2021 ENTREPRENEUR CENSUS SUMMARY

Trends, Challenges & Opportunities Facing Canada's Entrepreneurship Community

START UP CANADA

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EXECUTIVE SUMMARY

Startup Canada's annual Census provides 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.

This report highlights how the entrepreneurs in the Startup Canada network dealt with the challenges and barriers during the pandemic, and the steps taken on the road to recovery. Four key takeaways were identified:

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

- 41.7% of respondents run startups with negligible revenue and are still refining their concept.
- 53.3% have 0 paid full-time employees and 40.4% 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. Diversity and inclusion in the entrepreneurial ecosystem is increasing.

- 65.8% of Census respondents identified as women, 27.4% as visible minorities, 9.3% Newcomers, 8.2% person with disabilities, 6.3% youth, 5.8% LGBTQIA2S+, and 6.6% Indigenous, First Nations, Inuit, and/or Metis.
- 64% of entrepreneurs have Board or Advisory Committees that are at least 20% women. 33.1% have Board or Advisory Committees with other visible minorities, 11.4% have newcomers in their Board or Advisory Committees, 7% have persons with disabilities, and 7% have Indigenous persons in their Board or Advisory Committees.

- 59.6% of entrepreneurs have teams that are at least 20% women. 32.6% report representation of other visible minorities on their teams, 15.4% report representation of newcomers, and 18.2% report youth representation on their teams.

3. Lack of financial support and accessible funding programs have been a challenge towards recovering for many new businesses

- 86.8% businesses said that funding and platform credits would help them in establishing their digital presence.
  - Within this sample, 91.8% of businesses mentioned that funding is not accessible or somewhat accessible to them.
- 42.7% of businesses mentioned that their experience accessing government funding was very difficult, while 29.8% of businesses did not access government funding at all, and 10.7% of businesses reported they found it easy to very easy.

4. Entrepreneurs are utilizing digital resources to scale their business

- 80% of companies found digital transition easy to very easy in 2021.
- 77.5% of companies sell to their customers using their own websites, while 52% use social media channels to sell their products.
- 45% of aspiring entrepreneurs mentioned that they need support on web, marketing, and digital tools to start their business.

INTRODUCTION

Every year, Startup Canada undertakes a national Census survey to reflect key characteristics and trends within the Startup Canada network. It also provides a snapshot of persistent challenges, needs, and emerging opportunities facing this critical sector of Canada's economy.

Methodology

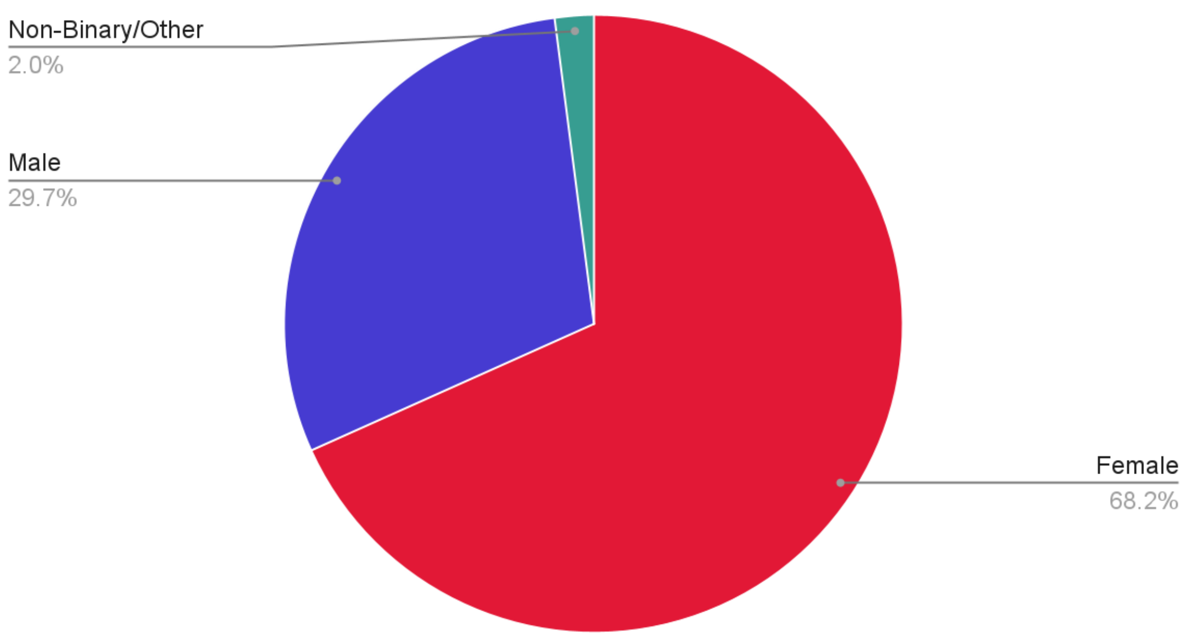
The study took place between December 2021 to January 2022 through a national online survey. This survey engaged 365 respondents and has a confidence interval of 98% with a margin of error of 1.92. Only statistically significant findings are reported.

Respondent Profile

AGE | All respondents are between the ages of 16 and 78, with an average age of 42.

GENDER IDENTIFICATION | Out of the respondents, 67.9% identify as Female, 29.6% identify as Male, 2% identify as Non-Binary, Two-Spirit, and other.*[See Fig. 1]*

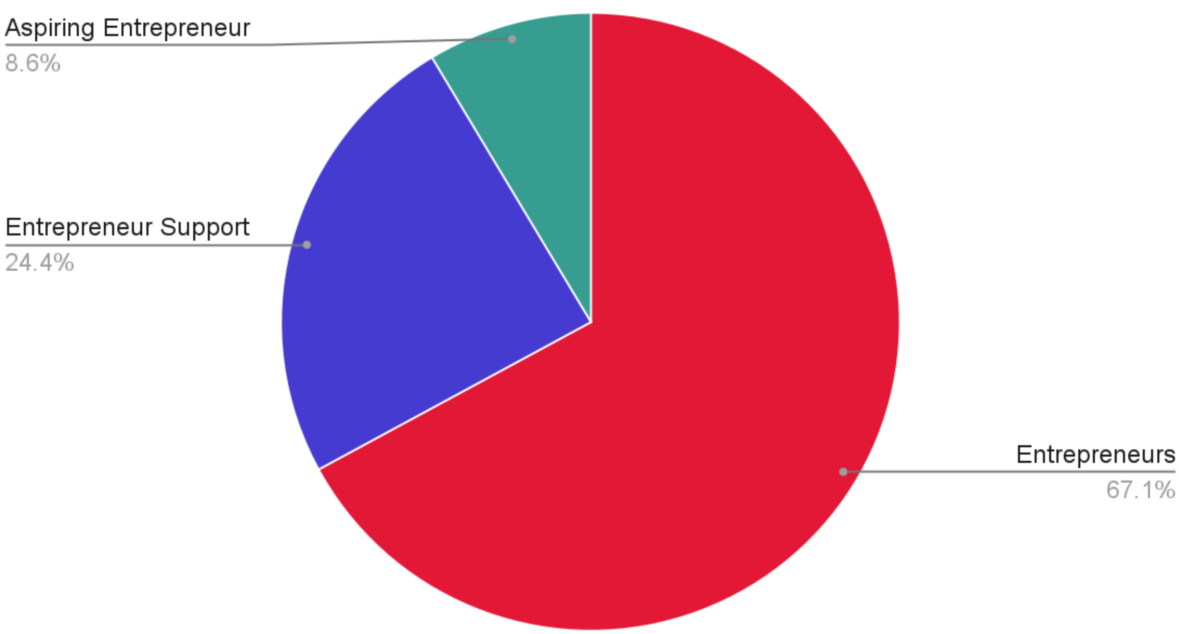
Fig.1 | Gender Identification



LOCATION | This survey saw responses from 11 provinces and two territories, and across 171 different cities across Canada. 53.7% are from Ontario, 17.5% are from Prairie provinces including Saskatchewan and Manitoba with Alberta making up 11.5%, 17.5% are from British Columbia, 6% are from Atlantic provinces including New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, 5.5% are from Quebec, and 1% are from territories including Northwest Territories and Yukon. 28% live in either a rural or mixed rural-urban area.

ROLE WITHIN THE ENTREPRENEURSHIP ECOSYSTEM | 64.1% of the respondents are entrepreneurs 23.3% of the respondents are both entrepreneurs and support other entrepreneurs (i.e. as investors, service providers, etc.) 8.2% of the respondents are thinking of starting a business *[See Fig. 2]*

Fig. 2 | Role Within the Ecosystem



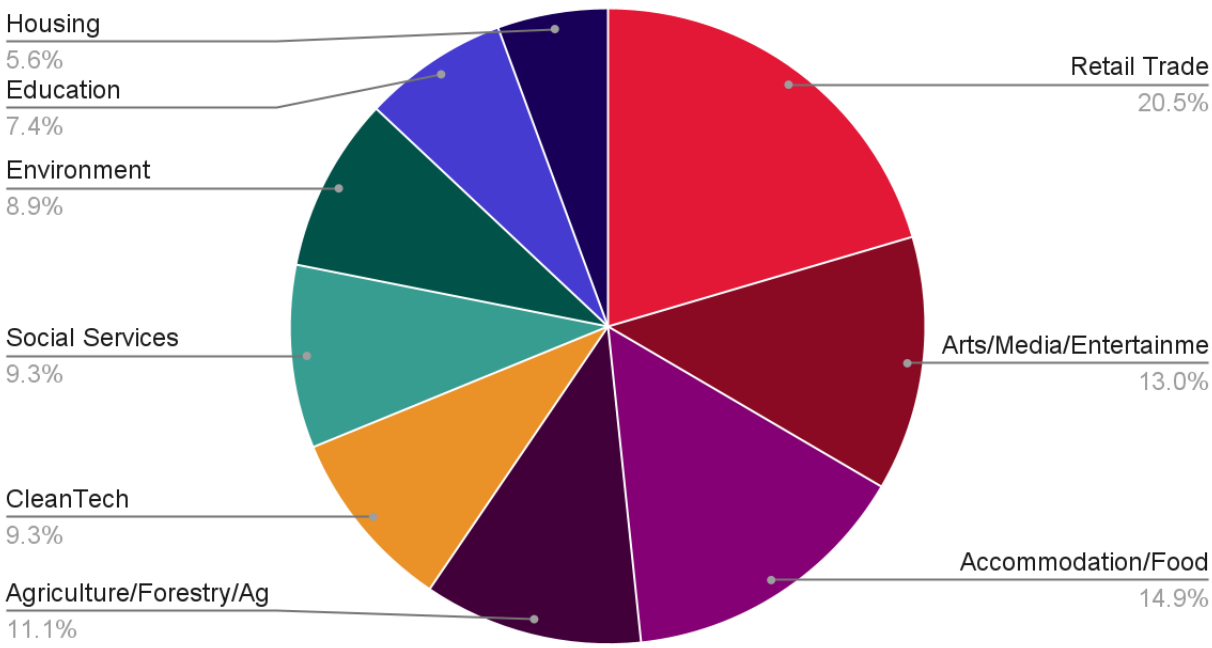
NEWCOMERS | 66% of respondents are Canadian citizens born in Canada. 20.5% are Canadian citizens born outside of Canada, and 10.4% are permanent residents.

MINORITY GROUPS | 27.4% of respondents identify as visible minorities. 8.2% are persons with a disability, 5.8% identify as LGBTQIA2S+, and 6.6 identify as Indigenous peoples.

Enterprise Profile

INDUSTRIES | Respondents largely represent the following industries: Retail Trade (36.7%), Arts/Media/Entertainment (23.3%), Accommodation and Food (26.7%), Agriculture/Forestry/Agri-food (20%), CleanTech (16.7%), Social Services (16.7%), Environment (16%), Education (13.3%), and Housing (10%).*[See Fig. 3]* This is consistent with 2020 findings, with slight increases in CleanTech, Agriculture, Forestry, and Agri-food.

Fig. 3 | Industries



BUSINESS TYPE | 53.3% of respondents operate for-profit enterprises, 36.7% operate for-profit social enterprises, 1% operate non-profits, and 6.7% operate non-profit social enterprises, and 3.3% are charities.

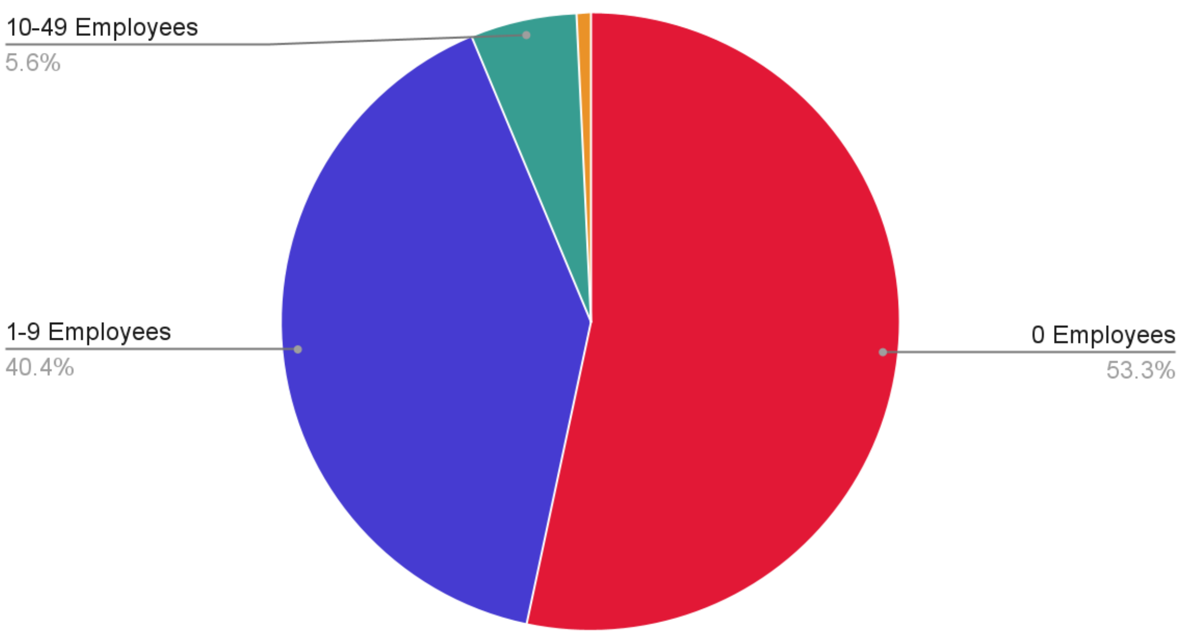
INCORPORATION | 69% are incorporated businesses. Of this group, 40.5% are federally incorporated, and 37.4% are provincially incorporated. 22% are incorporated at both levels.

YEARS IN BUSINESS | 17.9% have been in business for less than twelve months. 45% have been in business for one to three years, 16.9% for three to five years, 8.8% for six to ten years, and 11% over 10 years.

STAGE OF BUSINESS | 41.7% of respondents run startup companies with negligible revenue and are still refining their concept. 33.2% run growing companies with positive revenue but are not yet profitable. 20.7% are mature companies with positive revenue, growth, and profitability. 1.3% are at the ideation stage, not yet incorporated but working to formulate a concept. 3.1% operate companies with declining revenue.

EMPLOYEES & JOB CREATION | 53.3% of the respondents have 0 employees, while 40.4% have 1-9 employees and 5.6% have 10-49 employees, a small portion of 0.7% have 50+ employees. *[See Fig.4]*

Fig. 4 | Employees & Job Creation



ANNUAL REVENUE IN 2020 | 22.9% of the respondents reported no revenue in 2021; 50.2% reported a revenue range between $1-$99,999 11.9% reported a revenue between $100,000 -$199,999 10% of the respondents reported their revenue between $200,000 - $499,999 and 2% reported their revenue between $500,000 - $1,000,000 in 2021.

CUSTOMER ENGAGEMENT | A large portion of the respondents (77.5%) reported that they sell to their customers directly from own websites, 52% of the respondents sell to their customers from social media channels, 15% sell from other retail locations, and 9.7% sell from their own retail location.

DIGITAL ADOPTION | 41.4% of the respondents reported that taking their business digital was very easy to easy for them, whereas 25% reported it was difficult to very difficult, and 33.7% of the respondents were neutral about the challenges of taking their business digital.

DISCUSSION AND FINDINGS

Diversity Across the Ecosystem

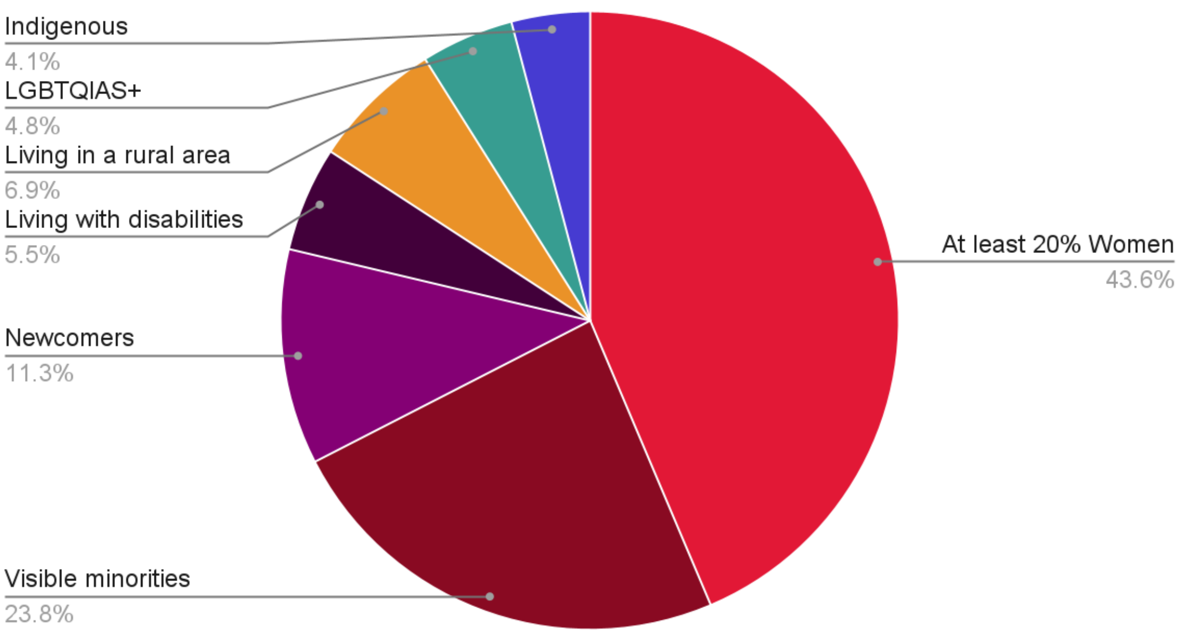
Canadian entrepreneurs and their companies are diverse. Of particular significance is the presence of women, visible minorities, and Indigenous persons within the entrepreneurship community, which is rising year over year.

- 64% of entrepreneurs have Boards or Advisory Committees comprise of at least 20% or more representation of **women** in their Board of Directors or advisors
- 33% have 20% or more representation of **visible minorities** in their Board of Directors or advisors
- 11% have 20% or more representation of **newcomers** in their Board of Directors or advisors
- 7% have 20% or more representation of **Indigenous peoples** in their Board of Directors or advisors
- 7% have 20% or more representation of **LGBTQIAS+** in their Board of Directors or advisors

- 7% have 20% or more representation of **people with disabilities** in their Board of Directors or advisors
- 8.8% have 20% or more representation of **people living in rural areas** in their Board of Directors or advisors
- 22% have 20% or more representation of none of the above in their Board of Directors or advisors

The level of diversity on entrepreneur-led teams and staff is similar. 59.6% of entrepreneurs have teams that are at least 20% women. 32.6% report representation for other visible minorities, 15.4% for newcomers, 7.5% for persons with disabilities, 9.4% for people living in rural areas, 6.6% for LGBTQIAS+, and 5.6% for Indigenous persons. *[See Fig.5]*

Fig. 5 | Diversity and Inclusion in Teams



Key Findings: Where are entrepreneurs struggling

84% of the respondents mentioned that it took them over **100 hours** to research and learn about different components of their business.

25% of the respondents found their experience in taking their business digital difficult to very difficult.

42.7% of the respondents found their experience accessing or applying for government grants or funding difficult to very difficult.

62% of the respondents said that there are limited funding options in Canada.

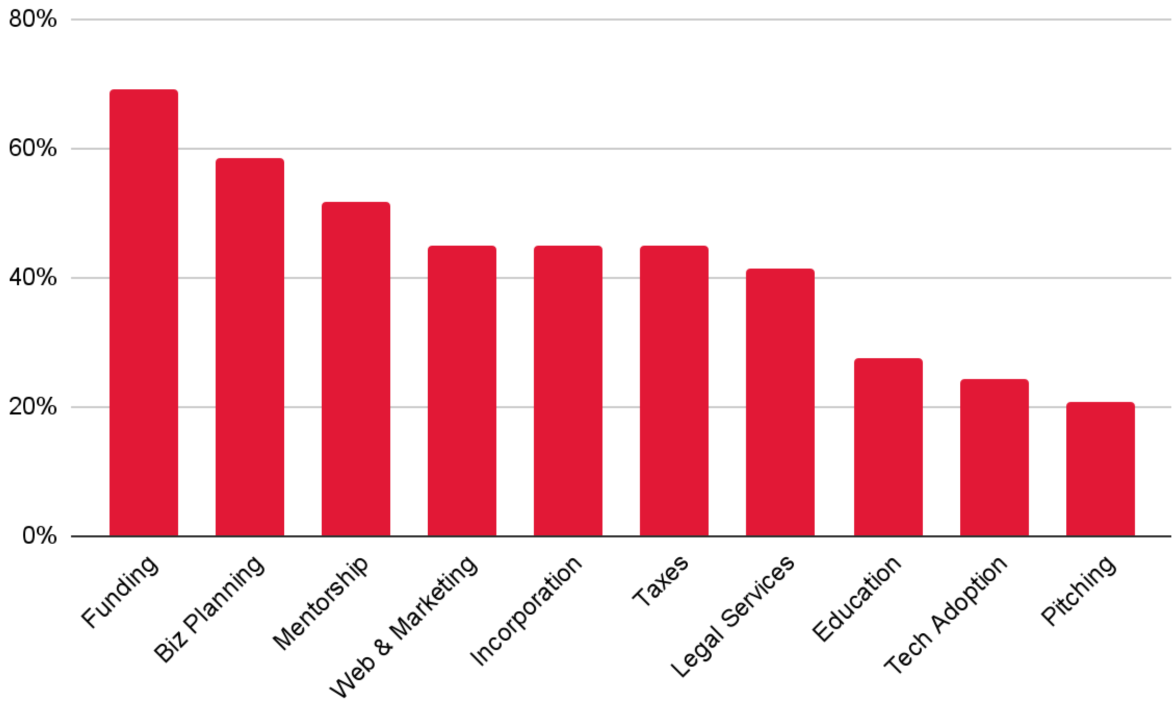
45% of the respondent Investors and lenders in Canada are too conservative.

31% of the respondents do not have an incorporated business and believe that is one of the reasons they were not able to access funding

Support Entrepreneurs are Looking For

The top overall challenges faced by existing entrepreneurs and the support they are looking for their businesses are: finding funding (69%), business planning (58.6%), mentorship (51.7%), web and marketing (44.8%), incorporation (44.8%), taxes (44.8%), legal services (41.4%), and education (27.6%). Technology adoption (24.1%) and pitching (20.7%) were also two important amongst other support that existing entrepreneurs are looking for. *[See Fig. 6]*

Fig. 6 | Support Entrepreneurs Need



Digital Adoption

When asked about their digital presence as a business, 77.4% of the respondents have a personal website, a majority of 84% of the respondents use social media platforms, 18.2% reported they use aggregator websites like Etsy, eBay, Amazon, and Shopify to manage their digital presence, and a small percentage of respondents (3.4%) reported they do not have an online presence.

While 40.8% of the respondents found taking their business digital easy to very easy in 2021, 33.7% were neutral about it. About 25% of the respondents found taking their business digital difficult to very difficult.

Digital adoption has been widely talked about in the past two years, a massive percentage of respondents (86.8%) mentioned that funding and platform credits would help them in establishing and growing their business' digital presence. 43.6% of the respondents said that webinars and training on how to use the platforms would be helpful, and 32.3% said that access to relevant educational content would be useful to them.

Anticipated Growth: Revenue, Job Creation, and Exporting

Despite the challenges throughout the pandemic, entrepreneurs maintain high-growth ambitions and are increasingly likely to include global markets in their plans. 40.1% expect an average annual growth rate of more than 20% in business sales or total revenue for the next three years. 94% plan to create at least one job and 41.7% expect to create more than five jobs in the next three years.

From the results, entrepreneurs are also attracted to global opportunities:

- 29% of companies do business outside of Canada
- 19.7% plan to do business outside of Canada
- The United States, Europe, Australia and Latin America continue to be the most popular markets for Canadian entrepreneurs currently exporting, and for future exporters

Growing Canada's Economy by Supporting Entrepreneurs

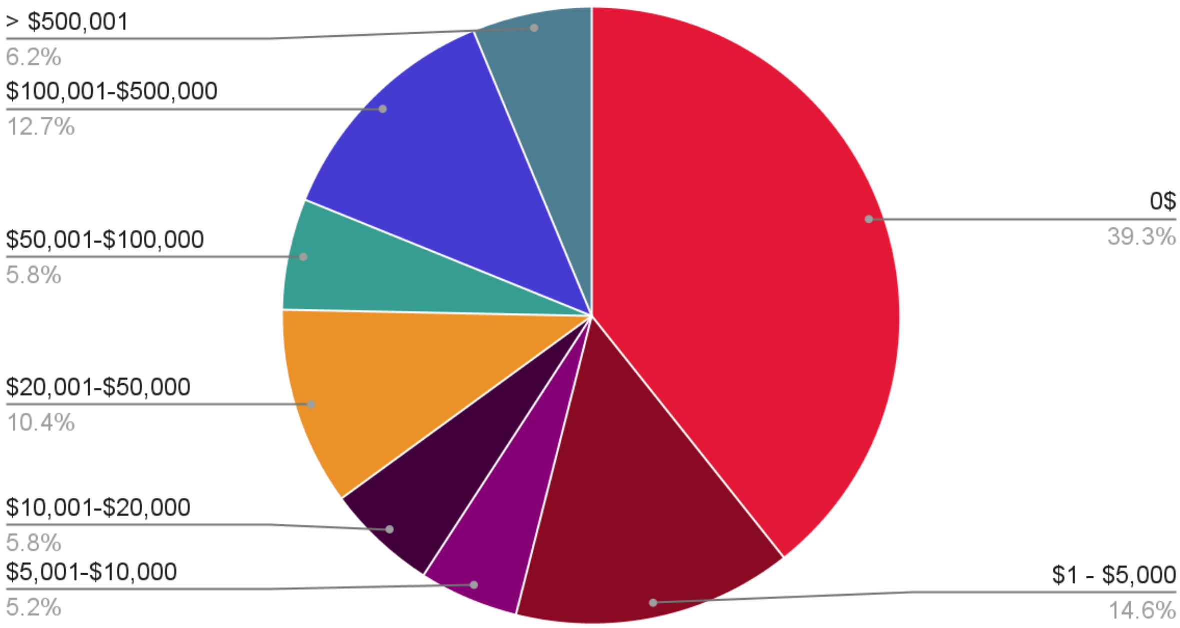
As entrepreneurs disproportionately create jobs and are increasingly significant contributors to Canada's exports and GDP, supporting their success and growth is in the best economic interest of Canada.

When aspiring entrepreneurs were asked what support they require to grow, entrepreneurs prioritized **finding funding (69%)**, **mentorship (51.7%)**, **business planning (58.6%)**, incorporation (44.8%), taxes (44.8%), and marketing (44.8%).

Entrepreneurial Finance and Financial Literacy

37.9% of respondents indicated they have raised $0 for their business. 14.1% have raised $1-$5,000, 5% have raised $5,001-$10,000, 5.6% have raised $10,001-$20,000, and 10% have raised $20,001-$50,000. 5.6% have raised $50,001-$100,000, 12.2% have raised $100,001-$500,000, an 6% have raised more than $500,001. *[See Fig. 7]*

Fig. 7 | Raised Capital



Only 8.2% of respondents reported that funding is accessible to their company. 56.4% reported it is somewhat accessible, and 35.4% reported it is not accessible.

62% of the respondents said that there are limited funding options in Canada, and 45% said Investors and lenders in Canada are too conservative. 52% of respondents indicated they had business insurance. 26% said they do not have insurance, and 21.9% said they do not have insurance but are seeking options.

When asked, "How accessible is funding for your company?" 35.4% of respondents said 'not accessible', 56.4% said 'somewhat accessible', and 8.2% said 'very accessible'. This was due to:

- Revenue requirements not being met (not enough sales, profit, or 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, solopreneurs, or founders not paying themselves pre-pandemic)
- No reflection of the impact of COVID-19 on sales targets
- Seasonal businesses

Mental Health of Entrepreneurs

63.9% of respondents shared that they would like to receive tips and tools to help them manage their mental well-being (i.e. work-life balance, stress management etc.)

When asked, 'What topics on mental well-being would they be interested in receiving', 51.9% of the respondents said entrepreneurial skills to manage work-life balance, 46% of the respondents asked for stress management and coping strategies, 39.5% asked for tips on managing the fear of failure, while 36.9% asked for tips to improve sleep. 34.3% of respondents asked for mental health support for employees, and 36.7% asked for time management.

Social Startups in Canada

A good measure of social entrepreneurship can be derived and mapped from the United Nations Sustainable Development Goals (SDGs). These 17 goals symbolize an urgent call for action in a global partnership for peace and prosperity, now and into the future.

Figure 8 provides an overview of which SDGs are currently being supported by startups and entrepreneurs in Startup Canada's network. It is interesting to note that while there is general coverage across all SDGs, Goal 5 (Gender Equality) and Goal 8 (Decent Work and Economic Growth) are most supported. On the other end of the spectrum, Goal 14 (Life Below Water) is the least supported which can indicate an opportunity for further social entrepreneurship.

Fig. 8 | Support of UN SDGs by startups and entrepreneurs in Startup Canada's network

When asked, "If you don't currently support a sustainable development goal would you consider supporting them through your business?" 94.3% of respondents said yes. 71.5% said they would consider aligning their business with a UN SDG (climate change, poverty, equality, etc.) 64.6% said they would consider converting their business to have a larger social impact. 77.4% said they would consider partnering with a business or charity to have a larger impact.

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, policies, and programs that support a greater diversity of entrepreneur and enterprise profiles. Consistent with the findings in 2019 and 2020, entrepreneurs recommended:

- Grants, non-dilutive grants, accessible 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.
- Educational and training resources to learn how to navigate the grant application process.
- Educational and training resources to learn how to navigate various functions of a business and which technologies to use to streamline business processes.
- Mentorship and advisory services across industries.
- Grants specifically for women-owned, women-led businesses.

Role of Startup Canada and its Partners

68% of the respondents said they think of Startup Canada as a **national convener** while others think of Startup Canada as a community builder and a resource bank. When asked what they would like to see from Startup Canada and its partners in the years ahead, 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.

CONCLUSION

Canada's current and aspiring entrepreneurs from the Startup Canada network are striving towards a future where there is more accessible funding, mentorship & advisory support, and tools and resources to help them navigate the challenges of running and growing a successful business.

Evidently, this report shows the statistics that funding is highly seeked by Canadian entrepreneurs, with limited access. The report also shows certain areas where entrepreneurs are most struggling with like digital transition, connecting with funders and investors, incorporating a business, understanding taxes and accounting, etc.

Finally, the report conveys what the government, private sector, entrepreneur support organizations, and Startup Canada as a National convener do to ensure that Canadian entrepreneurs are fully supported and that Canada becomes the best place to start and grow a business.