



**STARTUP
CANADA**

**2017
CENSUS
SUMMARY**

This report summarizes the results of the 2017 Startup Canada Census to provide insights on Canada's entrepreneurship community.

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EXECUTIVE SUMMARY

Canada is a nation of entrepreneurs who drive economic growth and job creation. A fulsome understanding of the state of entrepreneurship and entrepreneurship support is required to support the success and scalability of startups and small businesses across Canada.

A national census distributed to Startup Canada's network of 150,000 entrepreneurs and enterprise influencers establishes baseline data to measure this. The following key strategic insights from this census will be leveraged by Startup Canada, members of the Private Sector Advisory Council, broader industry partners, government, and academia to improve support resources to increase entrepreneurial success.

Access to funding continues to be a top barrier for entrepreneurs, particularly for visible minorities and those residing outside of large cities.

- Overall, only 11 per cent of respondents say funding is **very accessible** to their company.
- Fifty-seven per cent consider funding to be **somewhat accessible**, and 32 per cent consider it to **not be accessible at all**.
- Respondents who identify as **visible minorities** perceive financing to be more of an obstacle than those who are not.
- Of the respondents who indicated finding financing as a major obstacle to growth, over **80 per cent reside outside of Toronto**.
- Startup Canada, industry and government partners have a significant role to play to **remove demographic and geographic barriers** to funding accessibility.

Entrepreneurs are early adopters of new digital technologies, but are struggling to keep up with the rate of technological change and turnover.

- Over 93 per cent of respondents have an **online presence**.
- Seventy per cent consider themselves to adopt new technologies **before the majority of society**, with 24 per cent considering themselves **innovators** in the space.

- Forty-three per cent identified **costs related to training**, updating and maintaining digital technology as a main barrier to technology adoption.
- **Women are 20 per cent less likely** to leverage digital technologies when operating their business than men.
- Opportunities to increase digital adoption amongst entrepreneurs include **virtual training** available to every entrepreneur when and where they need it; **incentives and grants to up-skill teams** and hire new employees with in-demand digital skills; and, support for **programming created by and for women**.

Entrepreneurs have ambitions to scale and reach new international markets.

- Forty per cent of respondents expect their yearly average sales to **grow by more than 20 per cent** annually.
- Forty-three per cent are **selling globally**, and 29 per cent of those who are not selling to global markets **plan to in the near future**.
- The United States (90 per cent), Europe (55 per cent), and Australia (33 per cent) are listed among **top global markets** for international expansion.
- Startup Canada, industry, and government can support high-growth and international ambitions by working together to provide entrepreneurs with **access to training, funding, and connections** to grow in Canada and globally.

Networks, communities and incubators/accelerators are perceived to provide the most support to startup and small businesses.

- 95 per cent of respondents would **recommend Startup Canada** to their fellow entrepreneurs to access support and resources.
- **Government**, regardless of level, as well as **universities and colleges** are perceived to provide little to no support.
- **Anchor companies and industry associations** have the lowest support rating amongst respondents.
- **Funding** (65 per cent), **sales** (54 per cent), and **exposure** (51 per cent) are the most significant supports required by entrepreneurs to help them grow their companies.

- Industry, government, and academic institutions are well positioned to partner with Startup Canada and leverage its extensive network to **raise greater awareness of entrepreneur programs and resources.**

These strategic insights provide opportunities for Startup Canada, members of the Startup Canada Private Sector Leadership Advisory Council, broader industry partners, government and academia to improve its support and resources for entrepreneurs, and to measure the state of entrepreneurship in Canada over time using this baseline data.

INTRODUCTION

As a leader in the age of digital disruption, artificial intelligence and machine learning, Canada has a bright future as a global innovation and entrepreneurship leader. Already home to 2.3 million entrepreneurs and 1.1 million small businesses that account for 78 per cent of private sector job creation, 30 per cent of exports and 27 per cent of GDP, Canada's entrepreneurship community is poised to grow. As workplace disruptions caused by innovation displaces workers across sectors, the rate of entrepreneurship will increase by necessity.

This is why entrepreneurs, support organizations, government and industry must work together to fuel entrepreneurial ambition; ensure government policies are designed to spur startup and small business growth; provide access to support resources for every entrepreneur - no matter their size, sector or location; and, champion Canadian entrepreneurs to global markets. Together, the Canadian ecosystem can build a thriving inclusive economy that reaps the positive benefits of disruption and empowers Canadians through entrepreneurship.

Startup Canada, as the national rallying community and voice for Canada's 2.3 million entrepreneurs, partnered with the Startup Canada Public Sector Leadership Advisory Committee to conduct a sample census of its network of more than 150,000 entrepreneurs and enterprise influencers. The results of this survey, summarized in this report, provides baseline data for an enhanced understanding of the Startup Canada network; the needs and wants of entrepreneurs; the role of Startup Canada in the ecosystem; and, perspectives on the state of the environment and culture for entrepreneurship in Canada. This data is

intended for the use of Startup Canada and its industry, government, and other partners to contribute to the growth of a thriving entrepreneurship ecosystem.

METHODOLOGY

This study was conducted between January 1, 2017 and January 31, 2017 through a national online survey. This survey engaged 633 respondents and has a confidence interval of 95 per cent with a margin of error of 1.96. This report summarizes the results of the survey.

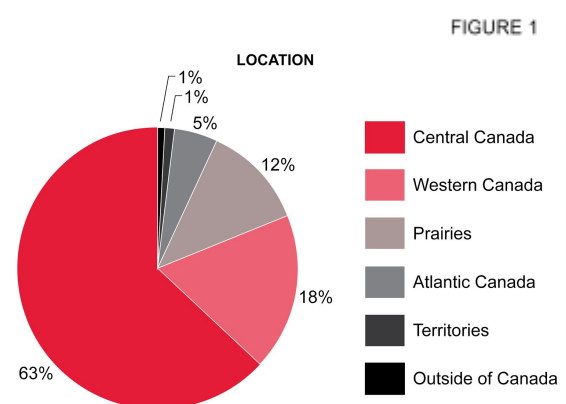
RESPONDENT PROFILE

Startup Canada supports and is the voice of every entrepreneur, regardless of size, sector, or demographics. As such, respondents of this survey represent the diversity of Canada's entrepreneurship community.

AGE | Thirty-nine per cent of respondents are between the ages of 18 and 35, 31 per cent are between the ages of 36 and 54; and, five per cent are over the age of 65. Fifty-four per cent of survey respondents self classify as male, 45 per cent as female, and one per cent self classify as other.

MINORITIES | Thirty-five percent of respondents were born outside of Canada, and 22 per cent identify as being a visible minority. Two per cent are Indigenous entrepreneurs.

LOCATION | The survey saw respondents from 11 Provinces and Territories. Across Canada, the largest number of respondents reside in Central Canada, accounting for 63 per cent of all surveyed. An additional 18 per cent of respondents reside in the Prairie Provinces; 12 per cent reside in Western Canada, and 1 per cent reside in the Atlantic Region and Territories respectively. (See Figure 1)



LANGUAGE | Eighty-seven per cent of respondents speak primarily English at home; seven per cent speak French; and six per cent speak a language other than French or English at home.

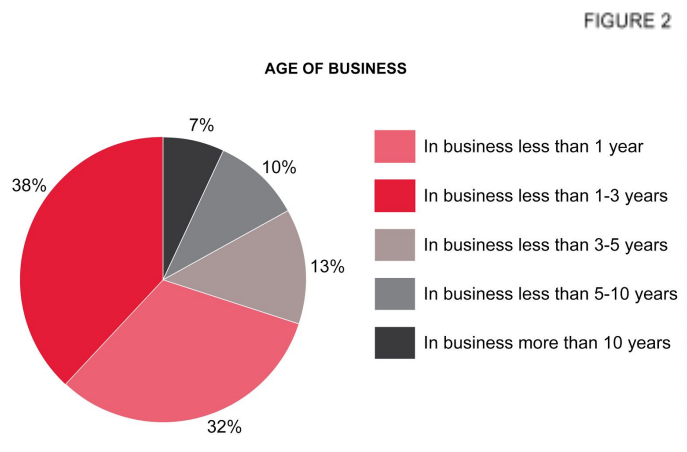
ROLE WITHIN THE ENTREPRENEURSHIP ECOSYSTEM | Seventy-five per cent of respondents are entrepreneurs; 15 per cent support entrepreneurs as investors, service providers and support organizations; and, 10 per cent of respondents indicated they are thinking of starting a new business.

ENTERPRISE PROFILE

Respondents of this survey represent a wide spectrum of industries from consulting and professional services to informational tech, retail, entertainment, services and agriculture.

TYPE OF BUSINESS | Thirteen per cent of respondents founded and operate for-profit social enterprises; thirty-eight per cent founded and run *for-profit businesses*; three per cent founded and run *non-profit social enterprises*; and two per cent founded and run *non-profit enterprises*.

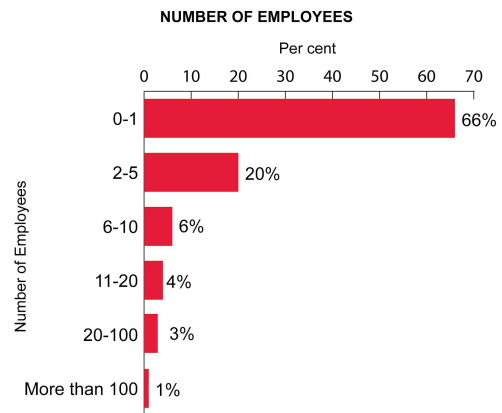
AGE & LIFECYCLE | Thirty-two percent of companies have been in operation for less than one year; 38 per cent of companies have been in business for 1-3 years; 13 per cent of business have been in business for 3-5 years; 10 per cent of businesses have been in business for 5-10 years; and, seven per cent have been in business for more than 10 years. (See Figure 2)



Forty-six per cent of respondents run startups with negligible revenues and are still refining their concept. Twenty-five per cent run growing companies with a positive revenue, but are not yet profitable. Sixteen per cent run mature companies with positive revenue, growth and positive profitability. Nine per cent are not incorporated and are still working to formulate their concept. Four per cent are operating declining companies and struggling with growth.

NUMBER OF EMPLOYEES | Excluding owner(s) and contract workers, 66 per cent of respondents have zero to one employee; 20 per cent have two to five employees; six per cent have six to 10 employees; four per cent have 11 to 20 employees; three per cent have 21 to 100 employees; and one per cent have more than 100 employees. (See Figure 3)

FIGURE 3



ANNUAL REVENUE IN 2015 | Forty per cent of respondents had no revenue in 2015. Thirty-eight per cent have an annual recurring revenue of less than \$100,000; 14 per cent generate revenues between \$100,000 and \$500,000; three per cent generate revenues between \$500,000 and \$1,000,000; five per cent generate between \$1M and \$10M; and two per cent have revenues between \$10M and \$100M.

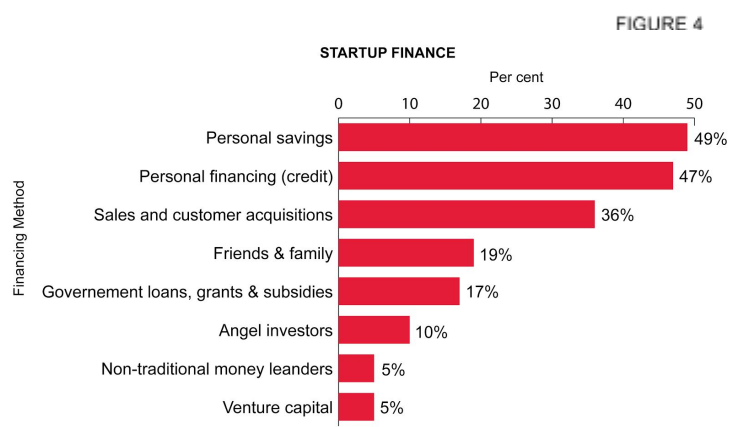
DIVERSITY OF REPRESENTATION | Eighty-seven per cent of respondents have a team and/or Board of Directors that includes a minimum of 20 per cent women. Thirty-three per cent have a team and/or Board of Directors that includes a minimum of 20 per cent visible minorities. Seven per cent have a minimum of 30 per cent persons with disabilities while just four per cent have a minimum of 20 per cent Indigenous representation.

PART 1: FINANCIAL MANAGEMENT AND RISK

Entrepreneurs are high risk takers when it comes to insuring and financing their businesses. Interestingly, just 38 per cent of entrepreneurs surveyed have insurance. Under one-quarter of those surveyed indicated they don't have insurance but are looking into it, while the remaining 29 per cent do not have insurance and are not looking into it.

ENTREPRENEURS INVEST PERSONAL SAVINGS TO GROW

When it comes to finances, the majority of entrepreneurs (70 per cent), regardless of age, invest their personal savings to finance the start-up of their business. Lines of credit (60 per cent), private loans (25 per cent), and sales (21 per cent) are also used to support businesses in their early stages. These numbers shift slightly as businesses scale - reliance on savings and personal financing declines to 50 per cent and sales increase to 36 per cent as the primary sources of funding.

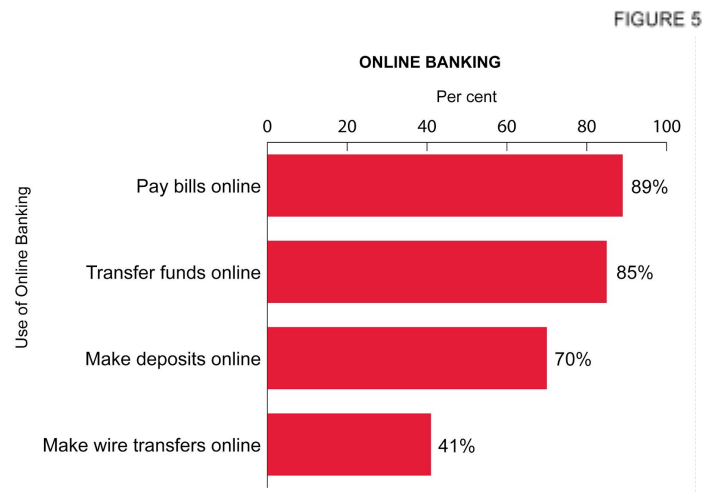


FUNDING ACCESSIBILITY A CONCERN, PARTICULARLY FOR MINORITIES

Overall, just 11 per cent of respondents say funding is 'very accessible' to their company. Fifty-seven per cent consider it to be 'somewhat accessible', and 32 per cent consider it to not be accessible at all. Respondents who identified as visible minorities identified financing to be more of an obstacle than those who didn't. Younger entrepreneurs also perceive funding to be more accessible than older entrepreneurs. Furthermore, of the respondents who indicated finding financing is a major obstacle to growth, over 80 per cent reside outside of Toronto. This indicates demographic and geographic barriers to accessing startup and scale-up funding in Canada.

USE OF FINANCIAL MANAGEMENT EXPECTED TO GROW OVER TIME

Digital services are used widely by entrepreneurs to manage their financials. Of the 54 per cent of entrepreneurs who use online banking, 89 per cent use it to pay bills while 85 per cent use it to transfer funds. Seventy per cent use online banking to make deposits. Furthermore, 51 per cent use accounting software, while just 17 per cent use pen and paper to manage their finances.



Human resources are also crucial to financial management. Fifty per cent of entrepreneurs use an accountant, 22 per cent have a bookkeeper, and 15 per cent have an employee managing finances.

As companies scale, they rely more on financial management services. Over the next six months, 69 per cent of respondents indicated they will use an accountant; 62 per cent will use accounting software, and 33 per cent will use a bookkeeper.

PART 2: DIGITAL ADOPTION AMONGST ENTREPRENEURS

Digital adoption amongst Canadian entrepreneurs has been documented in detail by Startup Canada. An-depth analysis of the findings below can be found in [Advancing Digital Adoption Amongst Small Businesses in Canada](#), a report summarizing entrepreneur trends in digital adoption.

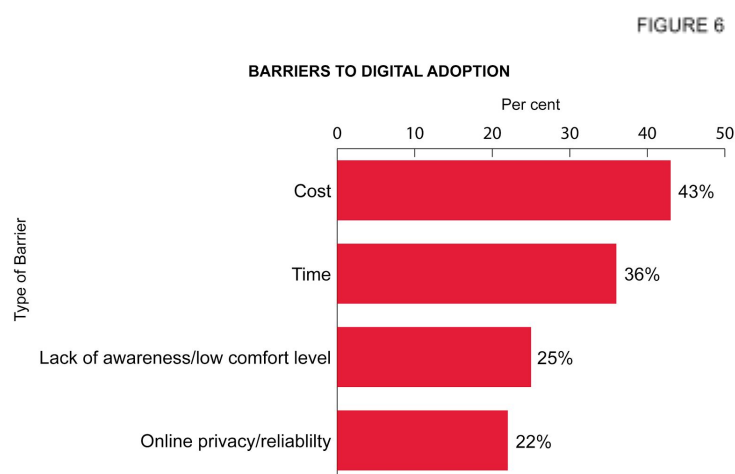
ENTREPRENEURS ARE EARLY ADOPTERS OF TECHNOLOGY

Entrepreneurs in Canada are early adopters of new digital technologies, but are struggling to keep up with the rate of change and turnover in this technology. Seventy per cent of those surveyed consider themselves to adopt new technologies before the majority of society, with 24 per cent considering themselves innovators in the space. Over 93 per cent of those surveyed have an online presence, and 69 per cent consider the adoption of new digital technologies to be extremely important to the success of their company. However, despite being profitable in the long-term, for small business owners the return on investment of digital adoption isn't immediate. For companies wherein time, resources and finances are precious commodities, this presents shorter-term, day-to-day challenges.

TIME, COST TO KEEP UP WITH TECH CHANGE AMONG TOP BARRIERS

Digital onboarding, implementation, maintenance, and effective utilization of new digital technologies requires significant upfront investment for small business owners. Forty-three per cent of SBOs identified costs related to training, updating and

maintaining digital technology as a main barrier to technology adoption, with the amount of time required to adopt new technologies close behind at 36 per cent. Twenty-five percent



cited lack of awareness, low comfort level and high complexity as a main barrier with 22 per cent regarding online privacy and reliability as a major barrier.

DEMOGRAPHIC DIVIDE PERSISTS

While overall, SBOs are high adopters of new digital technology, a demographic divide persists. Women are 20 per cent less likely to leverage digital technologies when operating their business than men. In comparison to born-Canadians, digital adoption rates are two times higher amongst immigrant entrepreneurs in Canada. Immigrant entrepreneurs are also more likely to both leverage digital technologies in their companies and invest in digital skills building.

PART 3: GROWING & GOING GLOBAL

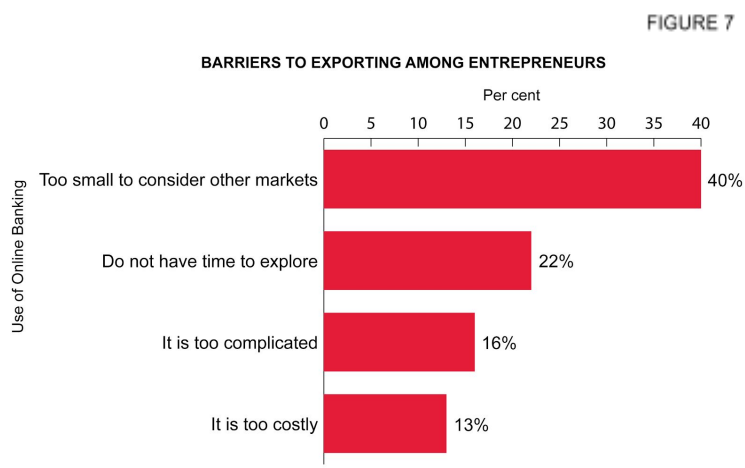
Entrepreneurs have ambitions to scale and reach new international markets. Forty per cent of respondents expect their yearly average sales to grow by more than 20 per cent annually. Twenty-four per cent expect growth between 10 and 20 per cent.

ENTREPRENEURS ARE GLOBALLY INCLINED

Forty-three per cent of entrepreneurs are selling globally, and 29 per cent of those who are not selling to global markets plan to in the near future. The United States (90 per cent), Europe (55 per cent), and Australia (33 per cent) are among top

global markets. Latin America and China are also popular markets with 23 per cent of respondents currently selling or planning to sell to these markets.

Of those who do not export, 40 per cent say they are too small to consider other markets. Other barriers include a lack of time to explore global markets (22 per cent), high levels of complication to export (16 per cent) and high cost of exporting (13 per cent).

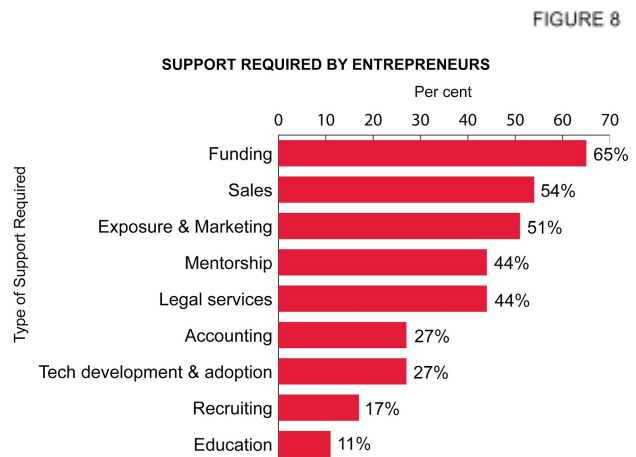


PART 4: STATE OF SUPPORT FOR ENTREPRENEURS IN CANADA

When it comes to growing startup and small companies, access to funding, cash flow and sales and customer acquisition are the most significant obstacles faced by entrepreneurs. Accessing talent, recruitment and inflation follow closely.

SUPPORT REQUIRED FOR GROWTH

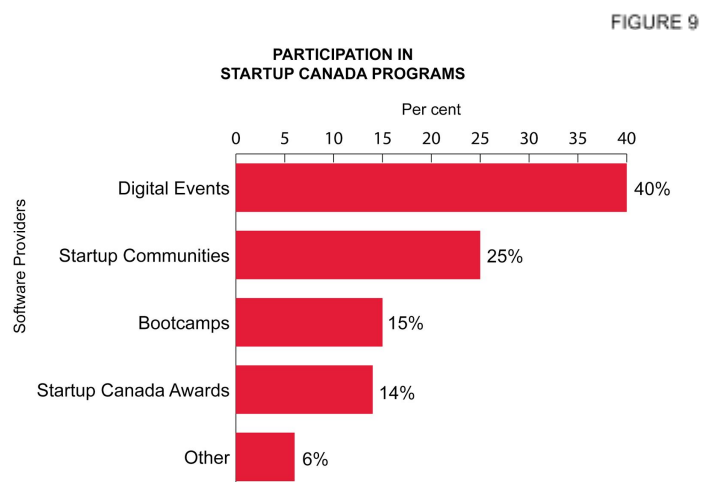
When asked what support they require to grow, entrepreneurs identified funding (65 per cent), sales (54 per cent), and exposure (51 per cent) as the most significant gaps. Entrepreneurs also require access to mentorship (44 per cent), legal services (44 per cent), accounting (27 per cent), and technology adoption support (27 per cent).



ROLE OF STARTUP CANADA

Sentiments about Startup Canada amongst entrepreneurs are highly positive. Ninety-five per cent of respondents would recommend Startup Canada to others, and 41 per cent consider Startup Canada to be the national rallying community and voice for entrepreneurs in Canada.

Of Startup Canada's programs, digital events and Startup Communities are the most popular. Of the 53 per cent of respondents who participated in Startup Canada programs in 2016, 40 per cent participated in digital events and 25 per cent participated in Startup Communities. Fifteen per cent participated in bootcamps and 14 per



cent participated in the Startup Canada Awards.

When asked what they would like to see from Startup Canada in 2018-2020, respondents indicated they would like to see a strong marketing platform to accelerate awareness of Canadian products and services, more on the ground support and events in local Startup Communities, more digital events to share best practices, mentorship and advice, export support, initiatives for social entrepreneurs and seniorpreneurs, national connections, as well as a one-stop shop for access to support and resources.

GENERAL SUPPORT FOR ENTREPRENEURS

Overall, personal networks, the entrepreneurship community, and incubators and accelerators provide the most support to startup and small businesses, according to respondents. Government, regardless of level, as well as universities and colleges are perceived to provide little to no support. Anchor companies and industry associations have the lowest support rating amongst respondents.

PART 5: RECOMMENDATIONS TO SUPPORT ENTREPRENEURIAL SUCCESS

Considering the challenges faced by entrepreneurs and the perceptions of entrepreneur support amongst startup and small business owners, there are significant opportunities for industry and government to leverage Startup Canada and other leading entrepreneurship organisations to improve the state of entrepreneurship in Canada and support the success of every entrepreneur.

TELL STORIES OF CANADIAN ENTREPRENEURS

Entrepreneurs have small marketing budgets, but rank exposure as the third-highest priority area wherein they need support to grow their businesses. By telling the stories of Canadian entrepreneurs in marketing campaigns, anchor companies and government can support entrepreneurs to reach new customers, markets, and contribute to a mainstream culture of entrepreneurship by celebrating their successes.

SUPPORT UPSKILLING, SCALABILITY AND GLOBAL GROWTH THROUGH MICRO-GRANTS

With access to funding and cashflow a top concern for entrepreneurs, and only 11 per cent considering funding to be ‘very accessible’ to their businesses, industry and government can significantly support entrepreneurs by providing micro-grants delivered through Startup Community delivery partners. These grants can be leveraged to support entrepreneurs to upskill their teams, increase their online presence, hire new employees, and manage the up-keep costs associated with digital technology. Such funds are particularly needed by visible minorities and those living outside of major cities.

PROVIDE SKILLS BUILDING OPPORTUNITIES FOR ENTREPRENEURS

With funding, sales, and mentorship among the top areas where entrepreneur require support, anchor companies are well-positioned to leverage their expertise to provide digital and on-the-ground training for entrepreneurs to build hard and soft skills needed to grow their companies. Leveraging digital delivery methods ensures wider access of these opportunities to entrepreneurs beyond Canada’s major cities.

PARTNER WITH THE STARTUP COMMUNITY TO INCREASE AWARENESS OF SUPPORT

With the perception that industry, government and academia provides a low level of support for entrepreneurs, these entities are well-positioned to partner with the entrepreneurship community, incubators and accelerators, which have the highest support ratings, to accelerate awareness of resources for entrepreneurs.

CONCLUSION

This report provides baseline data to measure the state of entrepreneurship and entrepreneur support in Canada over time. With innovation and disruption challenging the Canadian workforce at a faster rate than ever before, Canada's entrepreneurship ecosystem must work together to incentivize entrepreneurial ambition and success to create new jobs and economic opportunities for Canadians.

By leveraging Canada's entrepreneurship community, industry, government and academia can increase awareness of support resources for entrepreneurs; improve access to funding, particularly for minorities and those outside of major cities; improve access to digital skills training and upkeep resources; and support the high-growth and global ambitions of Canadian entrepreneurs. These are steps forward to build an inclusive Canadian economy powered by entrepreneurship.