



2018 ENTREPRENEUR CENSUS SUMMARY

Trends, Challenges & Opportunities
Facing Canada's Entrepreneurship Community



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THANK YOU TO OUR SPONSORS

The 2018 Canadian Entrepreneurship Census is presented by **Startup Canada** in partnership with the **Business Development Bank of Canada**, **UPS Canada**, **Mastercard Canada**, **Sovereign Insurance**, **Scotiabank**, and **Intuit Canada**.



EXECUTIVE SUMMARY

Strategic insights from the 2019 Startup Canada Census, summarized here, provide a snapshot of key characteristics and trends within the Canadian entrepreneurship community; persistent challenges that prevent entrepreneurs from reaching full growth potential; entrepreneur needs and wants as they start and scale; and, opportunities for the national support ecosystem to enhance initiatives that amplify entrepreneur-driven economic impact.

1. Canada's entrepreneurship community is growing more diverse.

- Fifty-one per cent of Census respondents are women, up from 45 per cent in 2017.
- Twenty-nine per cent are visible minorities, up from 22 per cent in 2017.
- Five per cent are Indigenous, up from two per cent in 2017.

2. Entrepreneurs are attracted to global growth opportunities.

- Forty per cent currently sell globally and an additional 40 per cent plan to pursue export markets in the future, up from 29 per cent in 2017.

3. Entrepreneurs play a critical role in job creation as the nature of work evolves.

- Respondents contributed more than 3,000 jobs to the economy in 2018, including freelance, contract, part-time, seasonal, and full-time positions.
- Excluding contract workers and owners, 57 per cent of entrepreneurs have no employees.

4. Entrepreneurs are frustrated with Canada's lack of business financing options.

- The top three overall challenges faced by entrepreneurs are finding funding (75 per cent), sales (63 per cent), and cash flow (62 per cent).
- Of those that consider access to funding a major obstacle, 58 per cent believe there are limited funding options in Canada, 50 per cent say investors/lenders in Canada are too conservative, and 16 per cent don't understand the needs of investors.
- Five per cent more entrepreneurs consider funding "not accessible" compared to 2017.

5. Entrepreneurs call upon the support ecosystem to eliminate barriers to business growth.

- Entrepreneurs recommend that government programs and policies be reviewed and pivoted to support greater entrepreneur and enterprise diversity, financing, scaling, and export needs.
- Entrepreneurs made similar recommendations for the broader entrepreneurship community that are well aligned with Startup Canada's existing priorities to advance diversity and inclusion, government advocacy, export development, mentorship, and Startup Community growth.
- Startup Canada is recognized as a strong marketing and program delivery partner for government and industry initiatives.

INTRODUCTION

Every year [Startup Canada](#), the national rallying community and voice for Canada's 2.3 million entrepreneurs, undertakes a National Census sample of its more than 250,000 members. The 2019 results, summarized in this report, reflect key characteristics and trends in this community including growing entrepreneur diversity, high-growth projections, and a rising interest in global expansion. It also provides a snapshot of persistent challenges, needs, and emerging opportunities facing this critical sector of the economy.

METHODOLOGY

The study took place between January 14 and January 31, 2019 through a national online survey. This survey engaged 780 respondents and has a confidence interval of 95 per cent with a margin of error of 1.96. Only statistically significant findings are reported.

RESPONDENT PROFILE

AGE | All respondents are between the ages of 15 and 80, with an average age of 41. Sixteen per cent of respondents are under age 29. Thirty-two per cent are between the ages of 30 and 39; 26 per cent are between the ages of 40 and 49; 18 per cent are between the ages of 50 and 59; and eight per cent are over 60. Five per cent identify as seniors (age 65 and above) and six per cent identify as youth (under age 24).

GENDER IDENTIFICATION | Fifty-one per cent of respondents identify as women. Forty-eight per cent identify as male. Point-five identify as non-binary.

NEWCOMERS | Fifty-six per cent of respondents are Canadian citizens born in Canada. Twenty-four per cent are Canadian citizens born outside of Canada, 12 per cent are permanent residents, and four per cent are in Canada on a work or study visa. Twenty-seven per cent are new to Canada within the last 15 years.

MINORITY GROUPS | Twenty-nine per cent of respondents are visible minorities. Nine per cent are persons with a disability. Five per cent identify as Indigenous. Four per cent identify as LGBTQ+.

LOCATION | This survey saw responses from 10 provinces and two territories. Fifty-four per cent are from Ontario; 15 per cent are from Prairie provinces including Saskatchewan, Manitoba and Alberta; 11 per cent are from British Columbia; 10 per cent are from the Atlantic provinces including New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador; eight per cent are from Quebec; and, two per cent are from territories including

Northwest Territories and Yukon. Equal segments of respondents (12 per cent) live in either a rural or mixed rural-urban area.

ROLE WITHIN THE ENTREPRENEURSHIP ECOSYSTEM | Fifty-one per cent of respondents are entrepreneurs, founders, or startup CEOs; 25 per cent are both entrepreneurs and individuals who support entrepreneurs (i.e. as investors, service providers, etc.); 18 per cent are thinking of starting a business; and six per cent are not entrepreneurs but individuals and representatives of organizations that support them.

ENTERPRISE PROFILE

INDUSTRIES | Respondents largely represent the following industries: ICT (13 per cent); professional, scientific and technical services (11 per cent); arts, media, entertainment and digital technologies (10 per cent); health care, social assistance and biosciences (eight per cent); retail trade (seven per cent); educational services (six per cent); agriculture, forestry and agri-food (three per cent); artificial intelligence (three per cent); cleantech (three per cent); and, fintech (three per cent).

Notably, Indigenous entrepreneurs are four times more likely than non-Indigenous entrepreneurs to start retail trade businesses and women are twice as likely as men to have this type of business. Indigenous and women entrepreneurs are also twice as likely to start arts, entertainment, and media businesses.

BUSINESS TYPE | Seventy-four per cent of respondents operate for-profit enterprises, 22 per cent operate for-profit social enterprises and four per cent operate non-profits.

YEARS IN BUSINESS | Respondents have been in business for an average of four years. Six per cent have been in business for less than twelve months. Forty-one per cent have been in business for one year; 32 per cent for two to four years; 10 per cent for five to nine years; six per cent for 10 to 14 years; three per cent for 15 to 25 years; and two per cent for more than 25 years.

STAGE OF BUSINESS | Forty-six per cent of respondents run startup companies with negligible revenue and are still refining their concept. Thirty per cent run growing companies with positive revenue but are not yet profitable. Fourteen per cent are mature companies with positive revenue, growth and profitability. Eight per cent are at the ideation stage, not yet incorporated but working to formulate a concept. Two per cent operate companies with declining revenue.

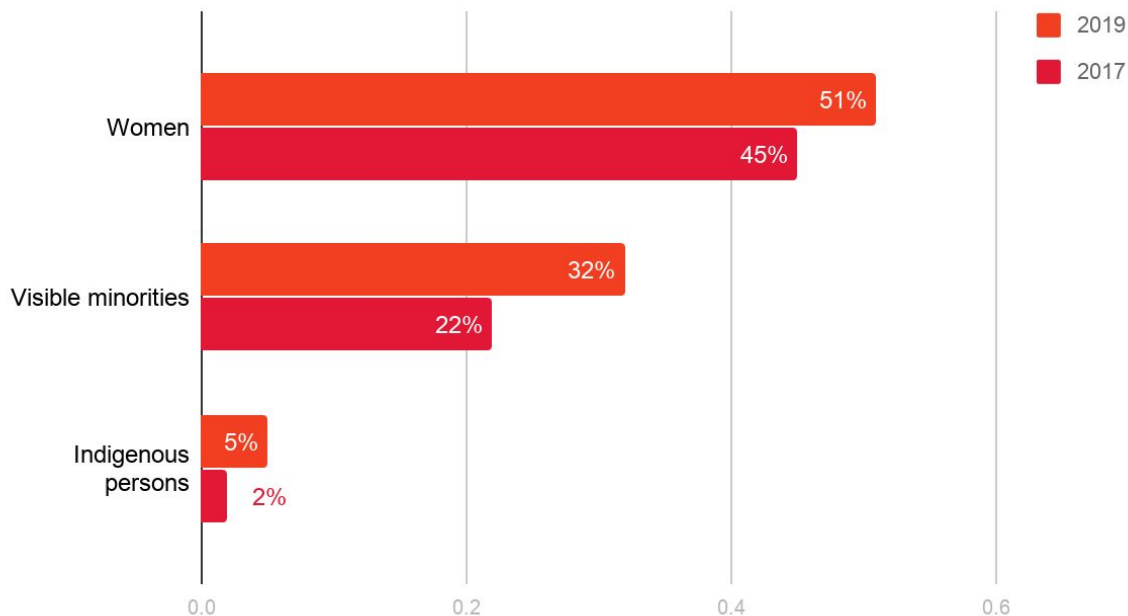
EMPLOYEES & JOB CREATION | Respondents contributed more than 3,000 jobs to the economy in 2018 including freelance, contract, part-time, seasonal, and full-time positions. Excluding owners and contract workers, 57 per cent do not have any employees.

ANNUAL REVENUE IN 2018 | Twenty-eight per cent of respondents reported no revenue in 2018. Forty-six per cent reported revenue of \$1 - \$99,999; 15 per cent reported \$100,000 - \$499,999; four per cent reported \$500,000 - \$999,999; five per cent reported \$1 million to \$5 million; and two per cent reported more than \$5 million in revenue.

RISING DIVERSITY

As demonstrated by the Entrepreneur and Enterprise Profiles above, Canadian entrepreneurs and their companies are diverse. Of particular significance is the growing presence of women, visible minorities, and Indigenous persons within the entrepreneurship community. Compared to 2017, representation of visible minorities has risen by seven per cent, women by six per cent; and Indigenous persons by two per cent. [See Fig. 1]

Fig. 1 | Growing Entrepreneur Diversity



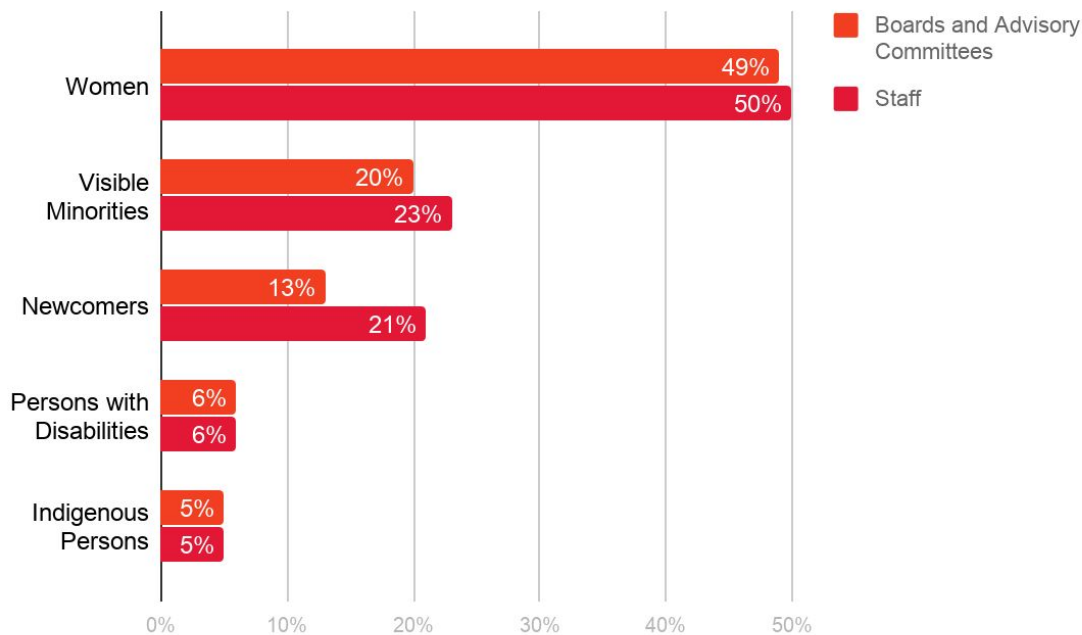
DIVERSITY OF REPRESENTATION ON BOARDS AND ADVISORY COMMITTEES

Considering the strong direct correlation between the profile of entrepreneurs and the likelihood of having those fitting similar profiles working in and advising their companies, this diversity is reflected on entrepreneur Boards of Directors and Advisory Committees. Forty-nine per cent of entrepreneurs have Boards or Advisory Committees that are at least 20 per cent women. Twenty per cent say the same for other visible minorities; 13 per cent for newcomers; six per cent for

persons with disabilities; and five per cent for Indigenous persons.

The level of diversity on entrepreneur-led teams and staff is similar. Fifty-one per cent of entrepreneurs have teams that are at least 20 per cent women. Twenty-three per cent report this minimum representation for other visible minorities; 21 per cent for newcomers; six per cent for persons with disabilities; and five per cent for Indigenous persons. [See Fig. 2]

Fig. 2 | Diverse Representation on Boards, Committees & Staff



TOP ENTREPRENEUR CHALLENGES

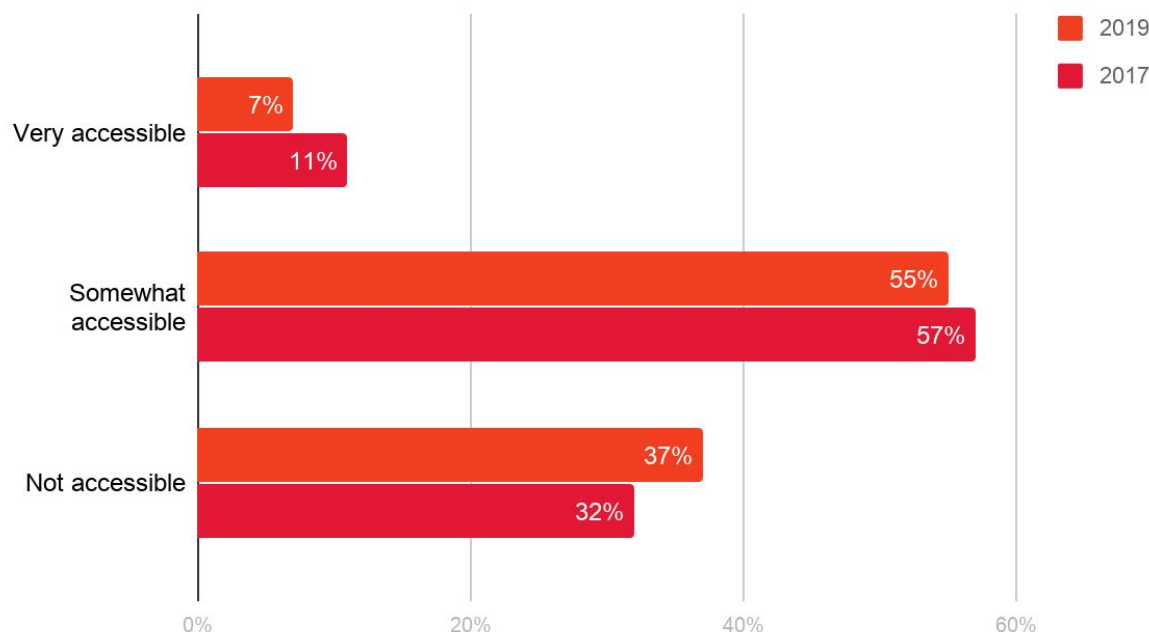
The top three overall challenges faced by entrepreneurs are finding funding (75 per cent), sales (63 per cent) and cash flow (62 per cent). Notably, cashflow, financial literacy, financial management, and access to financing are particularly top of mind for start-up stage entrepreneurs. Sales, access to markets, growth capital, marketing, and talent rise in importance as entrepreneurs scale their companies.

PERSPECTIVES ON CANADA'S LENDING ENVIRONMENT

Thirty-nine per cent of entrepreneurs have raised \$0 for their business and just seven per cent have raised more than \$500,000. Of those that consider access to funding a major obstacle, 58 per cent believe there are limited funding options in Canada, 50 per cent say investors/lenders

in Canada are too conservative, and 16 per cent don't understand the needs of investors. Five per cent more entrepreneurs consider funding "not accessible" compared to 2017. [See Fig. 3]

Fig. 3 | Accessibility of Funding



ANTICIPATED GROWTH: REVENUE, JOB CREATION, AND EXPORTING

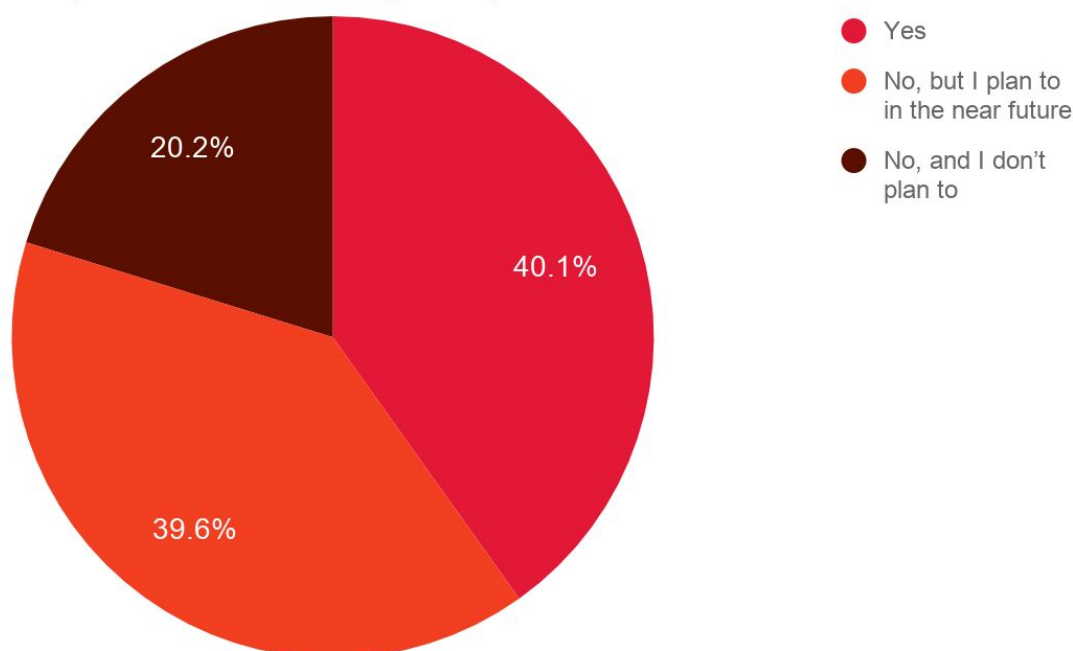
Despite the challenges outlined above, entrepreneurs maintain high-growth ambitions and are increasingly likely to include global markets in their plans. Thirty-eight per cent expect an average annual growth rate of more than 20 per cent in business sales or total revenue for the next three years. Ninety-three per cent plan to create at least one job and 46 per cent expect to create more than five jobs in the next three years.

Interestingly, 57 per cent of entrepreneurs surveyed do not have any employees. However, these entrepreneurs added more than 3,000 jobs to the economy in 2018, including freelance, contract, part-time, seasonal, and full-time positions. This illustrates that entrepreneurs are likely to leverage flexible hiring practices, such as through temporary, contractual, and freelance relationships. As such, they are likely to play an increasingly significant role in job creation as the nature of work evolves and demands for flexible employment grow.

ENTREPRENEURS ARE ATTRACTED TO GLOBAL OPPORTUNITIES

While the number of entrepreneurs currently exporting products and services (40 per cent) has changed little since 2017, a growing number of entrepreneurs are interested in doing so. The segment of entrepreneurs planning to go global has increased by 11 per cent, from 29 per cent to 40 per cent. [See Fig. 4] As of January 2019, approximately 21 per cent indicated they have plans to export within the next two years and an additional 21 per cent are interested in exporting but do not have a timeframe for doing so. The United States, Europe, Australia, and Latin America continue to be the most popular markets for Canadian entrepreneurs currently exporting.

Fig. 4 | Does your business sell globally?



SUPPORTING ENTREPRENEUR NEEDS TO GROW CANADA'S ECONOMY

As entrepreneurs disproportionately create jobs and are increasingly significant contributors to Canada's exports and GDP, supporting their success and growth is in the best economic interest of Canadians. When asked what support they require to grow, entrepreneurs prioritized finding funding (64 per cent), sales (50 per cent), marketing (47 per cent), mentorship (42 per cent), and strategy development (38 per cent). These priorities reflect the top business challenges outlined in this report. Entrepreneurs also require support in the following areas: accounting

(34 per cent), taxes (32 per cent), legal services (32 per cent), technology development and acquisition (26 per cent) business planning (24 per cent), recruiting (21 per cent), and technology adoption (20 per cent).

ROLE OF GOVERNMENT

With a federal election on the horizon in October 2019, Startup Canada asked entrepreneurs how they would like the federal government to support entrepreneurship and innovation. In response, entrepreneurs called for policies and programs that support a greater diversity of entrepreneur and enterprise profiles as well as the overall community's growing propensity to scale and export. In particular, entrepreneurs recommended:

- Initiatives that connect more non-tech companies, women and Indigenous owned-businesses with funding, mentorship, events, and co-working spaces.
- Tax incentives and microloans to help improve cash flow and increase growth potential.
- Greater exposure and support to enter and thrive in export markets.
- Free mentorship programs to help businesses avoid and overcome common challenges and failures.

Entrepreneurs also recommend the Government of Canada work in continued partnership with Startup Canada and its growing network of industry and Startup Community partners to strengthen awareness and delivery of programs designed to help them start, scale, and export.

ROLE OF STARTUP CANADA AND ITS PARTNERS

With a network of more than 250,000 members, 400 enterprise partners, and more than 38 Startup Communities across the country, entrepreneurs recognize the critical role Startup Canada has within their support ecosystem. When asked what they would like to see from the organization and its partners in 2019-2020, entrepreneurs called for:

- Training, tools, and mentorship to address key start-up and scale-up pain points including access to capital, sales, and cash flow.
- Government advocacy to eliminate startup and growth barriers.
- Export financing and training to support scalability and growth.
- Initiatives to bridge the gap between Canadian investors and entrepreneurs, such as through networking events, advocacy, and education for both sides.
- Expansion of support resources, training, and financing opportunities for women, Indigenous, immigrant, and other minority entrepreneurs.
- Expansion of the Startup Communities program to more non-urban centres.

These asks reflect and build upon Startup Canada's existing priorities to advance diversity and inclusion, government advocacy, export development, mentorship and Startup Community growth.

CONCLUSION

To summarize, women, Indigenous peoples, new Canadians, visible minorities, and underrepresented entrepreneurs have a growing presence in Canada's entrepreneurship community, as do enterprises and entrepreneurs with export ambitions. Access to capital, sales and cash flow remain top barriers for all entrepreneurs. Despite these challenges, entrepreneurs maintain high revenue and job creation projections and have rising intentions to pursue export markets.

Entrepreneurs call for government, Startup Canada, industry, and the broader entrepreneur support ecosystem to take intentional action in areas such as financing, diversity and inclusion, export development, mentorship, and training. By collaborating on these priorities, Canada's entrepreneur support community can make strides to enhance company resilience, sustainability, and growth capacity while accelerating the success of entrepreneurs and creating new economic opportunities for Canadians coast-to-coast.