not give back to them directly, but you have to give back to them in a manner of where you support your community.”*

Although the theme of customer support as an external success factor only occurred a total of six times during discussion of this question, it is worthy of note. This concept of customer relationships is consistent through the material. In this particular question, business owners appear to be speaking to the value of loyal customer relationships and referrals.

Several interesting, but rather isolated, items also arose during this question. As they are points that arise in other aspects of the research they are clearly worthy of further discussion. For the purposes of this question, they have been themed as structures conducive to business success. One topic that emerged in this material was an issue of transportation networks. Business owners described the importance and relevance of reliable and high quality transportation networks from the perspective of goods transportation and also from the viewpoint of customer use of transportation networks. Business owners also address issues of signage through the material. In this instance participants indicate the critical value of signage and explain the role that external regulation plays in this regard.

**CRITICAL ACTIVITIES OF SUCCESS**

*“During the course of a day, my whole life personally and professionally revolves around paying attention to detail.”*

All business owners provided insights on important daily activities, while 17 of the 26 operators provide three or more activities that they feel are important to success. Generally, activities indicated by business owners were diversified across a variety of management functions. Perhaps speaking to the all-encompassing nature of the owner/operator positions.

*Table 11 – Important Daily Activities of Business Owners*

<b>Activity</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Customer Service and Attention	15	0.238
Operational Duties (inventory, production)	12	0.190
Human Resources Management	10	0.159
Pursuit of New Opportunities	9	0.143
Financial Management and General Administration	5	0.079
Owner Training and Professional Development	4	0.063
External Interactions (partners, government, volunteer, community)	3	0.048
Marketing	3	0.048
Balancing Family Responsibility	1	0.016
Problem Solving	1	0.016
<b>Total</b>	<b>63</b>	<b>1.000</b>

Analysis of this data appears to be clustered around the first four activities listed on the table above. Customer service related activities held the predominant position with a frequency of 15. It should be noted that 15 businesses indicated these total responses. This is not surprising, given the overall customer orientation that is evident throughout the study. These references described such duties as personal service to customers, customer follow-up, and customer relations. A study participant explained,

*“Trying to follow up and see if customers are satisfied. . .”*

Operational duties were referenced a total of 12 times by 12 business owners during responses to this question. This included such references as facilities operation, inventory management, and production activities.



Employee relations appeared third most frequently in the data. Business owners cited activities in this area a total of 10 times. As the responses were diverse for each business, this frequency represented responses from 10 businesses. Given the value that business owners place on employees, as uncovered in the discussion of internal success factors, it is not surprising that employers place emphasis on the selection and training of employees. It is not surprising that they would worry about shortages of skilled labour and retaining good employees that are currently trained. One business owner stated,

*“Employee relations, number one . . . If my staff are not happy with us as the management team, we have nothing.”*

It is interesting to note the correlation between the importance of the employee and the customer. Of the 10 businesses that indicated employee relations as an important daily activity, seven also pointed to customer service as a critical daily activity. As the following quote explains, business owners recognize and appreciate the link,

*“Preparing our staff with knowledge and some authority, and I guess just enabling them to deal with the customers better.”*

It is interesting to note that the three activities that appeared most frequently in the study relate to internal activities and existing business operations. In terms of frequency, the pursuit of new markets and opportunities appears after the core activities of customer service, operations, and human resources related duties. It can be inferred that business owners recognize the importance of existing business before focusing on growth initiatives. The study does uncover that growth is important to businesses, but responses to this question likely speak to a thoughtful approach to growth. One business owner describes,

*“New products, expand new markets, bit by bit. We’re not in a big rush.”*

## **EXTERNAL RELATIONSHIPS**

*“Customers are your best. They are free marketing money.”*

Discussion of this question also uncovered a wide variety of stakeholders. Again speaking to the awareness and recognition of the important role that external stakeholders have for small business owners. All study participants indicated external relationships, with 24 of the 26 participants identifying multiple external relationships.

Table 12– Important External Relationships

External Relationship	Frequency	Relative Frequency
Customers	12	0.200
Other Entrepreneurs	10	0.167
Community	8	0.133
Government	8	0.133
Industry Associations	8	0.133
Professional Advisors, Consultants, Experts	7	0.117
Banks	2	0.033
Suppliers	2	0.033
Investors	1	0.017
Mentors	1	0.017
Other	1	0.017
Total	60	1.000

Not surprisingly, the customer theme tops the list of external relationships in terms of frequency. In 12 instances business owners discussed relationship with customers as critical to operations. Quotes similar to those indicated earlier in the study were abundant,

*“Keeping an eye on who your customers are...”*

A theme that began to surface during this question was that of relationships with other entrepreneurs. In 10 instances participants indicated the importance that contact with other entrepreneurs has played in the operation of the business. One entrepreneur described,

*“Good communications with other people in your industries are really important...”*

This is interesting as it brings the idea of peer learning to light. The study has shown that business owners place much importance on gathering knowledge and learning. This question raises the suggestion that learning may be occurring under a peer process, and perhaps on an issue-by-issue basis.

Similarly, the concept of industry associations providing valuable external relationships appeared eight times. This speaks to the value of other business contacts in an industry. Likely, it is related to the idea of learning and support from others in the same industry. One business owner mentioned the need of an association or group of business owners.

In relation to industry associations, the use of trade shows was discussed in the material. Business owners use trade shows, often organized by industry

associations, as a valuable vehicle for networking and developing external relationships.

Also appearing eight times in this data is the idea of a relationship with government. This finding is in line with the results of external success factors. Business owners have expressed that relationships with government are important due to valuable programs and supports. Further information on the role of government is presented later in this material.

The concept of relationships with the community also appeared eight times in the data. This is also in keeping with the results of external success factors, which suggest that community relations, support and involvement are important, perhaps due to a link with customer satisfaction. This theme was actually reported by seven businesses. It is interesting to note that three of the seven are small communities in rural areas of the province. The other four businesses are located in medium sized towns, such as Carbonear for example. This may indicate that relationships with community may play a stronger role in small to medium sized communities and towns.

The theme of the importance of relationships with professional advisors, consultants, and/or experts appears seven times in the data. This included relationships with accountants, marketers, and industry experts. This is no doubt linked to the concept of learning and increasing knowledge. It also speaks to the idea of learning on a just-in-time basis. As necessary, or as issues arise, business owners seek professional advice and view such relationships as somewhat important.

### **INTERNAL CHALLENGES AND OBSTACLES**

*“Access to private capital is a challenge.”*

Themes arising from this question were very concentrated. As the table depicts, business owners frequently expressed internal challenges in the areas of financial and human resources.

*Table 13 – Internal Challenges Faced by SMEs*

<b>Internal Challenges</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Financial Resources	18	0.391
Human Resources	12	0.261
Business and Industry Knowledge	5	0.109
Time Management Issues	5	0.109
Stakeholder Relationship Management	3	0.065
Marketing Management	2	0.043
Risk Management	1	0.022
Total	46	1.000

There were many commonalities in the overall responses to this question. All business owners presented information concerning internal challenges. Twenty-two of the 26 participants provided insights into multiple challenges. Some of the challenge areas identified have been indicated in earlier question response data as important areas for success. This focuses on the critical nature of challenges such as access to financial resources and skilled human resources.

The financial resources related challenges were presented a total of 18 times by 14 business owners. Financial challenges were presented from the viewpoint of start up capital, cash flow issues, limited working capital, burdening taxes, etc. It is interesting to note that financial issues were not presented from a profitability standpoint. As an example one business owner suggested,

*“First and foremost, the challenge was that we basically entered the business with very little money”*

Again the human resources theme emerged in this question. Business owners explained that internal challenges arise in attracting and training employees. This is no doubt linked to the importance that business owners place on recruiting and retaining high quality employees and the link that is made with good quality customer service. This issue was raised 12 times by 11 business owners. Several participants raised concerns about finding skilled employees, now and in the future,

*“The labour shortage is serious here, very serious.”*

The issue of business and industry knowledge was indicated as a challenge in five instances. Although this frequency is not high, it is interesting to note that the theme is reoccurring throughout the study. Business owners place emphasis on their own learning and knowledge. They appear to recognize the need for continual learning.

### **Addressing Internal Challenges**

Overall, responses to addressing internal challenges were quite low. Only nine study participants provided examples of activities pursued to address challenges. With such low frequencies, it is difficult to determine if there is any true clustering of the data. However, the idea of addressing challenges with continual learning and skills development did occur four times. The concept of perseverance and persistence appeared three times. Both responses pertain to a variety of challenges, such as those indicated in Table 13 above. Such references were made to facing business challenges in a general sense. As can be sensed throughout the study, business owners appear to see significant value in learning and perseverance when facing any challenge.

The themes that appear most frequently in this data are knowledge and perseverance. These are reoccurring themes throughout the data. It is interesting

that responses in this area reinforce the idea that business owners look inward and personally for answers first. They start with an internal approach to dealing with business challenges. This is likely linked to the owner/operator phenomenon in which the owner sees him/herself and the business as one and the same. This internalization speaks to the owners' level of commitment and passion to the business.

In terms of external means used to face challenges, business owners indicated the use of professional assistance, direction, and support a total of 3 times. As an example, one business indicated addressing financial issues by hiring an accountant to assist with bookkeeping and financial troubleshooting. Business owners also discussed addressing challenges by sourcing financial resources in three cases. Several topics were discussed in this context, including reinvesting profits and accessing personal and family savings. In two instances business owners discussed mobilizing, motivating, and training staff as a means of dealing with internal human resource issues.

It is surprising that these businesses, which are recognized as successful operations and have a mean age of 17 years, did not provide further discussion around manners in which they have addressed financial woes. Especially given that financial resources was the most frequently cited challenge.

**EXTERNAL CHALLENGES AND OBSTACLES**

*“Government red tape...our experience has been definitely that”*

Twenty-five of the 26 study participants provided discussion concerning specific challenges in the external environment. Thirteen participants provided two or more challenges.

*Table 14 – External Challenges Faced by SMEs*

<b>External Challenge</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Government	9	0.231
Transportation Issues	7	0.179
Human Resource Issues	6	0.154
Market Entry	5	0.128
Competition	3	0.077
Fluctuating Market/Economy	3	0.077
Access to Funding	2	0.051
Infrastructure to Support/Complement Business	2	0.051
Suppliers	1	0.026
Weather	1	0.026
<b>Total</b>	<b>39</b>	<b>1.000</b>

The concept of government as an external challenge was indicated nine times in the data. Discussion centered on specific issues such as the speed at which decisions are made within government departments or organizations. Phrases such as “red tape” were used by business owners when describing the idea that processes are lengthily and do not move at a speed which meets the needs of small business operators.

Another issue that was prevalent in the discussion of government as an external challenge is signage regulation. Business owners indicated the critical nature of having appropriate signage.

*“We weren’t even allowed to put a sign up on the highway to let people know we had a shop here. We are allowed to have a regulated type of sign (now) and that’s wonderful...”*

Also related to government, another issue that arose during the question included concerns around transportation infrastructure. This topic arose seven times, however only four operators presented it. These businesses are operating in the manufacturing and tourism sectors. Comments centered on the cost and time factors that come into play with transportation within and out of the province. Business owners, particularly in the tourism sector, indicated concerns with the ferry service.

As with previous questions, issues around human resources surfaced during discussion of this question. This topic was presented six times by six separate business owners. Concerns generally centered on the availability of labour.

### **Addressing External Challenges**

As with internal challenges, the response rate to how external challenges have been addressed was quite low. Twelve of the 26 firms provided some discussion regarding this topic. However, there is little clustering of the data and it is difficult to determine if trends are present.

There was a general focus on owner knowledge and learning, as well as perseverance. These topics are prevalent throughout the research and appear to be seen as important elements of business operations.

The concept of involvement with the community was presented a total of three times as a means of addressing external challenges. This topic included educating communities as well as giving back to communities in terms of volunteer time. As an example, a business dealing with competition uses such community involvement activities to increase top of mind awareness of the business and establish a positive business reputation and image.

Although government was the most frequently presented challenge, the data did not provide specific strategies that indicate how this challenge is addressed. Such discussion generally encompassed the concepts of perseverance and knowledge.

Similarly, transportation issues were presented as challenges. However, the data did not conclusively suggest how this issue is addressed.

**GREATEST CHALLENGE**

*“It’s easy to get manpower. It’s hard to get manpower that has these types of skills...”*

*“We are doing well in the market. But if I need two million dollars for raw material, then I’ve got to jump through hoops and pull teeth.”*

Responses for this question were provided by 25 of the 26 business operators. Some owners provided two main challenges. Some clustering occurred around issues that are reoccurring in the study.

*Table 15– Biggest Challenge Facing Business Owners*

<b>Challenge</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Human Resources	6	0.223
Financial – Cash Flow, Profitability	4	0.148
Financial - Capital	4	0.148
Growth	4	0.148
Maintaining (current activity, service, business)	4	0.148
Decline in Local Markets	1	0.037
Decline in Supply	1	0.037
Government	1	0.037
Marketing	1	0.037
Time Management	1	0.037
<b>Total</b>	<b>27</b>	<b>1.000</b>

The most frequently indicated theme centers on human resource issues. Business owners report facing challenges in terms of retaining good employees, losing employees to larger employers, and employee training. The following quote describes the problem of a seasonal tourism operator,

*“If I had a company that was operating 12 (months) in full, I’d have no problem with having the best people ...”*

Another business owner anticipates future problems in finding skilled labour,

*“Employees is going to be a problem, or lack of employees. Skills for what it is we need...”*

In total, eight operators addressed the issue of financial challenges eight times. This certainly mirrors the data collected concerning internal business challenges. The financial issues were discussed specifically in terms of cash flow and profitability issues or access to capital. As the table identifies, four discussions of financial challenges relate directly to cash flow and profitability issues, while the remaining four focused on access to capital. One business owner described difficulties in accessing capital,

*“I’ve built a track record of paying down a fair amount of debt over these past five years and that has to say something...Then, accessing funding for equipment or accessing funding for marketing or whatever – those are the hardest difficulties...It must be awfully difficult for new entrepreneurs trying to break into the market, just to raise capital to get started.”*

A similar sentiment,

*“Bargaining power, when it comes to raising capital, is very difficult.”*

It is interesting to note that some of the categories that emerged during discussion of this question did not appear in the earlier discussion of external or internal challenges. For example, growth was not presented as a challenge. Similarly, the ability to maintain current activity to continue to survive in a market was also not previously indicated.

### **CHALLENGES FACING NEWFOUNDLAND AND LABRADOR ENTREPRENEURS**

*“The biggest challenge would be lack of financial assistance.”*

*“Getting good young great staff.”*

Presentation of this question yielded discussion from 24 of 26 study participants. As the table below indicates, the data is clustered, primarily around challenges related to access to capital for business owners. Nine business owners indicated this as a challenge for entrepreneurs in Newfoundland and Labrador. The second most frequently noted challenge was government obstacles. This issue arose a total of six times. Challenges around access to human resources were presented a total of four times.

This data is interesting when compared to the challenges identified previously. Many of the same themes are present. This would suggest that the participants in the survey do not view their businesses any differently than any others in Newfoundland and Labrador. The fact that they are deemed successful does not change their view of challenges for themselves or others.



*Table 16 – Challenges Facing Newfoundland and Labrador Entrepreneurs*

<b>Challenge</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Lack of Capital	9	0.322
Government (obstacles, regulations, taxation)	6	0.214
Declining Human Resource Base	4	0.143
Market Access	3	0.107
Financial Operating Costs	2	0.071
Competition	2	0.071
Lack of Co-operation within Business Community	1	0.036
Lack of Encouragement	1	0.036
<b>Total</b>	<b>28</b>	<b>1.000</b>

Although these study participants are deemed successful, they do not feel that they have answers to these challenges. This may link to the fact that there was limited discussion provided when business owners were asked how challenges were being addressed. Thus, business owners may anticipate that such challenges will continue to exist.

**FUTURE EXPECTATIONS**

*“Every year we grow more and more, bit by bit, we don’t take big steps, and that’s how we’re growing...”*

Responses to this question were overwhelmingly concentrated on the theme of growth, with a total of 30 indications in this area.

*Table 17 – Position of Business in Five Years*

<b>Future Position</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Growing	30	0.811
Reducing/Streamlining	2	0.054
Status Quo	2	0.054
Conducting R&D	1	0.027
Reducing Debt	1	0.027
Struggling	1	0.027
<b>Totals</b>	<b>37</b>	<b>1.000</b>

Twenty-one of the 26 businesses interviewed suggested that they would experience some type of growth in five years. Growth was described in a variety of ways, such as in terms of assets, revenues, product offerings, location, employees, general public

awareness of the business, etc. Of the 21 firms that discussed growth, nine specifically concentrated on the need for growth to be gradual, slow, or incremental. One business owner described the future of his business as follows,

*“I see gradual, I won’t say slow, but a gradual incline to success.”*

These business owners are committed to growth, however not sensational growth. It can be inferred that similar growth policies lead to their current success. It is possible that such growth strategies have been the result of a lack of capital or access to capital. Although growth may have been slowed or inhibited due to a lack of capital, growth initiatives have resulted in success for these business operators. These business owners appreciate the slow and steady policy and intend to have it carry them forward.

Only two businesses indicated a reduction in business in the future. One business owner identifies this as a streamlining process. The business has grown tremendously and is at a point in which it is necessary to evaluate the operation and become focused on specific production, particularly that which is most profitable. Although this will mean a reduction in the overall operation and magnitude of the production process, it will be a positive process for the business. One business indicated a feeling that the future will continue to be a struggle. This comment was made around financial challenges for the business. The owner discussed the need for financing expansion and growth. Although growth is possible, the owner feels that the pursuit of growth will be challenging. However, a total of 23 business owners appear to envision continued prosperity for their businesses.

#### **FUTURE OPPORTUNITIES FOR BUSINESS**

*“I think that Newfoundland and Labrador is a good place to do business in the tourism industry . . . I think that the province really has a tremendous future.”*

The overall tone of interviewees is quite positive when discussing potential business opportunities in the province. Of the 26 interviewees, 18 business owners indicated specific business opportunities or growth industries in which opportunities might lie. Five other interviewees did not provide specific examples of opportunities, but did encourage entrepreneurship in general. Only three business owners made comments that would not be considered encouraging for business start ups in any areas.

The data, which indicates specific opportunities as presented in the table below, appears to be clustered in several areas. Tourism as a growth sector was the dominant theme, receiving nine references by nine businesses.

Table 18 – Potential Opportunities

Opportunity	Frequency	Relative Frequency
Tourism	9	0.273
Secondary Processing (including water)	6	0.182
Innovation	5	0.152
Health Care (seniors)	4	0.121
Spin-off Opportunities from Large-scale Projects	3	0.091
Services	2	0.061
Aquaculture	1	0.030
Manufacturing	1	0.030
Navel Architecture	1	0.030
Technology Based Initiatives	1	0.030
Totals	33	1.000

Ideas around secondary processing were cited six times in the data. Interestingly, three of these references focused specifically on the processing of water. An interviewee described,

*“I think that the biggest thing that we got is water ... And I think that that would be a commodity, it’s not sold now the way it should be.”*

Throughout the data there is continual reference to the need for innovation, uniqueness, and creativity. Business owners express concerns with duplication of business initiatives. Businesses strongly indicated the danger of copycat businesses in such small markets. The following sums up such views,

*“I think the opportunity, for small and medium sized businesses, are also in not duplicating what’s already there, and in providing something unique and different.”*

#### **NEWFOUNDLAND AND LABRADOR: A GOOD PLACE TO DO BUSINESS?**

*“It’s a good place to do business. I mean Newfoundlanders, I think, take pride in their work.”*

*“It’s a good place to do business no question about it; it’s a good place to do business. It’s just that the only thing that breaks my heart is the potential. It’s the absolute potential of this province of Newfoundland and Labrador and we’re not harnessing the potential. We are giving it away.”*

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

Responses were received from 25 of the 26 study participants for this question. These responses have been categorized as overall positive, overall negative, or mixture. The following table provides a picture of this categorization.

*Table 19 – Categorization of Response Tone*

<b>Overall Tone of Response</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Overall Positive	7	0.269
Overall Negative	7	0.269
Mixture – Positive and Negative References	11	0.423
No Response	1	0.039
<b>Total</b>	<b>26</b>	<b>1.000</b>

This data was tested for a correlation between business location and tone. There was no correlation found. The attitude does not appear to be linked to areas that are considered either large, medium, or small in size.

The following table provides a more in-depth view of the specific comments and themes that arose in both the positive and negative contexts.

*Table 20 – Positive and Negative Themes of Province*

<b>Positive Themes</b>	<b>Frequency</b>	<b>Negative Themes</b>	<b>Frequency</b>
Work Ethic, Positive, Attitude, Good People	15	Transportation Issues and Isolation	13
Unique Environment	6	Government	5
Low Operational Costs	3	Not Realizing Potential	4
Economic Growth	2	Lack of Financial Resources	4
Start-up Support	2	Lack of Expertise	1
Location for European Export	1	Not Competitive	1
		Out-migration	1
		Weather	1
<b>Total</b>	<b>29</b>	<b>Total</b>	<b>30</b>

In viewing the data in both manners, it appears that study participants are divided in terms of their view of Newfoundland and Labrador as a good location for business activity.

**RECOMMENDATIONS TO FEDERAL GOVERNMENT**

*“We need access to our resources but we also need to make decisions on our resources.”*

Twenty-five of the 26 participants provided recommendations during discussion of this question. Eighteen participants provided multiple recommendations.

*Table 21 – Recommendations to Federal Government*

<b>Recommendations</b>	<b>Frequency</b>	<b>Relative Frequency</b>
NL Control of Natural Resources	12	0.245
Support of Entrepreneurship	10	0.204
Transportation - Decrease Costs, Increase Quality	6	0.122
Work Harmoniously with NL, promotion	5	0.102
Education/Training Improvements	4	0.082
Taxation Changes	4	0.082
Transfer Payment Changes	3	0.061
Health Care	2	0.041
Renewal of Federal/Provincial Agreement	2	0.041
Conservatism Over Grants	1	0.020
<b>Total</b>	<b>49</b>	<b>1.000</b>

The most frequently discussed topic under this question was natural resources. Business owners indicated that the Province is very rich in resources, but is not benefiting financially. The topic was mentioned a total of 12 times, by 11 business owners. A variety of natural resources were discussed, including oil, fish, and water. One interviewee stated,

*“Give us some of the royalties ... just give us more share of our own resources.”*

The concept of support for entrepreneurs was presented as a recommendation in 10 instances. Eight business owners created this frequency. The discussions of these recommendations take on a variety of forms. Material covered placed value on funding programs, advice, mentoring, wage subsidies, etc. The following quotes suggest the value of such supports,

*“More support needs to be given to people going into business on their own. Not necessarily from a monetary value, but just to have a more diverse support system for people going into business . . .”*

However, there are several references throughout the study that speak to negative issues around the concept of providing government funding to businesses. Such as,

*“I am a firm believer that if people have a good idea and they are going to do something, I don’t think you need a whole lot of money to do it . . . you know if you really believe in something, if it’s a good business idea, start off small and you can grow it. I don’t think government should do that for businesses . . .”*

Review of this material suggests that while business owners recognize the value of government supports, they believe there should be some accountability on the part of the business owner. A business owner explains,

*“I don’t agree with government handing out money hand over fist. And I don’t agree with grants.”*

As discussed previously, there are also concerns around the speed in which decision-making occurs within government.

Discussion around the isolation that exists for the Province is evident in this discussion as well. Business owners indicated transportation issues a total of six times during this question. Comments centered on high transportation costs for product and materials shipment. Other comments focused on the cost and quality of the ferry service.

## **RECOMMENDATIONS TO PROVINCIAL GOVERNMENT**

*“To encourage entrepreneurship. Provide training in areas that will focus people to go in that direction...”*

Twenty-five of the total study participants provided feedback for this question. Twenty-one of the participants provided multiple recommendations. As with the previous question, the data is clustered. The same recommendation themes arose in this question, as in the previous question. The two most frequently appearing themes also appear as the two more frequently cited themes in the previous question. Thus, many of the issues and comments that business owners have for government can be carried across both levels, federally and provincially.

Similar comments regarding the need for support for entrepreneurship arose in this discussion as in the previous section. This theme presented itself a total of 12 times. Business owners feel that a variety of supports are valuable, including encouragement, access to information, support, wage subsidies, and similar programs. As with the previous discussion, this cannot be accepted without taking into account business owners’ views of grants or unmatched support programs.

*Table 22 – Recommendations to Provincial Government*

<b>Recommendations</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Support of Entrepreneurship	12	0.286
Development and Management of Natural Resources	8	0.190
Education	6	0.143
Promotion of NL	5	0.119
Retain people, create employment, decrease out-migration	3	0.071
Work Harmoniously with Federal Government	3	0.071
Adopt Longer Term Planning Focus	2	0.048
Health Care	1	0.024
Listen to Entrepreneurs	1	0.024
Eliminate Payroll Tax	1	0.024
<b>Total</b>	<b>42</b>	<b>1.000</b>

Issues around natural resource development and management occurred a total of eight times, making it the second most frequently occurring topic. Themes were quite similar as those discussed in the previous section.

**ADVICE TO BUSINESS OWNERS AND PROSPECTIVE ENTREPRENEURS**

*“One piece of advice would be whatever happens, don’t ever give up...”*

All interviewees provided feedback to this question. As the table below depicts, the data is clustered around the themes of Perseverance, Learning/Knowledge and Networking.

*Table 23 – Advice to Entrepreneurs*

<b>Advice Theme</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Perseverance, Hard work, Positive Attitude, etc.	17	0.274
Continual Learning, Knowledge	9	0.145
Networking, Cooperation with Business Community	7	0.113
Financial Management	6	0.097
Human Resources Relations and Training	5	0.081
Business Plan Development, Start-up Package	4	0.065

<b>Advice Theme</b>	<b>Frequency</b>	<b>Relative Frequency</b>
Slow, Incremental Growth	4	0.065
Customer Service	3	0.048
Balance Family and Business Life	2	0.032
Seek Assistance, Government and Professional	2	0.032
Exercise Caution, Risk Management	1	0.016
Marketing	1	0.016
Passion, Love for Business	1	0.016
<b>Total</b>	<b>62</b>	<b>1.000</b>

In 17 instances, business owners discussed the importance of perseverance in the start up and operation of a business. Eleven business owners cited this theme. As had been indicated, this concept can be found throughout the entire study. Business owners used phrases such as hard work, commitment, positive attitude, and dedication to describe the mindset and work ethic that is required for the operation of a successful business. One business owner states,

*“Never give up, once you got your eye on the ball, just keep persevering and eventually you’ll see the light at the end of the tunnel.”*

In conjunction with this concept is the idea of family support. Throughout the study business owners have suggested that family support has been crucial to the success of their business. Due to the dedication and commitment required to create a successful business, understanding and support from family is an important ingredient. One business owner sums up the commitment and support required,

*“My husband! He’s always there behind me. If I want to try something new he goes along with it, he is always there to encourage...”*

The concept of continual learning and knowledge is presented by business owners a total of nine times. Eight business owners covered this topic. Interviewees suggested that entrepreneurs should be open to a process of continual learning. They stressed the importance of knowledge of a business concept, product or service, as one business owner expressed,

*“You can have all the money in the world, but if you don’t know anything about what you are selling then don’t go there.”*

Linked to the importance of learning is the theme of networking and working cooperatively with the business community. This theme was presented seven times during discussion of this question. Business owners suggested that it is critical to know the business community and use contacts to the best possible advantage. As



discussed previously, this suggests a peer learning approach in the business community and highlights the importance placed on group involvement, such as industry associations.

The overall themes identified and clustering that was found around particular themes is not surprising as these themes were also identified in the earlier review of success factors, particularly internal factors.

It is interesting to note that the three most frequently occurring themes involve the mindset, skills, and abilities of entrepreneurs. It can be inferred that successful business owners in the sample look internally at the individual when thinking about a business venture. They feel that success is tied to the individual business owner, at least as a starting point. The values of the owners' soft skills are taken into the business in the operator capacity. Thus, the value that is placed on the owner/operator phenomenon can be seen.

*“Nobody is going to run your business the way you want to.”*

## **CONCLUSIONS**

All research entails a series of practical compromises. Consequently, it is important to bear in mind that the study conclusions must be understood within the context of the limitations of the study. One of the chief limitations associated with this study is the lack of a comparison group of unsuccessful firms. While the research design permits the identification of common factors amongst the successful firms studied, one cannot conclude with certainty that the factors identified in this study distinguish successful firms from other firms. A second limitation has to do with the nature of the sample. The sample in this study was chosen with considerable care in an effort to achieve broad representation with respect to location, industry and gender. Nevertheless, the small sample size and the need for judgment in the selection process make it inappropriate to attempt statistical inference. Thirdly, several features of the design, including the cross-sectional nature of the study, make it impossible to demonstrate in a definitive manner the existence of causal relationships. Finally, it should be remembered that the definition of success employed by any particular study could often have an effect on the nature of study findings. We have argued that the approach to defining success in this study has considerable merit, but other studies employing a narrow or different measure of success (e.g. profitability) might be expected to identify a different set of factors.

Despite these limitations the study appears robust in its ability to highlight a variety of factors and themes characterizing successful ventures in the province of Newfoundland and Labrador. In particular, the qualitative nature of the data collection procedure was well suited to explore responses concerning complex issues and to capture the richness of the resulting data. In contrast to quantitative research methods, which tend to require the researcher to make restrictive and sometimes inappropriate assumptions prior to engaging in the research process, qualitative methods usually require the researcher to maintain an open mind early in the process and attempt to explore the context of events as well as the events themselves.

There was no indication made to the individuals involved in the process of nominating firms that we had any preference concerning the industry composition of the sample. Consequently, it is notable that the 26 firms participating in the study are distributed across 10 diverse industries. This finding serves as a reminder that successful firms can be found in many industries and are not restricted to a narrow list of industries that may be favoured by policy makers or government programs, a phenomenon that has been termed “high-tech snobbery” (Lefebvre and Lefebvre, 2000). Although changes in the nature and structure of industries can and do create opportunities, opportunity itself does not produce successful organizations. Great organizations require opportunity but they are created by people. Moreover, although opportunities may be more plentiful and easier to identify in certain industries, they are not restricted to those industries. It may be, therefore, that exceptional firms will be easier to identify in commonplace, unspectacular industries where strong performance reflects entrepreneurial behaviour and extraordinary

competitiveness more than it does industry growth and favourable market conditions.

Successful firms were indeed observed that catered solely to local and regional markets, but it was evident that firms find it necessary to seek new markets in order to grow. The majority of firms already have pursued opportunities for growth beyond the borders of the province and more than a third of the firms are currently serving international markets. Of the firms that are not yet exporting, many are currently engaged in tentatively exploring international markets and anticipate entering these markets within the next few years. From a policy perspective, the pursuit of export markets provides two important benefits. First, by enabling firms to grow, it becomes a source of job creation and a vehicle for enhancing the competitiveness of domestic firms who will face heightened competition even within their borders as the marketplace becomes increasingly globalized. Second, because it brings in new money from the outside, exports are important to the creation of new wealth and overall economic growth.

It is significant that firms consider the entering of a foreign market to be an extraordinarily difficult undertaking, often requiring years of investigation and effort. Consequently, it will be important for Government to expand its role in facilitating export initiatives. Currently there are a number of programs offering “hard” support for exporting in the way of financial assistance, government guarantees, etc. There is a need, however, for considerably more “soft” support to firms in the way of advice, counselling, training, and mechanisms to support the development of new information networks and the acquisition of information and knowledge about foreign markets.

Although considered successful by outsiders, the firms in the study are dynamic and continuously evolving. We saw no signs of overconfidence, cockiness, complacency, or carelessness in the firms we interviewed. They do not consider themselves to have arrived at a destination where they can finally relax and enjoy the rewards of success. Their focus tends to be very much on the journey itself rather than a final destination such as financial reward. Guidance tends to be derived from a clear sense of mission and from a dynamic and flexible vision that provides a sense of direction as opposed to formal objectives that are precise and static.

In contrast to the loose, malleable approach to direction setting, however, virtually all of the firms display a focused and detailed attentiveness to their current performance. Some firms measure their performance in comparison to competitors, some look to customer feedback to monitor their progress, and some firms compete against themselves in order to continually improve. Efforts to measure and monitor performance are deliberate, determined, and continual. Firms tend to prefer measures that are objective and unambiguous and employ multiple measures that provide feedback on a variety of performance dimensions. These firms work hard at being in tune and in touch; they have their finger on the pulse of the business and consequently they know where they are and how they are doing at any given moment. It may be that this attentiveness to current performance reflects the fact

that the resource bases of these firms are still relatively small and vulnerable and could be eroded rapidly if errors were to go uncorrected. At the same time, the timeliness and the volume of the feedback provided by these efforts greatly facilitate the potential for learning and rapid responsiveness to changes in the environment.

The study does not reveal “cookbook” formulas for the creation of successful organizations. It seems there are no simple recipes for success. Instead, success is a product of the dynamic interaction of insight and imagination on the one hand and passion and dedication on the other. It is interesting that few, if any, of the firms were founded on the basis of a wonderfully original and revolutionary idea. In addition to dispelling the myth that a great idea is required to create a successful business, this finding also has important implications for government, which, as our province’s history shows, has exhibited a strong preference to support “big” ideas rather than the potential for superb execution.

It is important to note, too, that although many of the businesses in the sample were founded on unremarkable ideas, this in no way implies that creativity has not been important to the success of these firms. It suggests, rather, that there has been too much tendency in the past to view creativity as a one-time activity that occurs prior to the initiation of the venture, whereas the findings point to the role of creativity throughout the development of the enterprise. The moment creativity ceases, the venture stagnates and begins to atrophy. The more dynamic the environment, the more rapid this process of deterioration.

The resource-base view of the firm provides a powerful framework for understanding the competitiveness of firms in the marketplace. According to this view, resources that are valuable, rare and difficult to copy can provide firms with a sustainable competitive advantage over their counterparts. Our question concerning internal factors that contributed to success produced 95 items, representing an average of 3.7 factors per firm. These factors consist of strategic resources, in contrast to other non-strategic firm resources such as office supplies and accounts receivable, and it is these strategic resources that can give rise to competitive advantage.

Featuring prominently among internal factors contributing to success is a conspicuous attentiveness to the customer. Although small firms often are considered to be “close to the customer” as a by-product of their smallness, what emerges in this study is a very different picture that reflects a continual and concerted effort to understand customer needs and exceed customer expectations. In the words of one retailer,

*“I want it to be an experience for them — not just to ‘come, give me your money, and go’ ... I want this to become a destination.”*

This concern for the customer borders on the obsessive and manifests itself through a variety of means, including formal market research, the development of rich, detailed customer databases, personalized service, fastidious attention to detail and a supreme commitment to product and service quality. These firms go to extreme

lengths to “get inside the customer’s head” and their detailed knowledge of the customer is more a product of purposeful effort than the shared knowledge of a small community.

In addition to a strong customer orientation, other key themes emerged concerning the internal factors important to success (Table 24). These include outstanding product and service quality, skilled and dedicated employees, creativity, commitment and perseverance, continual change, continual learning and controlled growth. Although efficiency is a benchmark for many of the firms interviewed (some even felt they could win on price), most firms compete on the basis of differentiation that is achieved through uniqueness and/or quality and seek out markets that are less price sensitive. Creativity is viewed by interviewees as important to differentiating the firm from the competition, particularly when the inevitable imitators enter the industry in hopes of capturing a share of the pie. Creativity is also closely linked to change, another factor associated with success. It needs to be emphasized, however, that especially in the cases of creativity, change, and learning, the impressive aspect of these factors was not their mere presence, but rather the focused intensity and attentiveness directed towards these activities.

*Table 24 – Characteristics of Successful Firms in Newfoundland & Labrador*

#	Characteristic
1.	Clear direction, flexible goals
2.	Strong systems for feedback
3.	Investment in employee skills
4.	Powerful customer orientation
5.	Outstanding quality of product and service
6.	Differentiation strategy
7.	Creativity
8.	Continual change
9.	Commitment & perseverance
10.	Continual learning
11.	Incremental growth
12.	Integrity through core values

It is striking that of the 95 instances of internal factors identified, over 90 percent consist of “soft,” intangible assets such as knowledge, employee dedication, customer orientation, dedication, uniqueness, and ability to change. “Hard” assets such as cash, facilities, and equipment may be necessary for firm survival, but it appears that they produce a durable source of advantage only in rare instances. The fact that nearly all of the internal factors represent intangibles points to the knowledge-based

nature of the firms in the sample. This latter observation is particularly notable in view of the broad cross-section of industries represented in the sample, many of which traditionally have not been considered to be knowledge-based. The intangible nature of the factors contributing to success also emphasizes the limitations of traditional asset-based lending procedures such as those practiced by the major chartered banks. The fact that virtually all of the assets important to the success of the firm have no place on a balance sheet points to the inadequacy of current approaches to business credit evaluation. The need to develop new analytical techniques to better meet the needs of knowledge-based firms has been documented in prior research (Gorman, 2001), but unfortunately there has been little progress to date.

If internal factors tend to be controllable, factors associated with the external environment are usually beyond the control of any one firm. External factors contributing to success were mentioned less frequently than internal factors, appearing 57 times. This represents an average of 2.2 factors per firm. Government funding or advice and general industry or economic conditions were mentioned by roughly one-third of the participants, but it should also be noted that roughly a similar proportion of participants spoke strongly against government and some interviewees emphasized the fact that they were not mentioning government. Overall, there was no one external factor that was viewed as important by a majority of firms.

In the instances where government was mentioned as being helpful, some preliminary trends could be identified. Federal programs and agencies, for example, tended to be valued for their funding, and unsurprisingly were usually cited by firms located in growth industries. In contrast, provincial programs and initiatives were identified by a broader range of industries and were usually cited for the value of their advice and services, particularly in terms of expanding the knowledge base and skills of the firm. The infrastructure for crafts businesses appeared to be particularly valued and some interviewees expressed strong concerns that this infrastructure would soon be dismantled because program funding is about to be discontinued. Community development associations were mentioned in two instances.

Firms in the study value information that is specific to their needs and their problems at hand, rather than more generic forms of assistance applicable to a wide range of business situations. This kind of specialized knowledge usually requires industry experience and is most commonly available from peers, either through personal relationships or through industry associations. Interviewees expressed a desire for more sharing of information amongst firms and for firms in the province to work together. Government can accelerate this learning process by supporting the development of mechanisms that encourage and facilitate the exchange of information. Industry associations, trade shows, and seminars delivered by highly qualified industry experts are especially well regarded by firms in the sample. Similar findings are reported by Fischer and Reuber (2002), who concluded that rapid growth firms prefer to receive advice from their peers rather than policy makers or external resource providers. The Innovators Alliance is a recent

experiment by the Ontario government to provide support to firms in a manner consistent with these findings.

Banks have the potential to play a key role in assisting firms, not only by making capital available but also by providing expert advice based on a strong knowledge of the industry. Moreover, every business operating in the province must deal with a bank. It is disappointing, therefore, that only two firms identified the bank as a valued relationship. In one instance the interviewee noted that the banker had 30 years of experience and was a source of advice and expertise that had been integral to the success of the firm. Interestingly, the bank cited in that example was not amongst the big five major chartered banks. Overall there is no evidence of any interest by the banks in improving their service to SMEs. This is not a new finding, but it is unfortunate that there has not been the political will on the part of the federal government to require the banks to become more responsive, either by reducing the restrictions on foreign competition or through direct legislation.

Table 25 highlights some of the key challenges confronting firms in the sample. The fact that “shortages of skilled labour” and “financial resources” are high on the list of challenges faced by these firms is a serious cause for concern. Skilled human resources are the fundamental building blocks of knowledge-based businesses and the findings of this study indicate that skilled labour is one of the most important factors contributing to firm success. Outmigration and the aging of the population are certainly major causes of this shortage, but they are likely not the only causes. One interviewee, for example, strongly felt that the government had made a large mistake when it eliminated the trades programs from all of the colleges, choosing instead to focus on information technology. Our findings suggest that the information technology sector has indeed benefited from this strategy, but that firms in other, more traditional sectors currently are forced to invest heavily in training new hires and that labour shortages are posing a serious obstacle to the further growth of some of these firms.

*Table 25 – Major Challenges*

#	Challenge
1.	Skilled labour
2.	Financial resources
3.	Government <ul style="list-style-type: none"> <li>a) <i>red tape: administrative burden</i></li> <li>b) <i>delays</i></li> <li>c) <i>signage</i></li> <li>d) <i>lack of business consultation</i></li> <li>e) <i>taxation</i></li> </ul>
4.	Transportation
5.	Other

Financial challenges might be expected to pose a major obstacle at start-up, since, when the business concept is still new and unproven, the entrepreneur lacks experience and a track record, and risk and uncertainty tend to be at their highest levels. The firms in the study, however, have a mean age of 17 years, have established customer bases, and have track records that are considered by others to exemplify success. The fact that a significant proportion of the province's best-run firms still experience capital shortages emphasizes just how severe the problem of accessing capital is for small and medium-sized firms. This is particularly true for rural firms. Not only does the shortage of capital heighten the vulnerability of these firms to temporary downturns and setbacks, but it also poses a major obstacle to growth. In the latter instance, there is evidence that firms operating in certain industries (e.g. technology, crafts) benefit from government programs that provide funding, but firms operating in more traditional, less glamorous industries, have few sources of capital available to enter new markets, develop new products, or invest in additional capacity, even though they possess a strong track record of success. It also appears that engaging a professional consultant to assist with the application process could enhance the likelihood of securing federal funding.

Although interviewees tended to view most obstacles as challenges, problems posed by government produced outright anger on occasion. One frequently cited difficulty was red tape, a major obstacle for SMEs. Excessive regulations tend to have a cumulative effect on firms, stifling their daily operations and competitiveness. This is especially so in the case of smaller enterprises because they are poorly equipped and lack the resources to cope with problems stemming from regulations. It is estimated that the average cost of administrative burdens is between 6 and 30 times higher for SMEs than for larger businesses (Commission of the European Communities, 1997).

A second problem associated with government is lengthy delays (e.g. inspections, processing of applications) that often extend into months. Firms attributed these to a lack of awareness and understanding on the part of government officials of the demands on firms in the private sector. Signage regulation emerged as a key problem for firms in the tourism industry. Finally, government was criticized for developing policies and legislation without seeking any input from business. Of the various challenges identified during the course of the study, this may be the most straightforward for government to address and has the potential to result in policies that are more effective. It is noteworthy that the OECD recently concluded that mechanisms were needed to ensure that SME concerns are considered and debated in the regulatory process, and that all types of SME, not just technology and high growth enterprises, should be considered (OECD, 1999).

Transportation on and off the island is viewed as an important impediment to the economic growth of the province by a number of firms. This issue also emerged as a key problem in earlier research (CFIB, 2002). Moreover, it is not an issue restricted to tourism operators. One obvious concern is cost, with several interviewees expressing the belief that government should fully subsidize the costs of shipping and transportation of goods and people. But the reliability and dependability of the



service also have an impact on businesses, both directly and indirectly. The ferry system, for example, is vulnerable to delays and stoppages due to weather, equipment breakdown, strikes and other forms of job action. Such problems can prevent or delay the repair or maintenance of a firm's production equipment when parts must be obtained from the mainland, while the uncertainty surrounding the schedule and concerns over comfort, safety, and value for money can easily deter potential customers from visiting the province.

Response was very mixed to the question of whether the province of Newfoundland and Labrador is a good place to do business. Negative themes were dominated by the problem of transportation and government already discussed. Positive aspects stemmed from the strong culture of the province, and in particular the work ethic, positive attitude and friendliness of the people.

## **REFERENCES**

- Baldwin, J., Chandler, W. and Papailiadis, T. (1994). *Strategies for success: A profile of growing small and medium-sized Enterprises in Canada*. Statistics Canada, Catalogue 61-523E occasional.
- Birch, D.L. (1987). *Job Creation in America*. New York: The Free Press.
- Brown, T. and Hanlon, D. (2002). *Effective entrepreneurship: The development of behavioural observation scales for performance appraisal and development*. Paper presented at the annual conference of the Administrative Sciences Association of Canada, Winnipeg.
- Canadian Federation of Independent Business (CFIB) (2002). *Newfoundland and Labrador Small Business Primer 2002*.
- Certified General Accountants Association of Canada. (2000, February 9). *SME Facts: Did you know?* Retrieved November 22, 2002, from [http://www.cga-canada.org/eng/sme/facts\\_e.htm](http://www.cga-canada.org/eng/sme/facts_e.htm).
- Chaganti, R.; Chaganti, R.; and Mahajan, V. (1989). *Profitable small business strategies under different types of competition*. *Entrepreneurship Theory and Practice*, 13 (3), 21-35.
- Commission of the European Communities (1997). *Commission Recommendation of 22 April on improving and simplifying the business environment for business start-ups*. C(97) 1161 final.
- Cooper, A.C. (1994). *Challenges in predicting new firm performance*. *Journal of Business Venturing*, 8 (3), 241-253.
- Cooper, A.C. and Gascón, F.J.G. (1992). *Entrepreneurs, processes of founding, and new firm performance*. Chapter 12 in Sexton, D.L. and Kasarda, J.D. (eds.), *The State of the Art of Entrepreneurship*, Boston: PWS-Kent, 301-340.
- Dennis, William J. Jr. (2001). *Success, Satisfaction and growth*. National Federation of Independent Business FIB National Small Business Poll, 1 (6).
- Doutriaux, J. (1991). *Effect of initial marketing and R&D orientations on high-tech entrepreneurial start-ups*. *Journal of Small Business & Entrepreneurship*, 8 (4), 9-27.
- Etzioni, A. (1960). *Two approaches to organizational analysis: A critique and a suggestion*. *Administrative Science Quarterly*, 5, 257-278.

- Fisher, E. and Reuber, A.R. (2002). Support for rapid growth firms: A comparison of the views of founders, government policy makers and private sector resource providers. *Journal of Small Business Management*, Forthcoming.
- Gorman, G. (2001). Lending to Knowledge-based Firms in Newfoundland and Labrador: An Exploratory Study. Ph.D. Dissertation, University of Stirling.
- Hall, G. (2000). Factors associated with the performance of small British firms. Paper presented at the International Council for Small Business World Conference, Brisbane.
- Hanlon, D. (1999). Vision and Support in New Venture Start-ups: An Exploratory Study of Newfoundland Firms. Ph.D. Dissertation, University of Stirling.
- Hanlon, D. (2000). Examining the literature on small firm performance: A review and analysis of 51 empirical studies. Working Paper # WP00-07, Faculty of Business, Memorial University, 1-42.
- Hanlon, D. (2001). Vision and support in new venture start-ups. Paper presented at the Frontiers of Entrepreneurship Research Conference, Jonkoping, Sweden.
- Hanlon, D. and Barnes, J.G. (1992). Predictors of small firm success: A study of Atlantic Canada firms. *Proceedings of the 22nd Annual Atlantic Schools of Business Conference*, 401-410.
- Helow, M (2002, Fall). Keys to Small Business Success. [Electronic version] *Your Houston Business*, 1(1).
- Ibrahim, A.B. and Goodwin, J.R. (1988). Perceived causes of success in small business. *American Journal of Small Business*, 11 (2), 41-50.
- Jensen, J.B. and McGuckin, R.H. (1996). Firm performance and evolution: empirical regularities in the U.S. microdata. Working Paper # CES 96-10, Center for Economic Studies, U.S. Bureau of the Census.
- Johnson, J. and Baldwin, J., and Hinchley, C. (1997). Successful entrants: Creating the capacity for survival and growth. *Statistics Canada, Catalogue #61-524-XPE*.
- Lefebvre, E. and Lefebvre, L.A. (2000). SMEs, Exports and Job Creation: A Firm-level Analysis. Occasional Paper 26, Industry Canada, Research Publications Program.
- Lescevic, M. (2002). Rural Entrepreneurship Success Determinants. Working Paper, Faculty of Economics of Latvian University of Agriculture, Latvia.

- Lorrain, J. and Dussault, L. (1988). Relation between psychological characteristics, administrative behaviours and success of founder entrepreneurs at the start-up stage. *Frontiers of Entrepreneurship Research*, Wellesley, Mass.: Babson College, 150-164.
- OECD (1996). *Technology, productivity and job creation*. Paris.
- OECD (1997). *Small businesses, job creation and growth: Facts, obstacles and best practices*. Paris.
- OECD (1999). *Regulatory Reform for Smaller Firms*. Paris: OECD Publications Service.
- O'Farrell, P.N. (1990). Small manufacturing firm competitiveness and performance: an analysis of matched pairs in Nova Scotia and New England. *Journal of Small Business & Entrepreneurship*, 8 (1), 15-39.
- Pickle, H. and Friedlander, F. (1967). Seven societal criteria of organizational effectiveness. *Personnel Psychology*, 20 (2), 165-178.
- Robinson Jr., R.B. (1983). Measures of small firm effectiveness for strategic planning research. *Journal of Small Business Management*, 21 (2), 22-29.
- Roskin, R. and Pynn, G. (1987). *Entrepreneurial success: Culture – Counterculture*. Paper presented at the 32<sup>nd</sup> World Conference of the International Council for Small Business, Vancouver.
- Schumpeter, J. (1942). *Capitalism, Socialism and Democracy*. New York: Harper and Row.
- Statistics Canada. (1994). *Strategies for Success: A Profile of Growing Small and Medium-sized Enterprises (GSMEs) in Canada*. Ottawa, On: Business and Labour Market Analysis Division.
- Statistics Canada. (1997). *Successful Entrants: Creating the Capacity for Survival and Growth*. Ottawa, On: Micro-Economic Analysis Division
- Storey, D. (1994). *Understanding the Small Business Sector*. London: Routledge.
- Ward, S. (2001). *Canadian Small Business of the Month*, Interview with Mark McGregor. *About Small Business: Canada*. Retrieved November 25, 2002, from <http://sbinfocanada.about.com/library/weekly/aa013101b.htm>.
- Wingham, D.L. and Kelmar, J.H. (1992). *Factors of small business success strategies*. Working Paper 92.01, Curtin School of Management, University of Technology, Perth, Western Australia.

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

Young, Vic., Elizabeth Davis., James Igloliorte. Royal Commission on Renewing and Strengthening Our Place in Canada. Consultation Document. St. John's, NL, 2002.

**APPENDIX A  
LETTER TO ECONOMIC ZONE BOARDS**

Dear Executive Director,

I am writing on behalf of the P.J. Gardiner Institute, Faculty of Business Administration at Memorial University of Newfoundland. We have been contracted by the 'Royal Commission on Renewing and Strengthening Our Place in Canada' to do a report on 'Success Stories' of Newfoundland and Labrador businesses. As part of this report, we are required to survey 25 small and medium sized businesses across Newfoundland and Labrador; we are requesting your assistance in identifying this sample.

As a knowledgeable information source for your zone, we are asking for your help in identifying and suggesting **three** or more businesses that you feel qualify as success stories. Please note that at least one of these firms must be owned and operated by a female. To ensure we obtain geographical representation, we feel the most accurate method of identifying these successful businesses is through the various economic zonal boards. We are currently in the process of assembling a pool of potential firms from which our final sample will be selected. The information we require for these businesses include, firm name, owner name, gender (of owner), location, and industry sector. If you find it useful, please feel free to fax back the attached Business Identification form (737-2383). Any additional information you can provide about these businesses, such as profiles and background information would be greatly appreciated.

Attached are the criteria we are using to measure success. Please note that your participation in this study is voluntary and all information will be kept confidential and in a secure location. If you are unable to view the attachment and would like a faxed copy of our criteria or Business Identification form, please feel free to contact me at 737-2373, or [mellswor@mun.ca](mailto:mellswor@mun.ca). I thank you in advance for your time and I will follow up next week with a phone call.

Regards,

Marsha Ellsworth  
Research Assistant  
P.J. Gardiner Institute  
Memorial University of Newfoundland  
Ph: 709.737.2373  
Fax: 709.737.2383  
Email: [mellswor@mun.ca](mailto:mellswor@mun.ca)

## **APPENDIX B SELECTION CRITERIA**

For the purpose of this study, Small and Medium Sized Enterprises are those businesses that consist of fewer than 500 employees. In identifying successful SMEs, please take into consideration the four criteria outlined below, suggesting firms that are exemplary on several of these dimensions. Please do not include franchises or professional services (lawyers, doctors etc.), in this list of successful businesses. Although not directly stated in the selection criteria, we would appreciate any suggestions that represent Aboriginal Peoples, or minority groups. In addition, we are interested in speaking directly with the owners of these businesses, as opposed to the managers.

### **1. Ability to Fund Growth**

As measured by:

- New investment
- Ability to Attract Outside Capital
- Efficiency
- Profitability

### **2. Growth**

As measured by:

- Revenues
- Job Creation
- New Products & Product Lines
- New Market Segments

### **3. Industry Reputation**

As measured by:

- Industry Leadership & Recognition
- Market Share
- Product/Service Quality
- Customer Satisfaction

### **4. Community Reputation**

As measured by:

- Employee Satisfaction
- Community Support & Recognition
- Stakeholder Relations
- Public Image

**APPENDIX C  
NOMINATION FORM**

**Business Identification Form**

	<b>Firm Name</b>	<b>Owner Name</b>	<b>Gender</b>	<b>Location</b>	<b>Industry</b>
<i>Firm 1</i>					
<b>Firm 2</b>					
<b>Firm 3</b>					

**Additional Information:**



**APPENDIX D  
TELEPHONE SOLICITATION SCRIPT**

Hello my name is Marsha Ellsworth, Research Assistant at the P.J. Gardiner Institute for Enterprise and Entrepreneurship at Memorial University. I am calling because the P.J. Gardiner Institute has been contracted by the Royal Commission on Renewing and Strengthening Our Place in Canada to do a study on small business success stories in Newfoundland and Labrador. The reason I am contacting you is because you have been selected as one of these success stories and we would like the opportunity to talk to you about your successful business. I am not sure if you are aware of this initiative, but I can explain further.

The Royal Commission is an independent government body headed up by Mr. Vic Young (former CEO of Fishery Products international), and they are conducting a critical assessment of Newfoundland and Labrador's strengths and weaknesses. They would like to bring forward recommendations as to how we can renew and strengthen our place in Canada. They are doing numerous research projects and one of them is on the successful achievement by small and medium sized businesses in Newfoundland and Labrador.

In order to undertake this survey, we had to identify successful businesses and select a sample. The firms were selected by asking the 20 Economic Zone boards to recommend several firms in their area. From this pool of businesses, we selected a sample. As you can probably tell your business was identified as a success story. After hearing the details of this study I am wondering if you might be interested in doing an interview with me. I would like to ensure that participation is entirely voluntary. I will be doing interviews in the coming weeks and will be in certain parts of the province at different times. What will be a good meeting time for you? Can I have permission to tape the interview?

Thank you very much.

## **APPENDIX E INTERVIEW GUIDE**

### **ETHICS DISCLOSURE**

Before we start there are a few things I would like to go over with you:

1. You can choose to withdraw from the study at any time.
2. There is no hidden agenda or deception. There is full disclosure.
3. The data (tape and transcript) will be stored in a secure location and will not have any names attached or labelled except an identifying number.
4. If there are any questions you would prefer not to answer or are uncomfortable with, simply indicate this and we'll skip that question or retract the data you have provided.
5. We do not intend to identify names of individuals or firms in the body of the report but a list of participants, both individuals and firms, will be included as an appendix. We do plan to use quotations (without names) to illustrate points being made in the report. Moreover, because the sample is quite small and some industries may include a very small number of firms, it is possible that participants may be recognizable to readers of the report. We cannot guarantee anonymity.

### **QUESTIONS:**

1. Perhaps we could begin with a brief overview of the business itself: How long has it been in operation? When and how did you become involved? How is the business currently structured? What are the main products or services? Your major markets? and so on...
2. Your firm has been included in this study because someone else recommended it as a good example of a successful business. How do you define your success? For example, what kinds of objectives have you set for the business?
3. What criteria do you use to determine how well your firm measures up in terms of performance?

One of the major objectives of this study is to determine the factors that are especially important in contributing to a business' success. The next few questions in our interview will address this issue specifically. In order to help organize things I'm going to treat internal factors, or factors inside the firm, and external factors, or factors outside the firm separately.

## **Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

4. Let's begin with the first question: Are there any factors inside the business that you believe have been particularly important in contributing to the success of your firm? I don't have any specific categories in mind here, but factors inside the business might include things like specific characteristics of your business, the behaviour and past practices of the firm, and the resources of your business, both tangible and intangible.
5. Now for the next question: Are there any factors outside your business that have been especially important to the success of your business? Again, I don't have anything specific in mind, but conceivably this area could include such things as tangible and intangible aid, market conditions, government policies and so on.
6. I'd like you to please take a moment to think about all of the various activities to which you devote your time during the course of a day. Of all of these activities that you perform, which three do you believe are the most important to the success of your business? Why?
7. Of all of the external relationships and linkages that have been developed over the years with industry, community, government, other businesses, customers, professional advisors, and so on, which three have been the most important to the success of your business? Why?
8. In addition to success factors, we're also interested in the challenges and obstacles you've faced. Inside your firm, what would you say have been the most serious challenges you've faced? How did you address them and to what extent have you been successful in overcoming them?
9. How about outside the firm, in the external environment? Has the environment presented any serious obstacles? How did you address them and to what extent have you been successful in overcoming them?
10. What do you see as the single biggest challenge, either inside or outside the firm that is facing your business today?
11. What do you see as the single biggest challenge facing entrepreneurs in Newfoundland & Labrador today?
12. What do you see for your company in the next five years?
13. Where do you see the opportunities for small and medium-sized businesses in our province in the coming years?
14. Why do you think Newfoundland & Labrador is or is not a good place to do business?

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

15. If the Royal Commission were to make two recommendations to the federal government concerning our achieving prosperity and self-reliance, what should those two recommendations be?
16. If the Royal Commission were to make two recommendations to the provincial government concerning our achieving prosperity and self-reliance, what should those two recommendations be?
17. If you could offer two pieces of advice to business owners and prospective entrepreneurs in our province, what would you tell them?
18. Would you be willing to participate in a follow-up questionnaire?

**APPENDIX F  
FOLLOW-UP SURVEY**

1. In terms of ownership, please indicate the percentage of the business you currently own.

- Owned by you and your immediate family \_\_\_\_\_ %  
 Owned by others \_\_\_\_\_ %

2. Please indicate the number of managers within your business (including yourself) \_\_\_\_\_

3. Please indicate the primary business activity conducted by your company? *(Please check one only)*

- Retail  
 Industrial Equipment and Wholesale  
 Manufacturing  
 Businesses Services  
 Personal Services  
 IT and Communications  
 Mining & Oil  
 Fisheries & Aquaculture  
 Agriculture  
 Other \_\_\_\_\_

4. Do you consider your business to be a tourism business? Yes  No

5. Please indicate how many employees of each type, including yourself, you had on your payroll during the past fiscal year.

- Full-time \_\_\_\_\_  
 Part-Time \_\_\_\_\_  
 Seasonal/Contractual Full-Time \_\_\_\_\_  
 Seasonal/Contractual Part-time \_\_\_\_\_

6. Do you currently own any other business? *(Please check one only)*

- No  Yes Number \_\_\_\_\_

7. Did you start any other business prior to this one? *(Please check one only)*

- No  Yes Number \_\_\_\_\_

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**

8. Please indicate your sales revenue in 2002. *(Please check one only)*

- Less than \$100,000
- \$100,000 to \$249,000
- \$250,000 to \$499,000
- \$500,000 to \$999,000
- \$1 million to \$5 million
- More than \$5 million

9. Please indicate your age group.

- Under 25
- 25-29 Years
- 30-34 Years
- 35-39 Years
- 40-44 Years
- 45-49 Years
- 50-59 years
- 60-64 years
- 65 years and older

10. Please indicate the highest level of education you have achieved. *(Please check one only)*

- Some high school
- Completed High School
- Some Vocational/Trade School
- Completed Vocational/Trade School
- Some University/College
- University/College Undergraduate Degree
- University Graduate Degree
- Other \_\_\_\_\_ *(Please Specify)*

**APPENDIX G  
COVER LETTER**

*P. J. Gardiner Institute for Enterprise and Entrepreneurship  
Faculty of Business Administration*

February 24, 2003

Mr. Reg Williams  
Bon Tours/OceanView Motel  
P.O. Box 129  
Rocky Harbour, NL  
A0K 4N0

Dear Sir/Mr. Williams:

I would like to take this opportunity to say thank you for agreeing to be part of our important research on success stories in Newfoundland and Labrador and for taking the time recently to meet with our researcher, Ms. Marsha Ellsworth. Your particular insights, experience, thoughts and opinions are important ingredients in this project and the resulting conclusions and recommendations.

As you may recall, this project is just one initiative of the Royal Commission on Renewing and Strengthening our Place in Canada and the results of our report will contribute to the final report of the Commission. I trust you agree that this is important research that will be beneficial for the continued success of many Newfoundland and Labrador businesses, such as your own, as well as new businesses in the future.

As a follow-up to the interview conducted with Marsha, we would like to gather some general information to assist us with the categorization and profiling of businesses that have participated in the survey. This questionnaire should only take a few minutes to complete and we would be grateful if you could provide us with this information. Please fax the completed questionnaire to the attention of Marsha Ellsworth at (709) 737-2383.

Again, let me say thank you for your participation in the worthwhile project. I wish you continued success in the future.

Yours truly,

---

Bonnie L. Simmons  
Associate Director – Outreach  
Encls.

**APPENDIX H  
FINAL SAMPLE**

<b>Firm Name</b>	<b>Community</b>
Bon Tours/OceanView Motel	Rocky Harbour
Bren-Kir Industrial Services	Marystown
CyberZone	St. John's
Epoch Rock	Argentia
Forteau Bay Pottery	Forteau
Gifts of Joy	Pasadena
Health Bridges	St. John's
Hotel Port Aux Basques	POB
Innova Multimedia	Stephenville
J.Petite & Sons	English Hr. West
Jill Dreaddy DanceCo	CBS
King's Point Pottery	King's Point
Labrador Hydraulics	Wabush
Labrador Inuit Development Corporation	Nain
Labrador Rewinding	Wabush
Mobile Massage Works	HVGB
Newfoundland Aqua Products	Ramea
Newfoundland Naturals	St. John's
Nortique Fashions	Corner Brook
Paterson Woodworking	Amherst Cove
Pat's Plants & Gardens	Bay Bulls
Peyton's Flowers	Gander
ProWeld Industries	Bishop's Falls
RPM Rebuild Pumps & Motors	Carbonear
Tuckamore Lodge	Main Brook
Vogue Furriers	St. John's



## **APPENDIX I COMPANY PROFILES**

### **Bon Tours/Ocean View Motel**

- Location: Rocky Harbour
- Industry: Personal Service
- Products/Services: Boat tours/hotel
- Markets: International
- Age of business: 28 years
- Ownership: 100% Family-owned
- # of Managers: 6
- Current employees:
  - ◇ 2 Full-time
  - ◇ 14 seasonal/contractual full-time
- Currently owns 4 other businesses
- Has started 2 other businesses prior to this one

### **Bren-Kir Industrial Services**

- Location: Marystown
- Industry: Wholesale/Industrial Equipment
- Products/Services: Fire/safety products/industrial supplies
- Markets: Eastern Canada
- Age of business: 18 years
- Ownership: 100% Family-owned
- # of Managers: 3
- Current employees:
  - ◇ 17 Full-time
- Currently owns other businesses
- Has not started other businesses prior to this one

### **CyberZone**

- Location: St. John's
- Industry: Information Technology
- Products/Services: Web site development/e-learning
- Markets: Local
- Age of business: 5 years

### **Epoch Rock**

- Location: Argentia
- Industry: Manufacturing
- Products/Services: Granite products
- Markets: International
- Age of business: 3 years
- Ownership: 33% Family-owned; 67% other
- # of Managers: 8
- Current employees:
  - ◇ 52 Full-time
- Currently own 3 other businesses
- Has started 8 other businesses prior to this one

### **Forteau Bay Pottery**

- Location: Forteau
- Industry: Crafts
- Products/Services: Various pottery
- Markets: Provincial
- Age of business: 3 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 2 Full-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **Gifts of Joy**

- Location: Pasadena
- Industry: Retail
- Products/Services: Hallmark products
- Markets: Western Newfoundland
- Age of business: 15 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 2 Full-time
  - ◇ 3 Part-time
- Does not currently own other businesses
- Has started one other business prior to this one

### **Health Bridges**

- Location: St. John's
- Industry: Manufacturing
- Products/Services: Orthopaedic devices
- Markets: International
- Age of business: 8 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 1 Full-time
- Currently owns 2 other businesses
- Has started 2 other businesses prior to this one

### **Hotel Port aux Basques**

- Location: Port aux Basques
- Industry: Personal Service
- Products/Services: Hotel/restaurant/banquet and meeting rooms
- Markets: International
- Age of business: 25 years

### **Innova Multimedia**

- Location: Stephenville
- Industry: Information Technology
- Products/Services: Various software products/educational software
- Markets: International
- Age of business: 9 years
- Ownership: 23% Family-owned; 77% other
- # of Managers: 3
- Current employees:
  - ◇ 15 Full-time
  - ◇ 4 seasonal/contractual part-time
- Does not currently own other businesses
- Has started 2 other businesses prior to this one

### **J.Petite & Sons**

- Location: English Harbour West
- Industry: Fisheries and Aquaculture
- Products/Services: Ground fish/crab/lobster
- Markets: International
- Age of business: 106 years

### **Jill Dreddy DanceCo**

- Location: Conception Bay South
- Industry: Personal Service
- Products/Services: Dance instruction
- Markets: Local
- Age of business: 5 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 1 Full-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **King's Point Pottery**

- Location: King's Point
- Industry: Craft
- Products/Services: Kitchen /dinnerware clay products
- Markets: Canada, International
- Age of business: 11 years
- Ownership: 100% Family-owned
- # of Managers: 2
- Current employees:
  - ◇ 2 Full-time
  - ◇ 2 seasonal/contractual full-time
- Currently owns one other business
- Has not started other businesses prior to this one

### **Labrador Hydraulics**

- Location: Wabush
- Industry: Wholesale/Industrial Equipment
- Products/Services: Repair/manufacture hydraulic components
- Markets: Provincial and Quebec
- Age of business: 6 years
- Ownership: 50% Family-owned; 50% other
- # of Managers: 1
- Current employees:
  - ◇ 6 Full-time
- Currently owns one other business
- Has started one other business prior to this one

### **Labrador Inuit Development Corporation**

- Location: Nain
- Industry: Mining/Fishing
- Products/Services: Dimension stone/fish products/real estate
- Markets: International
- Age of business: 23 years
- Ownership: 100% Non-family-owned
- # of Managers: 4
- Current employees:
  - ◇ 70 Full-time
  - ◇ 120 seasonal/contractual full-time
- Currently owns 10 other businesses
- Has not started other businesses prior to this one

### **Labrador Rewinding**

- Location: Wabush
- Industry: Business services
- Products/Services: Rewind electrical motors
- Markets: Provincial and Quebec
- Age of business: 10 years

### **Mobile Massage Works**

- Location: Happy Valley – Goose Bay
- Industry: Personal Service
- Products/Services: Massage therapy/spa treatments
- Markets: Local
- Age of business: 5 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 1 Full-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **Newfoundland Aqua Products**

- Location: Ramea
- Industry: Fisheries and Aquaculture
- Products/Services: marine plants/supplements
- Markets: Canada
- Age of business: 7 years

### **Newfoundland Naturals**

- Location: St. John's
- Industry: Manufacturing
- Products/Services: Personal care products
- Markets: Canada and U.S.
- Age of business: 8 years
- Ownership: 100% Family-owned
- # of Managers: 3
- Current employees:
  - ◇ 10 Full-time
  - ◇ 4 Part-time
- Does not currently own other businesses
- Has started one other business prior to this one

### **Nortique Fashions**

- Location: Corner Brook
- Industry: Manufacturing
- Products/Services: Apparel products/embroidery/sewing
- Markets: Canada
- Age of business: 15 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 4 Full-time
  - ◇ 8 Part-time
  - ◇ 2 seasonal/contractual full-time
  - ◇ 4 seasonal/contractual part-time
- Currently owns one other business
- Has not started other businesses prior to this one

### **Paterson Woodworking**

- Location: Amherst Cove
- Industry: Manufacturing
- Products/Services: Household furniture
- Markets: St. John's
- Age of business: 11 years

### **Pat's Plants & Gardens**

- Location: Bay Bulls
- Industry: Agriculture
- Products/Services: Flowers/plants/supplies
- Markets: Local
- Age of business: 16 years
- Ownership: 100% Family-owned
- # of Managers: 2
- Current employees:
  - ◇ 1 seasonal/contractual Full-time
  - ◇ 2 seasonal/contractual Part-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **Peyton's Flowers**

- Location: Gander
- Industry: Retail
- Products/Services: Flowers/plants
- Markets: International
- Age of business: 30 years

### **ProWeld Industries**

- Location: Bishop's Falls
- Industry: Manufacturing
- Products/Services: Metal machining/steel fabrication/equipment rentals
- Markets: Provincial
- Age of business: 33 years
- Ownership: 100% Family-owned
- # of Managers: 2
- Current employees:
  - ◇ 16 Full-time
  - ◇ 3 seasonal/contractual Part-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **RPM Rebuild Pumps & Motors**

- Location: Carbonear
- Industry: Business Services
- Products/Services: Electrical apparatus rewind and repair
- Markets: Provincial and International
- Age of business: 11 years
- Ownership: 100% Family-owned
- # of Managers: 1
- Current employees:
  - ◇ 5 Full-time
- Does not currently own other businesses
- Has not started other businesses prior to this one

### **Tuckamore Lodge**

- Location: Main Brook
- Industry: Personal Service
- Products/Services: Big game hunting/fishing lodge/adventure tourism
- Markets: International
- Age of business: 18 years
- Ownership: 100% Family-owned
- # of Managers: 2
- Current employees:
  - ◇ 2 Full-time
  - ◇ 2 Part-time
  - ◇ 5 seasonal/contractual full-time
  - ◇ 10 seasonal/contractual part-time
- Currently owns other businesses
- Has started 2 other businesses prior to this one

### **Vogue Furriers**

- Location: St. John's
- Industry: Retail
- Products/Services: Leather/fur clothing
- Markets: Provincial
- Age of business: 20 years

**Built to Last: Entrepreneurial Success Stories of Newfoundland & Labrador**