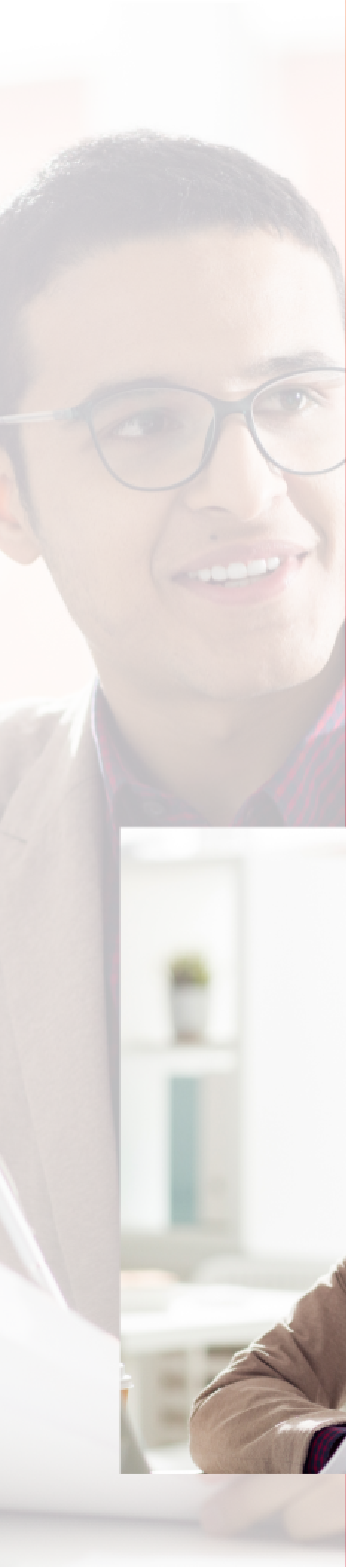

# 2020 ENTREPRENEUR CENSUS SUMMARY

TRENDS, CHALLENGES AND OPPORTUNITIES
FACING CANADA'S ENTREPRENEURSHIP COMMUNITY

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## EXECUTIVE SUMMARY

Strategic insights from the 2020 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.

COVID-19 created an unprecedented challenge for entrepreneurs, and the impact the pandemic continues to have on the community will have a lasting impact for years to come.

**1. The need for early stage funding, mentorship, and business support is more important than ever.**

- 44% of respondents run startup companies with negligible revenue and are still refining their concept.
- 50% have 0 paid full time employees. 42% have 1-9 employees.
- When aspiring entrepreneurs were asked what support they require to grow, entrepreneurs prioritized finding funding (67%), mentorship (56%) (an increase in 14% since 2019), business planning (48%), sales (31%) (a decrease of 18% since 2019), and marketing (38%).

**2. Canada's entrepreneurship community remains diverse, with board and staff diversity on the rise.**

- 51% of Census respondents identified as women, 34% as visible minorities, and 26% Canadian citizens born outside of Canada.
- 57% of entrepreneurs have Boards or Advisory Committees that are at least 20% women (a 13% increase since 2019). 31% say the same for other visible minorities (a 12% increase since 2019); 17% for newcomers (a 7% increase since 2019); 7% for persons with disabilities (4% increase since 2019); and 8% for Indigenous persons (a 5% increase since 2019).
- 66% of entrepreneurs have teams that are at least 20% women (a 12% increase since 2019). 34% report representation of other visible minorities on their teams (a 10% increase since 2019);

**3. Entrepreneurs remain frustrated with Canada's lack of overall finance support, including COVID-19 recovery support.**

- When asked, "Did your business receive financial support through any of the Government COVID-19 Economic Response Plan programs (CEBA, CERS, CEWS, etc)?", **66% of respondents did not**. Of the respondents who indicted "no", 70% reported that they were not **eligible** to receive financial support through the Government of Canada programs. This was due to:

- Revenue requirements not being met (no sales, no profit, pre-revenue)
- Expense thresholds not being met and lack of fixed expense reporting
- Timing of business establishment (too new)
- Lack of incorporation
- Not meeting thresholds for employment (contractors, solo-preneurs, or founders not paying themselves pre-pandemic)
- No reflection of the impact of COVID-19 on sales targets
- Seasonal businesses

**4. Entrepreneurs are developing for-profit businesses supporting the UN's sustainable development goals.**

- 86% of respondents reported aligning to a sustainable development goal.
- When asked, "If you don't currently support a sustainable development goal would you consider supporting them through your business?" 91% said yes.

**5. Entrepreneurs are more attracted to global growth opportunities than ever before.**

- 49% of companies are doing business outside of Canada (an increase of 16% from 2019).
- 31% plan to do business outside of Canada (a 12% increase from 2019)

## INTRODUCTION

Every year Startup Canada undertakes a National Census. The 2020 results, summarized in this report, reflect key characteristics and trends in this community. 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 2020 - January 2021 through a national online survey. This survey engaged 486 respondents and has a confidence interval of 95 % with a margin of error of 1.96. Only statistically significant findings are reported.

## RESPONDENT PROFILE

**AGE |** All respondents are between the ages of 21 and 70, with an average age of 43.

**GENDER IDENTIFICATION |** 50.7% of respondents identify as women. 48% identify as male. 1% identify as non-binary or trans.

**NEWCOMERS |** 55% of respondents are Canadian citizens born in Canada. 26% are Canadian citizens born outside of Canada, and 13% are permanent residents.

**MINORITY GROUPS |** 34% of respondents identify as visible minorities (3% growth since 2019). 10% are persons with a disability, 8% identify as Indigenous (3% growth since 2019), and 4% identify as LGBTQ+.

**LOCATION |** This survey saw responses from 11 provinces and two territories. 53% are from Ontario; 20% are from Prairie provinces including Saskatchewan, Manitoba and Alberta; 13% are from British Columbia; 6% are from Atlantic provinces including New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; 8% are from Quebec; and, 1% are from territories including Northwest Territories and Yukon. 25% live in either a rural or mixed rural-urban area. Respondents came from 171 different cities across Canada.

**ROLE WITHIN THE ENTREPRENEURSHIP ECOSYSTEM |** 56% of respondents are entrepreneurs, founders, or startup CEOs; 20% are both entrepreneurs and individuals who support entrepreneurs (i.e. as investors, service providers, etc.); 16% are thinking of starting a business; and 4% are not entrepreneurs but individuals and representatives of organizations that support them.

## ENTERPRISE PROFILE

**INDUSTRIES |** Respondents largely represent the following industries: Professional, scientific and technical services (13%); Information/High-Tech Industries (9%); arts, media, entertainment and digital technologies (7%); health care, social assistance and biosciences (6%); retail trade (6%); educational services (6%); agriculture, forestry and agri-food (9%); artificial intelligence (3%); cleantech (4%); and, finance and insurance (2%). This is consistent with 2019 findings, with slight increases in clean tech, and agriculture, forestry, and agri-food.

**BUSINESS TYPE |** 76% of respondents operate for-profit enterprises, 21% operate for-profit social enterprises, 1% operate non-profits, and 2% operate non-profit social enterprises.

74% are incorporated businesses. Of this group, 38% are Federally incorporated, and 45% Provincially incorporated. 17% are incorporated at both levels.

**YEARS IN BUSINESS |** 25% have been in business for less than twelve months. 33% have been in business for one to three years; 18% for three to five years; 15% for six to ten years; and 10% over 10 years.

**STAGE OF BUSINESS |** 44% of respondents run startup companies with negligible revenue and are still refining their concept. 33% run growing companies with positive revenue but are not yet profitable. 18% are mature companies with positive revenue, growth and profitability. 3% are at the ideation stage, not yet incorporated but working to formulate a concept. 2% operate companies with declining revenue.

**EMPLOYEES & JOB CREATION |** 50% of respondents have 0 paid full time employees. 42% have 1-9 employees. 7% have 10-49 employees. 1% 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 2020 |** 23% of respondents reported no revenue in 2020. 47% reported revenue of $1 - $99,999; 10% reported $100,000 - $199,999; 8% reported $200,000 - $499,000, 6% reported $500,000 - $999,999; 3% reported $1 million to $5 million; and 1% 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 is rising year over year.

### DIVERSITY OF REPRESENTATION ON BOARDS AND ADVISORY COMMITTEES

57% of entrepreneurs have Boards or Advisory Committees that are at least 20% women (a 13% increase since 2019). 31% say the same for other visible minorities (a 12% increase since 2019); 17% for newcomers (a 7% increase since 2019); 7% for persons with disabilities (4% increase since 2019); and 8% for Indigenous persons (a 5% increase since 2019).

The level of diversity on entrepreneur-led teams and staff is similar. 66% of entrepreneurs have teams that are at least 20% women (a 12% increase since 2019). 34% report representation for other visible minorities (a 10% increase since 2019); 24% for newcomers (a 6% increase since 2019); 8% for persons with disabilities (a 2% increase since 2019); and 8% for Indigenous persons (a 4% increase since 2019).

## TOP ENTREPRENEUR CHALLENGES

The top overall challenges faced by existing entrepreneurs are finding funding (64%), sales (50%), Marketing (49%), and Mentorship (39%). Business planning was at 24% (a 25% decrease since 2019).

## ANTICIPATED GROWTH: REVENUE, JOB CREATION AND EXPORTING

Despite the challenges of COVID-19, entrepreneurs maintain high-growth ambitions and are increasingly likely to include global markets in their plans. 39% expect an average annual growth rate of more than 20% in business sales or total revenue for the next three years. 97% (an increase of 4%) plan to create at least one job and 43% expect to create more than five jobs in the next three years.

### ENTREPRENEURS ARE ATTRACTED TO GLOBAL OPPORTUNITIES

- 49% of companies do business outside of Canada (an increase of 16 % from 2019)
- 31% plan to do business outside of Canada (a 12% increase from 2019)
- 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 aspiring entrepreneurs were asked what support they require to grow, entrepreneurs prioritized **finding funding (67%)**, **mentorship (56%)** (an increase in 14% since 2019), **business planning (48%)**, sales (31%) (a decrease of 18% since 2019), marketing (38%).

## ENTREPRENEURIAL FINANCE & FINANCIAL LITERACY

39% of respondents indicated they have raised $0 for their business. 12% have raised $1-$5,000, 4% have raised $5,001-$10,000, 5% have raised 10,001-20,000, and 8% have raised $20,001-50,000. 8% have raised 50,001-100,000, 11% have raised $100,001-$500,000, and 10% have raised more than $500,001.

Only 11% of respondents reported that funding is accessible to their company. 56% reported it is somewhat accessible, and 33% reported it is not accessible. Of those that indicated funding to be an obstacle, 60% reported that the Canadian landscape had fewer opportunities, and 52% shared that investors/lenders in Canada are too conservative. 17% reported they did not understand the needs of investors.

64% 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 47% of respondents indicated they had business insurance.

## ENTREPRENEURIAL FINANCE | Government Economic Response Plan

When asked, “Did your business receive financial support through any of the Government COVID-19 Economic Response Plan programs (CEBA, CERS, CEWS, etc)?”, **66% of respondents did not**. Of the respondents who indicted “no”, 70% reported that they were not **eligible** to receive financial support through the Government of Canada programs. This was due to:

- Revenue requirements not being met (no sales, no profit, pre-revenue)
- Expense thresholds not being met and lack of fixed expense reporting
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## MENTAL HEALTH OF ENTREPRENEURS

65% of respondents shared they would like to receive tips and tools to help them manage their mental well-being (ie work-life balance, stress management etc.)

## SOCIAL STARTUPS IN CANADA

What UN sustainable development goals does your business support?


When asked, “If you don't currently support a sustainable development goal would you consider supporting them through your business?” 91% said yes. 78% are interested in learning more about the Investment Ready Program for for-profit social enterprise.

# 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 additional funding, and policies and programs that support a greater diversity of entrepreneur and enterprise profiles. Consistent with the findings in 2019, entrepreneurs recommended:

- Grants, non-dilutive grants, and innovation funds available to entrepreneurs with more streamlined, and straightforward application processes, particularly for early-stage, pre-revenue startups. Lower interest rates were also recommended for small businesses. **This was the #1 recommendation from entrepreneurs.**
- Better support for early stage and newly established businesses, in terms of mentorship, funding, and overall support.
- Streamlined access to tools and services provided by government, and enterprise support groups.
- Grants specifically for women-owned, women-led businesses.

## ROLE OF STARTUP CANADA AND ITS PARTNERS

When asked what they would like to see from Startup Canada and its partners in 2020-2021, entrepreneurs called for:

- Training and tools to address key early stage pain points, primarily access to funding.
- Create opportunities for mentorship with well-established business owners that will help businesses develop growth strategies.
- Leverage Startup Canada's digital reach by providing marketing and visibility to smaller startups with promising business ideas.
- More pitch competitions to give visibility to products and services, and opportunities for funding.
- Become a more streamlined platform to support early stage startups, and provide more "overviews" of support available.
- Targeted support and programming for women entrepreneurs, and opportunities for visible minorities without social capital to build their network.