



2019 ENTREPRENEUR CENSUS SUMMARY

TRENDS, CHALLENGES & OPPORTUNITIES
FACING CANADA'S ENTREPRENEURSHIP COMMUNITY



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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.

Note: Census data was collected pre-COVID-19.

1. Canada's entrepreneurship community remains diverse, with newcomers expanding the ecosystem.

- 46 percent of Census respondents are women
- 31 percent are visible minorities, (2 percent growth since 2018)
- 28 percent are Canadian citizens born outside of Canada (4 percent growth since 2018), 28 percent are permanent residents (16 percent growth since 2018)
- 5 percent identify as Indigenous entrepreneurs (1percent growth since 2018)
- 10 percent are persons with a disability (1percent growth since 2018)
- 5 percent identify as LGBTQ+ (1percent growth since 2018)

2. Solopreneurs and small businesses continue to play a significant role in the ecosystem.

- Excluding contract workers and owners, 54 percent of respondents have 0 paid full time employees. 41 percent have 1-9 employees.

3. Canada is seeing an increase in for-profit social entrepreneurship.

- 19 percent of respondents now operate for-profit social enterprises (a 12percent increase from 2018). When asked what type of business entrepreneurs are interested in starting, 35percent responded for-profit social enterprises.

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

- The top three overall challenges faced by entrepreneurs are *finding funding* (59 percent), *business planning* (59 percent) sales (63 percent) and *cash flow* (62 percent).
- Of those that indicated funding to be an obstacle, 51 percent reported that the Canadian landscape had fewer opportunities, and 51 percent shared that investors/lenders in Canada are too conservative.

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

- Entrepreneurs continue to recommend that government programs and policies be reviewed to support greater entrepreneur and enterprise diversity, financing, scaling needs. Adding additional funding and training opportunities was paramount.

- Startup Canada is recognized as a strong program delivery partner for government and industry initiatives.

6. Entrepreneurs are attracted to scale up, and pursue global growth opportunities.

- The number of entrepreneurs selling globally (45 percent) has increased by 5 percent since 2018. Approximately 19 percent indicated they have plans to export within the next two years and an additional 18 percent are interested in exporting but do not have a timeframe for doing so.

INTRODUCTION

Every year Startup Canada, the national rallying community and voice for Canada's 3.5 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 December 2019 - January 2020 through a national online survey. This survey engaged 513 respondents and has a confidence interval of 95 percent with a margin of error of 1.96. Only statistically significant findings are reported.

RESPONDENT PROFILE

AGE | All respondents are between the ages of 19 and 79, with an average age of 44.

GENDER IDENTIFICATION | 46 percent of respondents identify as women. 52 percent identify as male. 1 percent identify as non-binary or trans.

NEWCOMERS | 56 percent of respondents are Canadian citizens born in Canada. 28 percent are Canadian citizens born outside of Canada, and 28 percent are permanent residents.

MINORITY GROUPS | 31 percent of respondents identified as visible minorities (2 percent growth since 2018). 10 percent are persons with a disability, 5 percent identify as Indigenous, 5 percent identify as LGBTQ+.

LOCATION | This survey saw responses from 10 provinces and two territories. 59 percent are from Ontario; 13 percent are from Prairie provinces including Saskatchewan, Manitoba and Alberta; 13 percent are from British Columbia; 7 percent are from Atlantic provinces including

New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; 6 percent are from Quebec; and, 2 percent are from territories including Northwest Territories and Yukon. 25 percent live in either a rural or mixed rural-urban area (an increase of 13percent since 2018).

ROLE WITHIN THE ENTREPRENEURSHIP ECOSYSTEM | 51 percent of respondents are entrepreneurs, founders, or startup CEOs; 22 percent are both entrepreneurs and individuals who support entrepreneurs (i.e. as investors, service providers, etc.); 17 percent are thinking of starting a business; and 6 percent are not entrepreneurs but individuals and representatives of organizations that support them.

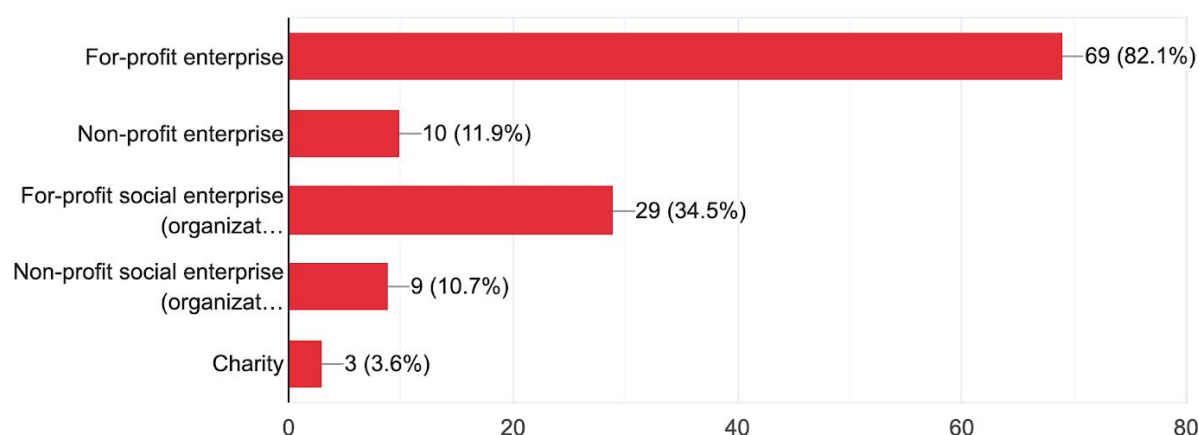
ENTERPRISE PROFILE

INDUSTRIES | Respondents largely represent the following industries: ICT (11 percent); professional, scientific and technical services (15 percent); arts, media, entertainment and digital technologies (9 percent); health care, social assistance and biosciences (7 percent); retail trade (7 percent); educational services (5 percent); agriculture, forestry and agri-food (3 percent); artificial intelligence (3 percent); cleantech (2 percent); and, finance and insurance (3 percent).

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 | 75 percent of respondents operate for-profit enterprises, 19 percent operate for-profit social enterprises (a 12 percent increase from 2018), 2 percent operate non-profits, and 4 percent operate non-profit social enterprise.

Businesses were asked what type of business they are interested in *starting*:



YEARS IN BUSINESS | 20 percent have been in business for less than twelve months (a 14 percent increase since 2018). 35 percent have been in business for one to three years; 22 percent for three to five years; 15 percent for six to ten years; and 9 percent over 10 years.

STAGE OF BUSINESS 44 percent of respondents run startup companies with negligible revenue and are still refining their concept. 32 percent run growing companies with positive revenue but are not yet profitable. 18 percent are mature companies with positive revenue, growth and profitability. 5 percent are at the ideation stage, not yet incorporated but working to formulate a concept. 2 percent operate companies with declining revenue.

EMPLOYEES & JOB CREATION | 54 percent of respondents have 0 paid full time employees. 41 percent have 1-9 employees. 5 percent have 10-49 employees. 1 percent have 50-99 employees. 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.

ANNUAL REVENUE IN 2019 | 22 percent of respondents reported no revenue in 2019. 51 percent reported revenue of \$1 - \$99,999; 7 percent reported \$100,000 - \$199,999; 8 percent reported \$200,000 - \$499,000, 5 percent reported \$500,000 - \$999,999; 5 percent reported \$1 million to \$5 million; and 2 percent reported more than \$5 million in revenue.

DIVERSITY ACROSS THE ECOSYSTEM

Canadian entrepreneurs and their companies are diverse. Of particular significance is the presence of women, visible minorities, and Indigenous persons within the entrepreneurship community, which has remained fairly stable since 2018.

DIVERSITY OF REPRESENTATION ON BOARDS AND ADVISORY COMMITTEES

Considering the strong direct correlation between the profile of entrepreneur 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. Slightly lower than the findings from the 2018 Census, 44 percent of entrepreneurs have Boards or Advisory Committees that are at least 20 percent women. 19 percent say the same for other visible minorities; 10 percent for newcomers; 3 percent for persons with disabilities; and 3 percent for Indigenous persons.

The level of diversity on entrepreneur-led teams and staff is similar. 54 percent of entrepreneurs have teams that are at least 20 percent women. 24 percent report representation for other visible minorities; 18 percent for newcomers; 6 percent for persons with disabilities; and 4 percent for Indigenous persons.

TOP ENTREPRENEUR CHALLENGES

The top overall challenges faced by entrepreneurs are finding funding (59 percent), business planning (59 percent) sales (63 percent) and cash flow (62 percent). Notably, cashflow, financial literacy, financial management and access to financing remain top of mind for start-up stage entrepreneurs.

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. 35 percent expect an average annual growth rate of more than 20 percent in business sales or total revenue for the next three years. 93 percent plan to create at least one job and 43 percent expect to create more than five jobs in the next three years.

ENTREPRENEURS ARE ATTRACTED TO GLOBAL OPPORTUNITIES

- 33 percent of companies sell goods, services, or make investments outside of Canada.
- 19 percent plan to sell goods, services, or make investments outside of Canada in the next 2 years.
- 17 percent have an interest in selling goods or services outside of Canada but do not have a timeframe.
- 11 percent do not sell goods or services.
- The United States, Europe, Australia and Latin America continue to be the most popular markets for Canadian entrepreneurs currently exporting, and for future exporters.

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 (65 percent), sales (49 percent), marketing (44 percent), mentorship (42 percent) and strategy development (32 percent). These priorities reflect the top business challenges outlined in this report, and are consistent with the 2018 census findings. Entrepreneurs also require support in the following areas: taxes (28 percent), legal services (28 percent), accounting (29

percent). business planning (20 percent) business planning (24 percent), recruiting (18 percent) and technology adoption (19 percent).

ENTREPRENEURIAL FINANCE & FINANCIAL LITERACY

42 percent of respondents indicated they have raised \$0 for their business. 14 percent have raised \$1-\$5,000, 6 percent have raised \$5,001-\$10,000, 7 percent have raised 10,001-20,000, and 6 percent have raised \$20,001-50,000. 7 percent have raised 50,001-100,000, 9 percent have raised \$100,001-\$500,000, and 9 percent have raised more than \$500,001.

Only 11 percent of respondents reported that funding is accessible to their company. 53 percent reported it is somewhat accessible, and 37 percent reported it is not accessible. Of those that indicated funding to be an obstacle, 51 percent reported that the Canadian landscape had fewer opportunities, and 51 percent shared that investors/lenders in Canada are too conservative.

66 percent of respondents indicated that their business bank is the same financial institution as their personal bank account, and indicated email was the preferred method of communication from service providers. Only 44 percent of respondents indicated they had business insurance.

MENTAL HEALTH OF ENTREPRENEURS

When asked what toolkit topics on mental well-being would businesses be interested in receiving:

- 57 percent replied topics on entrepreneurial skills to improve work-life-balance
- 51 percent said time management
- 49 percent said improving your overall well-being
- 42 percent said stress management and coping strategies
- 38 percent said managing your fear of failure
- 38 percent said practicing resilience

ROLE OF ECOSYSTEM PARTNERS

ROLE OF GOVERNMENT

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. Consistent with the findings in 2018, entrepreneurs recommended:

- Initiatives that connect more non-tech companies, women and Indigenous owned-businesses with funding, mentorship, events, and co-working spaces.
- Streamlined access to tools and services provided by government, and enterprise support groups
- Grants, non-dilutive grants, and funds available entrepreneurs with more streamlined, and straightforward application processes.
- Tax incentives and microloans to help improve cash flow and increase growth potential.
- Free mentorship programs to help businesses avoid and overcome common challenges and failures.

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

ROLE OF STARTUP CANADA AND ITS PARTNERS

With a network of more than 250,000 members, 400 enterprise partners and more than 50 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 2020-2021, 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.
- Small grants/financing opportunities, and funding information.
- Matching mentors across Canada, and providing updates around the startup ecosystem in Canada.
- Government advocacy to eliminate startup and growth barriers.
- 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 persons, new Canadians, and visible minorities have a stable 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 grow.

Entrepreneurs call on the 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. These trends are consistent as compared to 2018. 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.