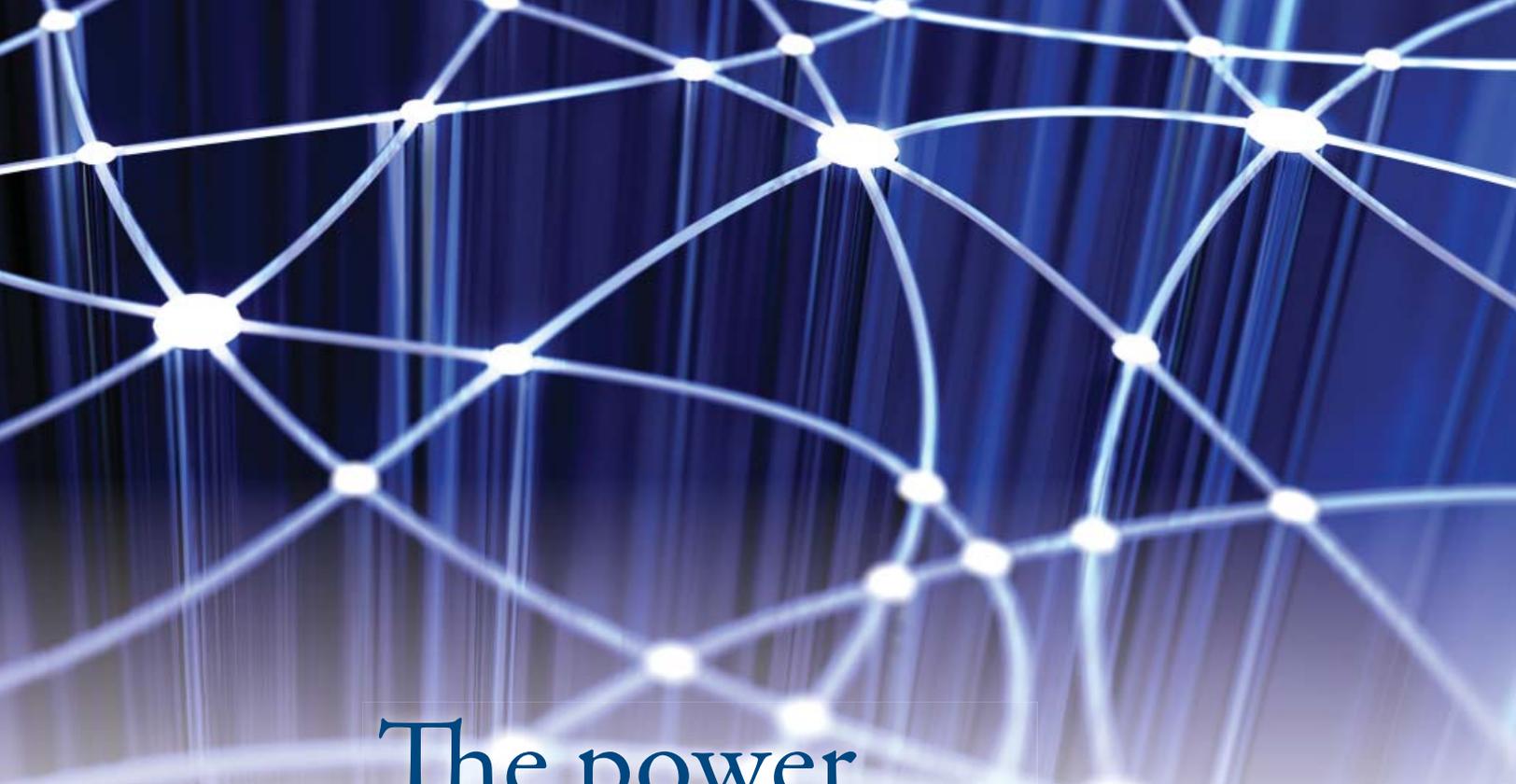




Powering Up the Network:

A Report on Small Business Use of E-business Solutions in Canada

February 2010



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Overview

Canada is a world leader in many areas: energy, natural resources and the financial services sector to name a few. Unfortunately, there is a critical area where Canada has fallen from leader to laggard. While the availability of broadband internet across the country remains high, we have slipped internationally in ensuring our digital infrastructure is world class and, as a result, it has become more difficult to attract and keep jobs in the knowledge-based economy.

As part of the Canadian Chamber's policy paper *Mapping the Future of the Digital Economy: Key to Canada's Economic Success* that was released in June 2009, we are recommending that the federal government continue to work with the private sector to accelerate e-business adoption among small- and medium-sized enterprises (SMEs), and that the federal government creates a favourable investment climate that encourages foreign and domestic investment in Canadian e-business opportunities.

Without proper investment and dedication to information and communications technology (ICT), innovation, and protecting intellectual property rights, Canada's productivity will be limited and other nations will continue to surpass us as a destination for both domestic and international business investment. Canada must take back its proper place as a world leader in innovation and invest in our future economic growth immediately.

Given the current state of the economy, it is vital that the government allocate resources for investments in ICT to jump-start Canada's economic recovery. While the 2009 federal budget provided for \$225 million over three years for broadband internet, much more still needs to be done. By establishing a solid strategy, the government can provide businesses and Canadians in general with the tools they need to continue to drive growth, innovation and jobs in the digital economy.

The June 2009 conference on the future of the digital economy indicated the federal government's willingness to examine the advantages of ICT and the role the government can play. Canada's business community welcomes government support, as too many businesses, especially the SMEs, need help to be well positioned to prosper in the digital economy.

Small Business Statistics in Canada

According to Statistics Canada's *Business Register*, there were 2,314,563 business establishments in Canada at the end of 2008,¹ which represented a 1.2% decline compared with December 2007. In December 2008, small businesses accounted for 97.9% of employer businesses, with the distribution by firm size essentially the same as December 2007; medium-sized businesses accounted for 1.9%; and large businesses accounted for 0.3%.² Given the nature of today's economy, it is no surprise that more people are self-employed, either by choice or necessity. According to the most recent figures from Statistics Canada's *Labour Force Survey*, the number of self-employed workers increased by 40,000 to 2.633 million from 2008 to 2009.³

SME Survey Results

In order to get a current picture of business views related to e-commerce and the use of information and communications technologies, the Canadian Chamber conducted a survey of its membership with the assistance of the local chamber network. The survey (conducted March 2 to 20, 2009) was designed to provide a snapshot to determine for what Canadian business was using the internet, if business-to-business transactions were taking place on a regular basis, and what online security measures were being employed by businesses.

953 businesses of all sizes responded to the survey. 66% of businesses that replied employed between 1-10 people and 24% of respondents employed between 11-100 people. The vast majority of respondents were small businesses.



1 Statistics Canada, *Business Register*, December 2008.

2 Industry Canada, *Small Business Quarterly*, Vol. 11, No. 2, August 2009.

3 Ibid.

Survey Results and Analysis

96% of businesses that responded to the survey are using the internet for business purposes. By comparison, 81% of Australian businesses are using the internet for business purposes. When it comes to looking at how these Canadian businesses are using their websites, 27% accept online payments and 31% of businesses provided the ability for online ordering and tracking of goods. 87% provided product information on their websites.

When it comes to the adoption of e-business solutions for business-to-business online transactions, the results were mixed. 42% of businesses surveyed stated that they did use an automated electronic data exchange system to send orders to suppliers, 51% are receiving and sending electronic invoices, 46% are able to receive orders from customers, 65% send or receive product information, 46% send payment instructions to financial institutions and 45% send and receive data to/from governments (such as tax information). This illustrates that more needs to be done to get business to use business-to-business e-commerce solutions to make their businesses more globally competitive. The key is to keep it simple – with the majority of businesses employing fewer than 10 people, they simply don't have the time to dedicate to implementing and monitoring complicated and costly e-business solutions.

Interestingly, 51% of all businesses surveyed indicated that they did not have a privacy policy statement on their websites. The Canadian Chamber has worked with the Office of the Privacy Commissioner to inform small businesses of their obligations with regard to customer information, but this high number indicates that more awareness is necessary, particularly with the smaller businesses.

On cyber security matters, 93% of businesses are employing anti-spam/anti-virus protections for their business and 82% update these protections at least once a month. 93% of businesses have firewalls for their online business and 89% perform a regular back-up of critical data. Interestingly, 19% responded that their business does not have a secure server, 42% do not back up information off-site and almost a quarter of all businesses are not regularly updating their spam filters.

Survey Results

Question	Yes	No
1. Does your company use the Internet for business purposes?	96%	4%
2. Does your company offer any of the following on your website?		
Online payments	27%	73%
Online ordering and order tracking	31%	69%
Information about your products and services	87%	13%
Product catalogues or price lists	48%	52%
Privacy policy statement	49%	51%
3. Does your company use an automated electronic data system to correspond with other businesses for any of the following?		
Sending orders to suppliers	42%	58%
Receiving and sending electronic invoices	51%	49%
Receiving orders from customers	46%	54%
Sending or receiving product information	65%	35%
Sending payment instructions to financial institutions	46%	54%
Sending/receiving data to/from governments (i.e. taxes)	45%	55%
4. Does your company use any of the following IT security measures?		
Anti-malware software (i.e. virus protection, anti-spam)	93%	7%
Secure servers	81%	19%
Firewalls	93%	7%
Regular back-up of data critical to business operations	89%	11%
Off-site back-up of information	58%	42%
5. Does your company regularly (i.e. at least once a month) update the following computer systems security tools?		
Anti-malware software (i.e. virus protection, anti-spam)	82%	18%
SPAM filters	77%	23%
6. Please indicate the size of your business		
1-10 employees	632	66%
11-100 employees	231	24%
101-500 employees	49	5%
501 or more employees	41	4%
TOTAL	953	100%

Comments from small business

In addition to having 953 businesses complete the survey, the Canadian Chamber also received 181 specific comments from these companies that are looking to further their engagement with ICT. Below is a sampling of some of the comments from Canadian companies on the issue of e-commerce and ICT adoption.

Comments:

- “Almost all my sales are done through the internet. It has increased sales exponentially since starting up my website.”
- “Users need to be educated about all aspects of the technology they are using.”
- “Canada needs to embrace a national strategy of investment in infrastructure and productivity enhancement if we are to achieve any degree of competitiveness in the international marketplace; we can’t afford NOT to do so.”
- “We need to improve usage or we’ll lose out on opportunities.”
- “I have not adopted it on my website because the potential market is still so small.”
- “High speed access is too limited in rural areas.”
- “Difficult learning curve for small businesses. High set up costs.”
- “Having just started this venture, there are a lot of hoops to jump through.”
- “It can be expensive for a small business to afford all the protections available, but we do our best with what we can afford.”
- “Infrastructure across the rural west is a clear barrier to e-commerce.”
- “The government should do everything possible to help small businesses adopt technology. The biggest help would be to ensure people entering the workforce have adequate skills.”
- “We do not have a website but definitely use the computer for ordering and receiving invoices.”
- “By and large, Canada is way behind other countries. In order for us to catch up, we need a program from the federal government for training at all levels.”
- “Needs to be safe and secure.”
- “Our business is becoming more reliant on e-commerce solutions.”

The complete set of comments from business is available upon request.

International Best Practices for SMEs

When positioned against other leading world economies, it becomes clearer that government and business must quickly come together and build an action plan before we fall too far behind.

Canada's ranking in ICT continues to fall:

Measurement Tool	Canada's Global Ranking in 2001	Canada's Global Ranking in 2007
<i>Global Competitiveness Index</i> (The World Economic Forum measures the set of institutions, policies and factors that determine the level of productivity of a country)	3 rd	13 th
<i>OECD Broadband Ranking</i> (Ranks countries according to broadband penetration statistics per 100 inhabitants)	4 th	10 th
<i>E-Readiness Ranking</i> (Economist Intelligence Unit – ranks the extent to which a market is conducive to internet-based opportunities)	4 th	13 th

Leading Countries in ICT:

Britain:

In October of 2008, Britain announced the creation of “Digital Britain,” an action plan to secure the United Kingdom’s place at the forefront of innovation, investment and quality in the digital communications industries. The information and communications technologies and broadcasting sectors in the UK together account for 5.9% of GDP, with a turnover of over £52 billion (approximately \$93.5 billion CAD) a year. 500,000 people are employed in these sectors in the UK. This comprehensive project will look to accelerate Britain’s growth in ICTs with a goal of becoming the leading economy in the world for innovation and investment. To ensure the UK maximizes the benefits of convergence right across the economy and society, a strategy will be developed to secure four key conditions: open markets; empowered and informed consumers and citizens; universal access to public service content; and a responsive regulatory framework. The new position of Minister for Communications, Technology and Broadcasting was created by the Prime Minister in recognition of the important role these sectors play in our economy and our society.

Australia:

The Australian government has established the Department of Broadband, Communications and the Digital Economy, recognizing the importance of this sector to the economy of the nation. The Department's vision is that Australia will continue to develop world-class communications and information technology that will build on the creativity of its people and the opportunities provided by new technologies to enrich the economic and social wellbeing of all Australians.

Key activities of the Department include:

- Ensuring the telecommunications, broadcasting and radio-communications sectors meet the needs of all Australians and are internationally competitive.
- Creating a range of information and communications technology (ICT) industry opportunities for Australia.
- Supporting a range of national ICT and telecommunications councils and advisory bodies.
- Promoting Australia through international and regional telecommunications agencies and organizations.

In September of 2008, the Minister for Broadband, Communications and the Digital Economy announced that the Australian Government will develop a *Future directions paper for the digital economy*—a roadmap for Australian businesses, households and government to maximize participation in the digital economy.

There are many positive signs among Australian businesses of the use of technology to improve processes and services. 81% of Australian businesses are using the internet (less than Canada) and they are doing so as much in metropolitan as in regional areas. This use is primarily for financial transactions, such as banking and invoicing, and for electronic exchanges with government organizations. Around one-third of firms are using the internet to place and receive orders, to enable employees to work from home or to research improvements in their products and services.⁴ Because Australia's rate of businesses using the internet is still relatively low, the government has recognized this gap and is working quickly and taking action to fix this problem.

Denmark:

In Denmark, the government has established the Department of Science, Technology and Innovation and annually produces a report card on ICT engagement in Denmark. Denmark ranks among the very best in the world in terms of digital development, and was nominated in 2007 as the world's best nation within ICT in the World Economic Forum's Global Innovation Technology Report.⁵ In 2007, the Danish government set out a comprehensive strategy to make the nation one of the top in the world for ICT engagement. One of the Danish government's goals is to provide easier and more efficient ICT access for its citizens. For example, by 2012, it should be possible for citizens to exchange all relevant written communications digitally with the government, such as accessing their own personal data at public authorities and allowing citizens greater access to government officials.

4 Australian Government, Department of Broadband, Communications and Digital Economy: Digital Economy Future Directions Consultation Paper, December 2008.

5 IT and Telecommunications Policy Report 2008, the Danish Government.

The Danish government is also making it easier for Danish businesses to use ICT by putting the necessary frameworks in place. For instance, one government-led initiative provides the framework for a small business to send an electronic invoice to a customer just as easily as it is to send a regular email. Denmark has also mapped the necessary physical infrastructure for global ICT success. Today, broadband is available to more than 99% of citizens and businesses. Everyone in Denmark should have access to broadband by the end of 2010.⁶

To further illustrate Denmark's commitment to ICT, from 2005 to 2008, the government dedicated CAD \$62 million for research in cross-functional use of nano-, bio- and ICT technologies under the Danish Council for Strategic Research. In 2007, this resulted in five grants totaling approximately CAD \$10 million for projects clearly dedicated to ICT research.⁷



Countries actively supporting adoption and use of advanced ICTs amongst SMEs:

- Australia's Small Business Online Program has the objective to equip small businesses to go online and significantly enhance their Web facilities and engage in e-business capabilities to help reduce their costs and improve their market opportunities.
- United Kingdom's Regional Development Agencies assist SMEs to exploit advanced ICTs to transform their business processes.
- eEurope's initiative "GoDigital" encourages SMEs to "go digital" through coordinated networking activities for the exchange of knowledge on, best practices, e-commerce readiness and benchmarking.
- Europe's e-Invoicing initiative formed with the Single Euro Payment Area (SEPA) platform expected to produce in €64 billion in savings per year for business.
- The European e-Business Support Network for SMEs (eBSN) has the ultimate goal to improve the effectiveness of public SME policies in fostering competitiveness by promoting the innovative use of ICT.

6 Ibid.

7 Ibid.

Governments modernizing operations with ICT applications:

- Australia's Citizenship Wizard, eVisa program, Green Vehicle Guide, and e-Tax service.
- UK's Directgov and Businesslink portals streamline the number of Government websites for ease-of-use by citizens and business operators
- The EU's Electronic Public Procurement legal framework accelerates uses of ICTs in public procurement.

Countries committed to ICT policy through statistical monitoring:

- The Sectoral e-Business Watch (SeBW) supports Europe's policy in ICT and e-business by providing the statistical framework to gather evidence on ICT adoption and barriers.
- France's Digital Barometer will collect annual information from SME's on their use of the internet, and ICT products and services to determine the quality of ICT use among SMEs, the degree of effectiveness, and identify gaps.

Countries promoting and supporting 'Green' ICT initiatives for the future:

- EU's 'Green Knowledge Society'
- OECD's 'Towards Green ICT strategies: Assessing Policies and Programmes on ICTs and the Environment' (e.g. Denmark Action Plan for Green IT)

Conclusion and Recommendations

The Canadian Chamber has been a champion of getting small businesses to use e-business solutions for years, dating back to the Canadian e-Business Initiative. Unfortunately, even though it has been proven to be a significant driver of economic success, Canada still could be doing more (especially in comparison to its international partners) to promulgate the varied uses of ICT.

The federal government should:

1. Using best practices from other leading nations, establish a National ICT adoption strategy and National Advisory Council on ICT and the E-economy to better advance the adoption of ICT across all industry sectors and particularly SMEs.
2. Allocate resources for investments in ICT and make ICT adoption and use a government-wide priority.
3. Continue to rely on the private sector investment and competitive market forces to drive broadband rollout across the country.
4. Work directly with the business community to better educate SMEs about existing available programs and services that could be accelerating ICT adoption and use among businesses.

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