



Global  
Entrepreneurship  
Monitor

# COVID-19 IMPACTS ON ENTREPRENEURSHIP IN WESTERN CANADA

## 2020



**THECiS**  
The Centre for Innovation Studies



# GEM – Strengths & Approach

- GEM methodology moves beyond ages and stages approach or readiness approach
- World's largest & longest running study
- Inclusive definition of entrepreneurship
- Multi-dimensional focus:
  - Activity, attitudes, aspiration
  - Distinct business stages (early-stage, established)



# How does GEM define Entrepreneurship?

*“Any attempt at new business or venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals or an established business.”*

**Nascent entrepreneurs:**

those starting up, or intending to start a business

**Owner-Manager firms:**

firms less than 3.5 years old

**Intrapreneurship:**

those working within an existing business over last 3 yrs.

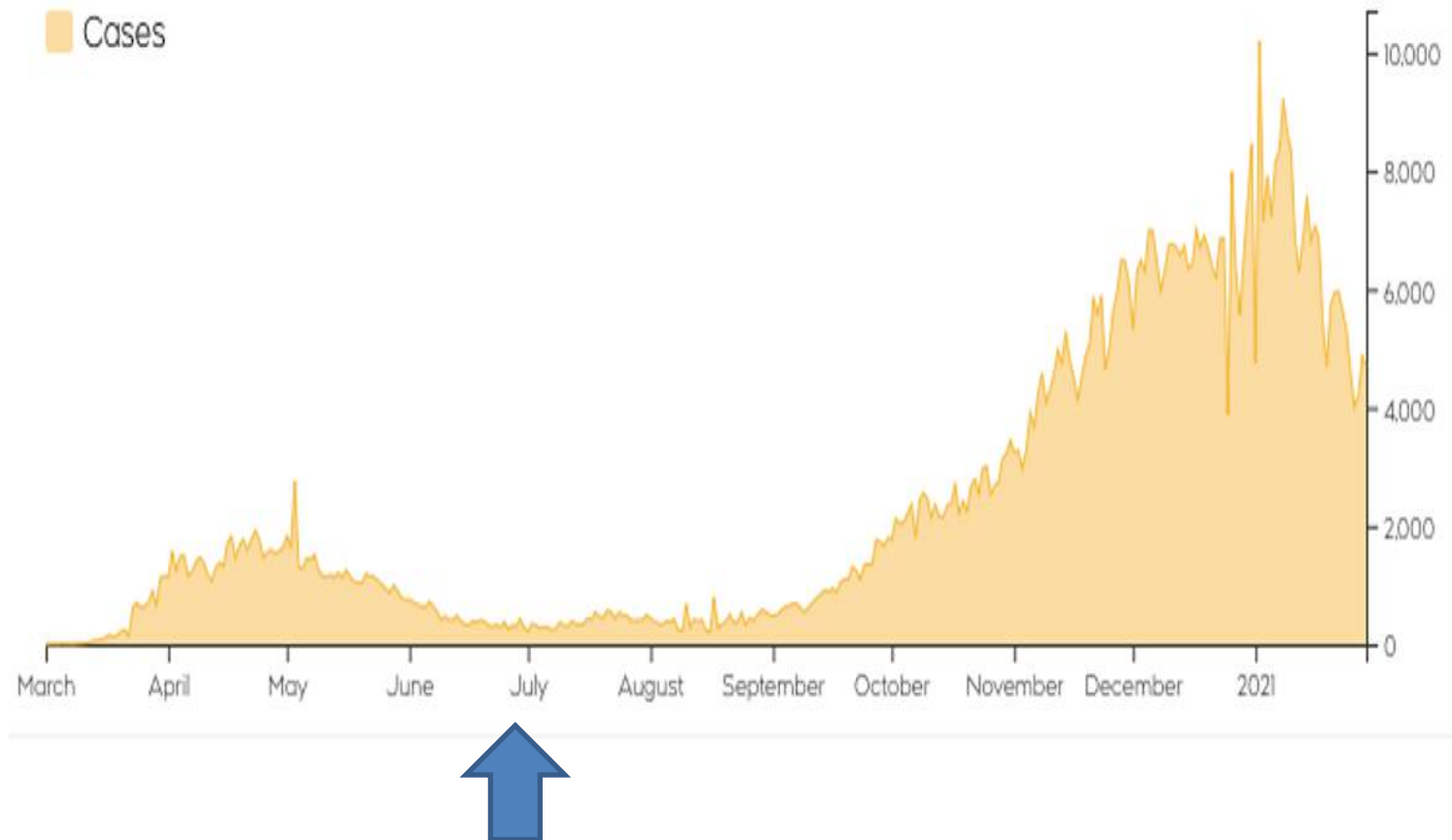


# COVID report findings

- **Goal:** to assess how the COVID-19 pandemic has affected & changed the environment for entrepreneurs & businesses in Western Canada
- **Methodology:**
  - Use of standard GEM adult population survey (APS) questionnaire augmented by a set of 20 COVID-related questions
  - Total of 1,536 individuals surveyed in 2020 in Western Canada
  - 384 responses from each of the four Western provinces
  - Surveys carried out in June/July/August 2020:
    - Later than normal deadline for GEM responses (July 15)
  - Findings presented verbatim to what was asked of respondents



# COVID-19 Cases in Canada





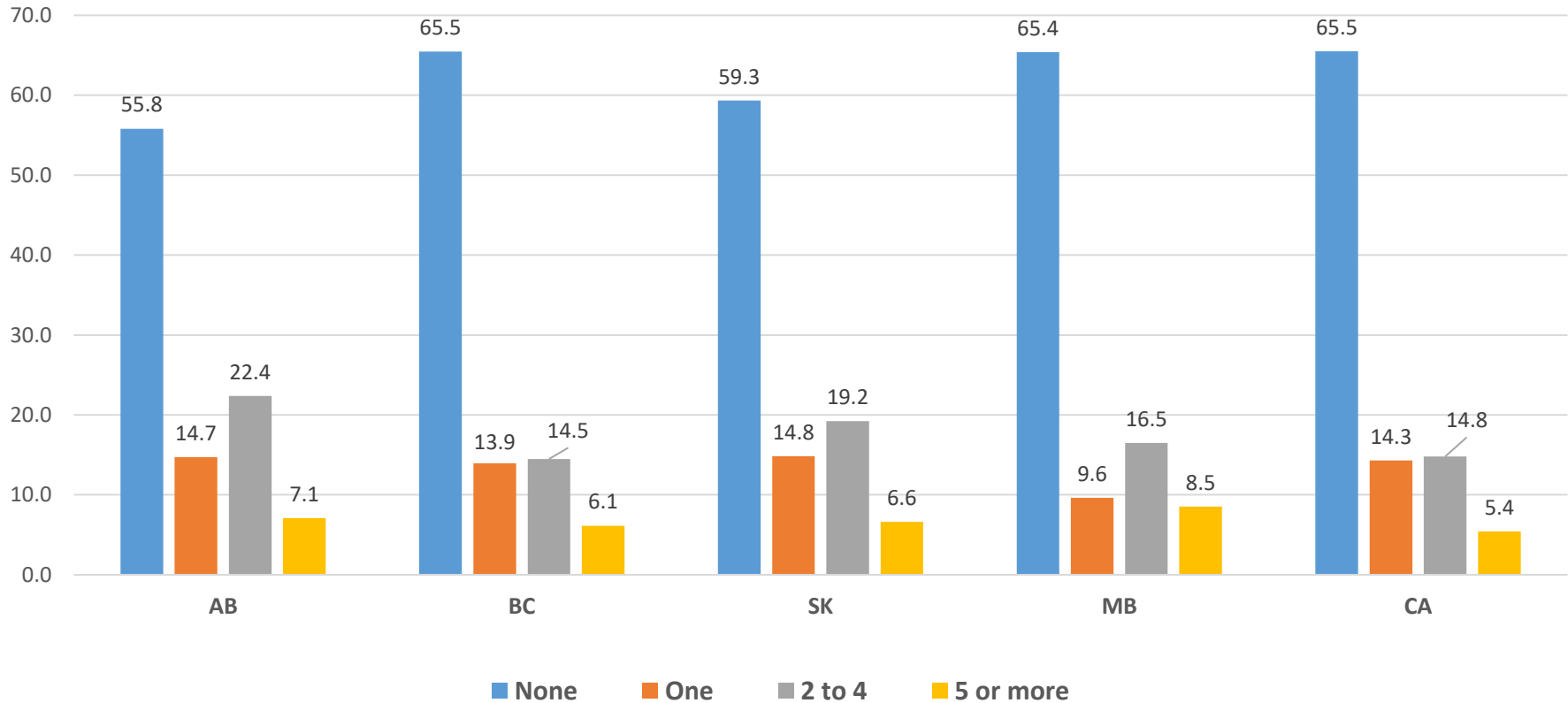
# Economic background

- Canadian economy shrank by 5.4% in 2020 (worst year on record)
  - AB: -8.2%; SK: -5.2%; MB: -4.8%; BC: -3.8%
  - SK & AB were the only two provinces to see their economy shrink in 2019 from 2018 (-0.8% and -0.6% respectively)
- **By September 2020:**
  - AB showed the largest provincial decline, followed by SK & ONT
  - Lower activity in AB reflected declines in energy prices vs. ONT, reflecting tighter restrictions on economic activity
- MB & BC among the least-affected economies in 2020



*How many people do you know personally who have **stopped** owning and managing a business in 2020 due to the pandemic?*

**Figure 1: Stopped Owning a Business (by Western Province)**



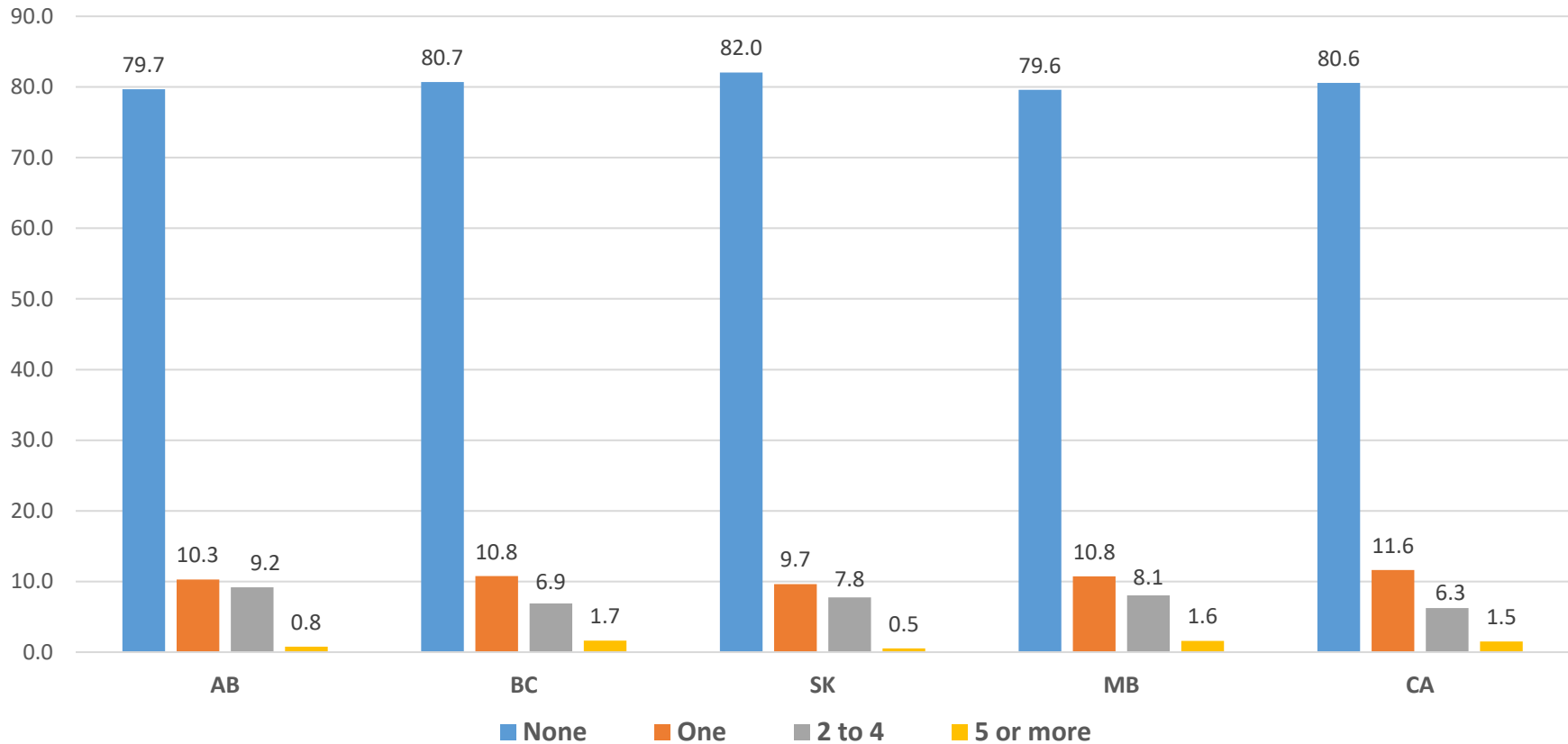
WC entrepreneurs are seeing more business failures as a result of pandemic

All four WC provinces have a higher % of entrepreneurs knowing 5 or more people who have stopped their business compared to CA average



# How many people do you know personally who have *started a business in 2020 as a result of the pandemic?*

## Figure 2: Started a Business in 2020



8 out of 10 WC entrepreneurs don't know anyone who started a business as a result of the pandemic, similar to the rest of CA

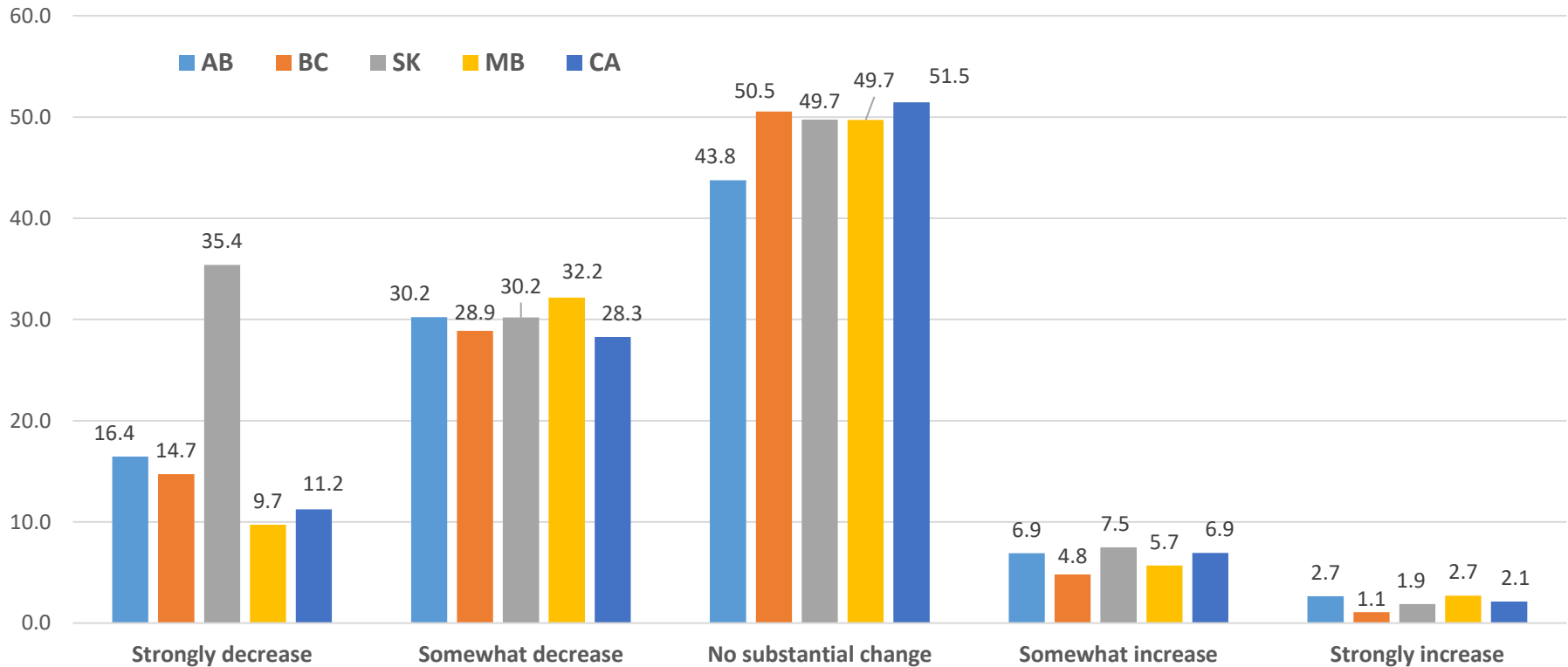
Some entrepreneurial activity has been generated (20%); how much is 'necessity-driven' rather than 'opportunity-driven' ?





*In 2020, has the pandemic led your **household income** to strongly decrease, to somewhat decrease, to show no substantial change, to somewhat increase or to strongly increase?*

**Figure 3: Pandemic Effect on *Household Income***



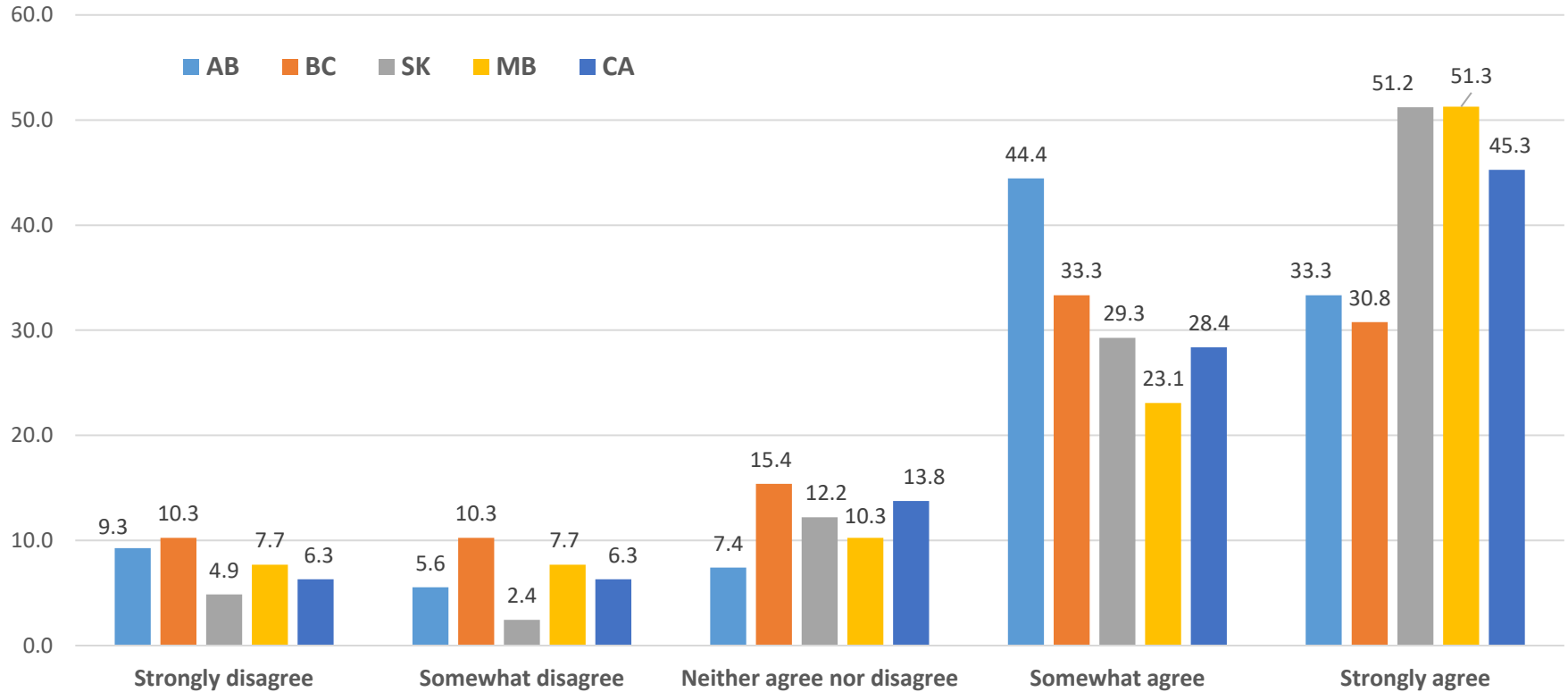
37% of WC entrepreneurs report a decrease in household income compared to 10% who report an increase

35% of SK entrepreneurs report a strong decrease, more than twice the level of AB 9



# *The pandemic has led to a delay in getting the business operational.*

## Figure 4: Pandemic Effects on Getting Business Operational



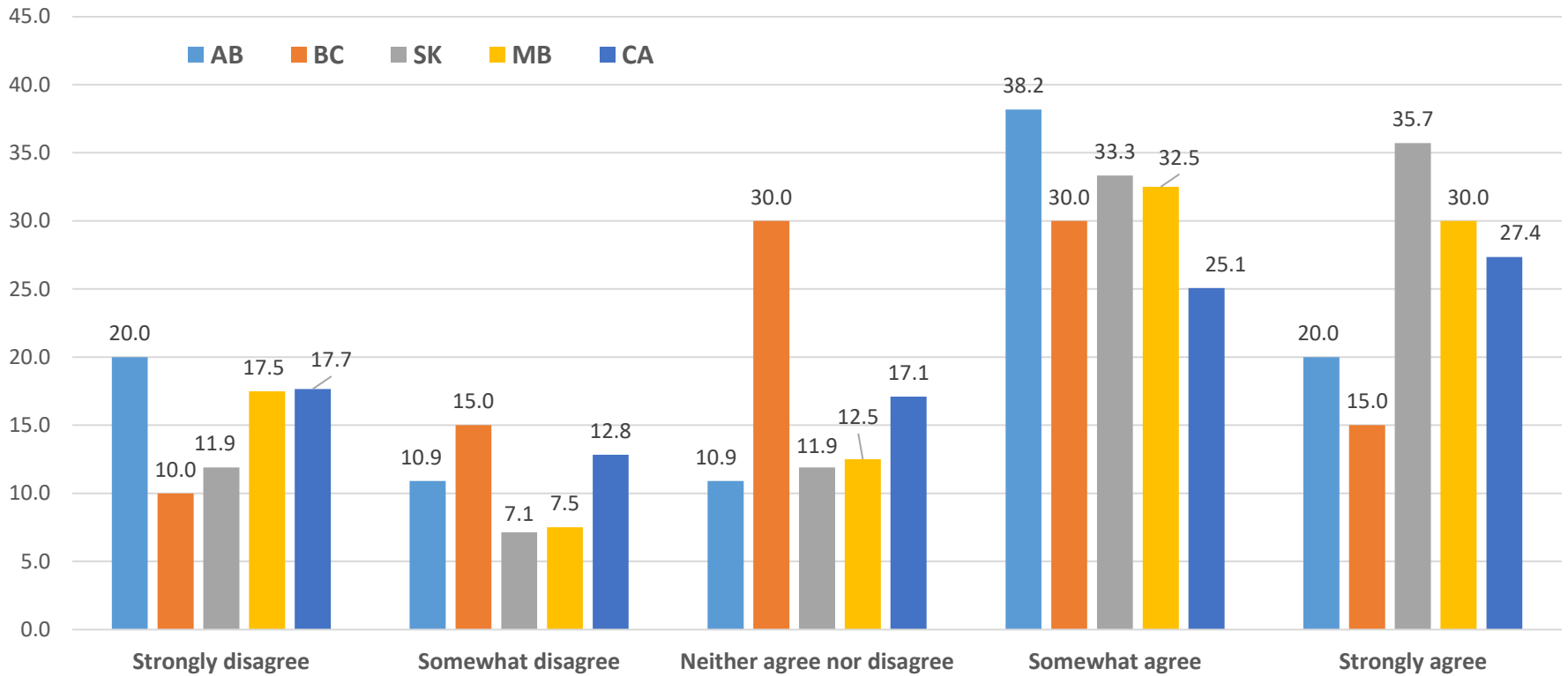
Almost twice the number of WC entrepreneurs strongly disagree that the pandemic has delayed them compared to the rest of CA

Overall, 73% of WC entrepreneurs agree that the pandemic has caused delay in getting their business operational vs. CA (76%)



*The pandemic has provided new opportunities that you want to pursue with this business.*

**Figure 5: Pandemic Effects on Providing New Opportunities**



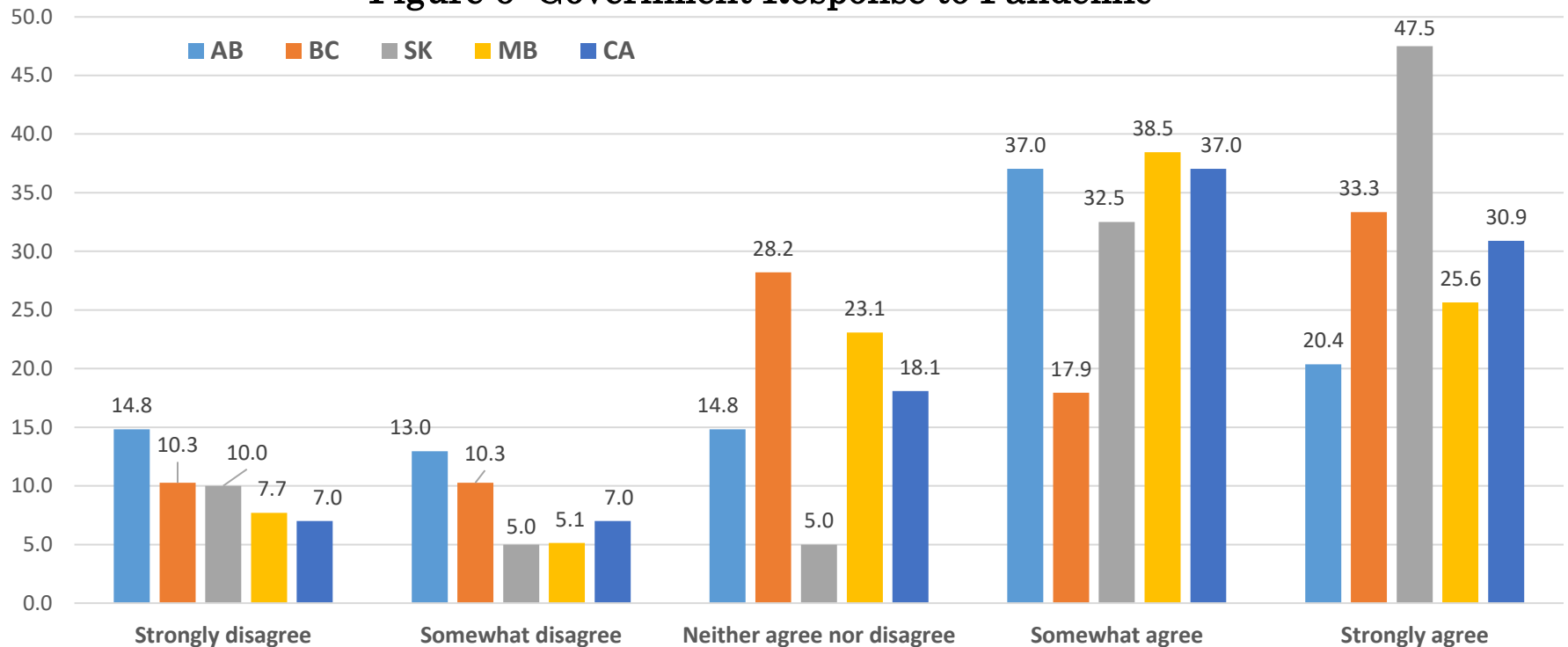
54% of WC entrepreneurs agree that the pandemic has provided new business opportunities

SK has the highest level, followed by MB & CA, with BC and AB showing the lowest levels



*In your country, the government has so far effectively responded to the economic consequences of the coronavirus pandemic.*

**Figure 6: Government Response to Pandemic**



Entrepreneurs in the rest of CA have a much higher overall approval level of government response to the pandemic compared to WC entrepreneurs

SK has the highest level of agreement (80%), followed by CA and MB, with BC showing the lowest level (51%)

AB has the highest level of disagreement that government has effectively responded (28%)

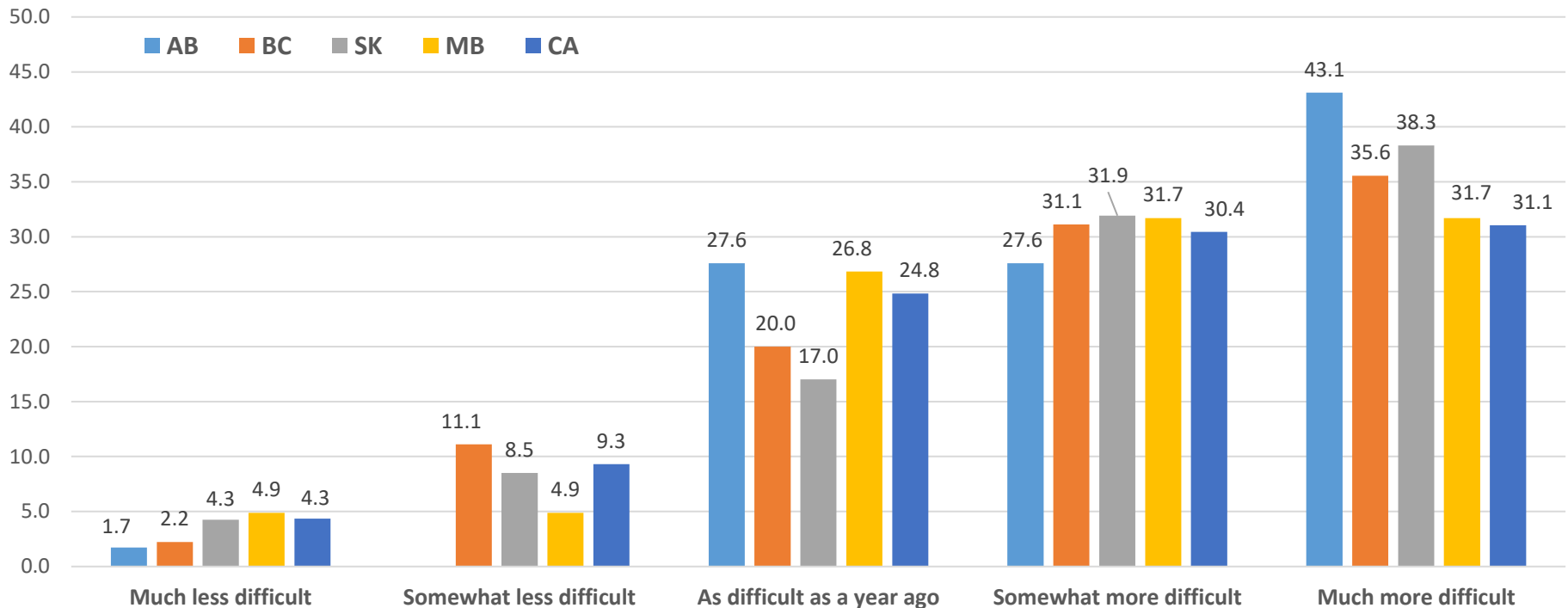


# Owner-Managers



*Compared to one year ago, do you think starting a business is much more difficult, somewhat more difficult, as difficult as a year ago, somewhat less difficult, or much less difficult?*

**Figure 7: Difficulty of Starting a Business Compared to a Year Ago (OM)**



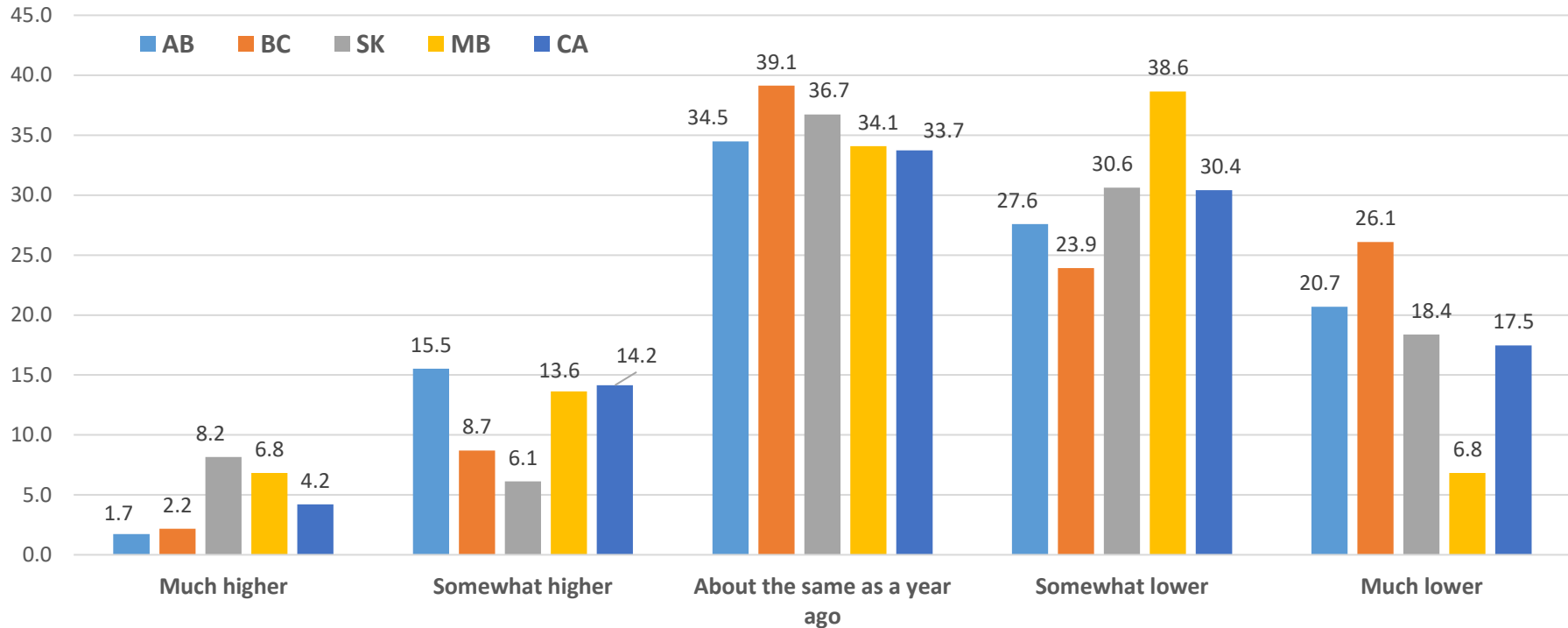
AB OMs report it is much more difficult to start a business than one year ago, compared to the Canadian average (43% vs. 31%)

OMs in all four WC Provinces report it is much more difficult compared to the CA average



*Compared to one year ago, are your expectations for **business growth** much lower, somewhat lower, about the same as a year ago, somewhat higher or much higher?*

**Figure 8: Expectations of *Business Growth* (OM)**



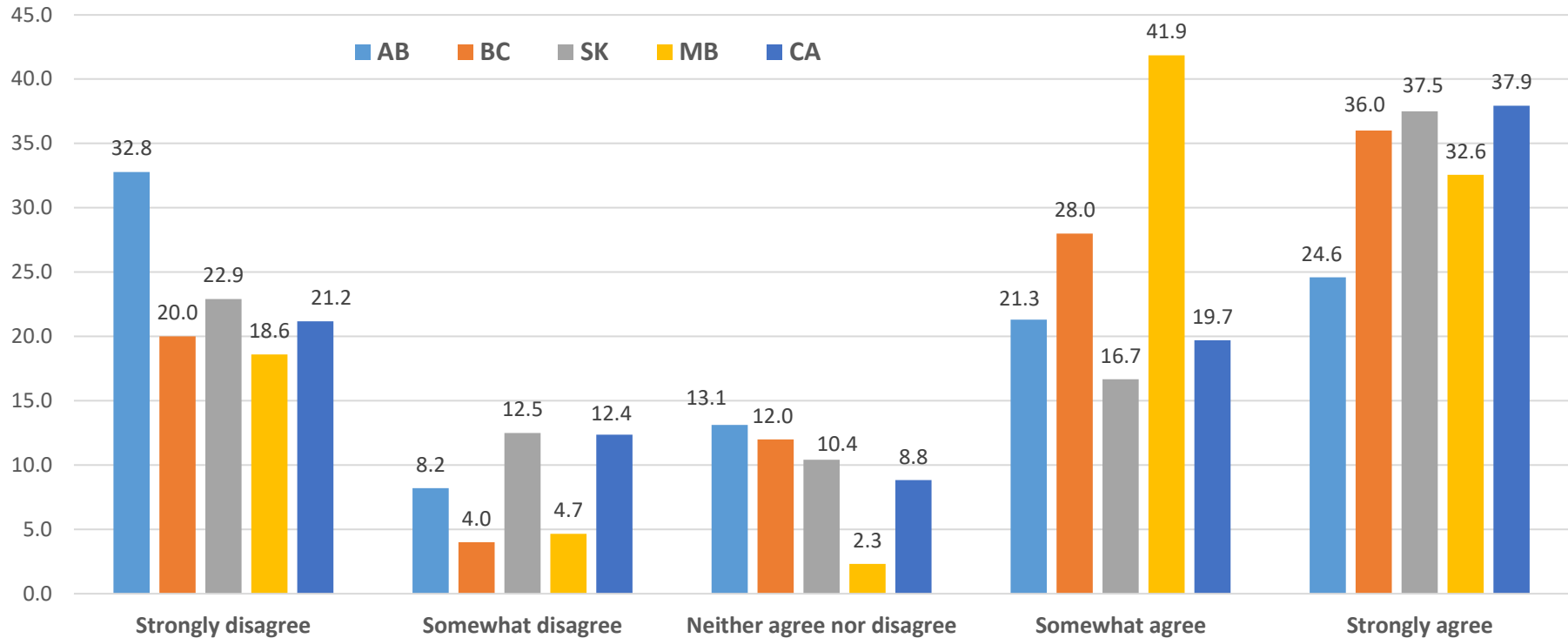
Almost half (45%) of OMs in WC report lower business growth expectations compared to one year ago, with the lowest growth expectation levels seen in BC and AB

OMs in WC have lower growth expectations than CA average – expectations of worsening economic conditions for their businesses ?



# The pandemic has caused your business to stop some of its *core activities*.

Figure 9: Effects of Pandemic on Business Core Activities (OM)



AB has lowest percentage of OMs strongly agreeing that the pandemic has caused their business to stop some core activities (25%) compared to SK or CA average (both 38%).

WC has much lower level of OMs strongly agreeing that the pandemic has caused their business to stop core activities, compared to CA average

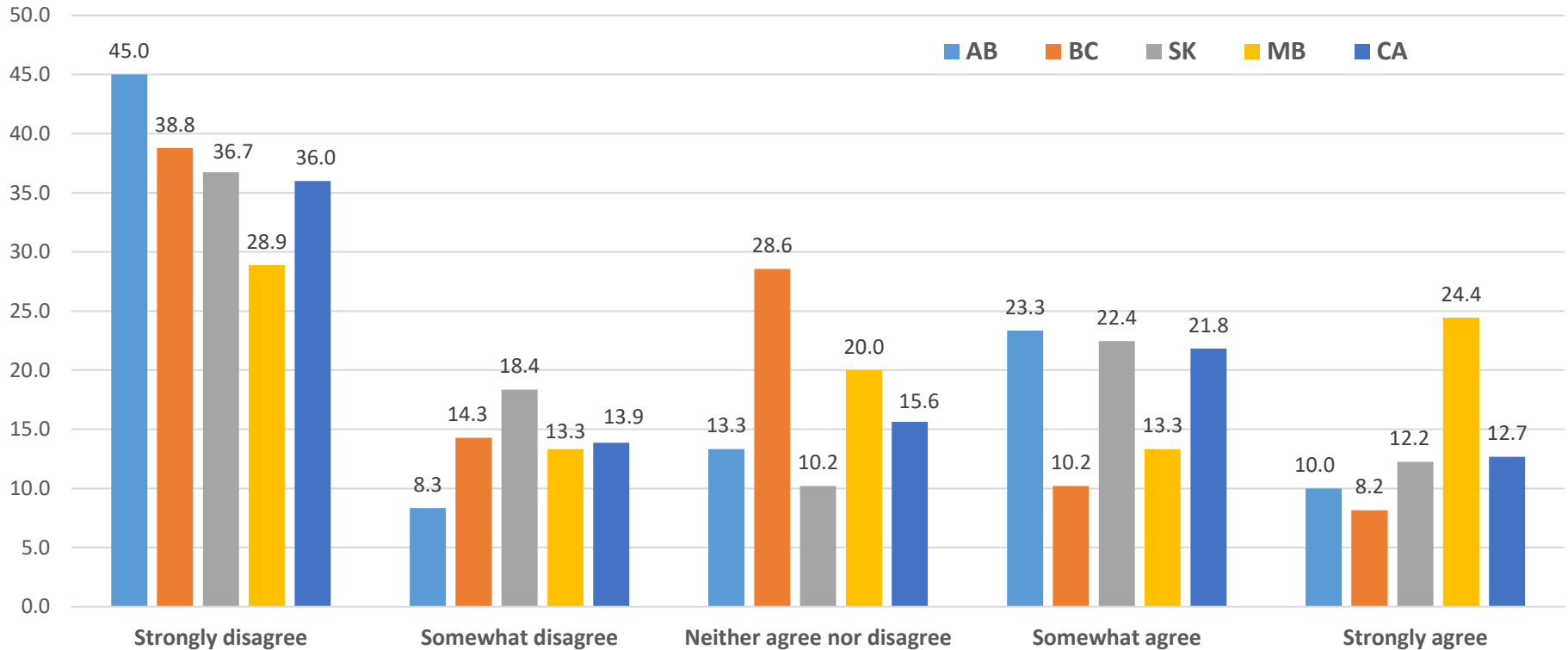
AB OMs appear resilient in maintaining core business activities during pandemic





*The pandemic has led to new business opportunities that are currently being pursued in your business.*

**Figure 10: New Business Opportunities Resulting from Pandemic (OM)**



24% of MB OMs strongly agree that pandemic has led to new business opportunities; significantly higher than AB, SK and CA; almost 3X the BC level

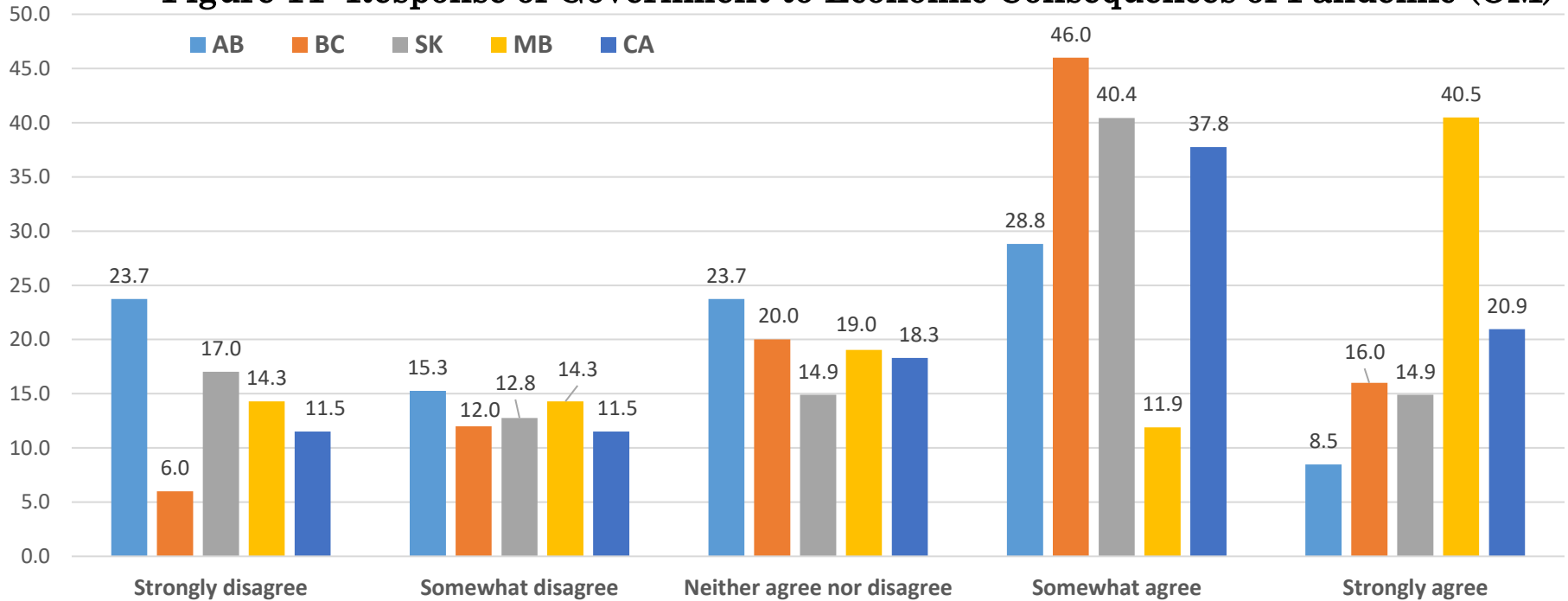
WC OMs are much less likely to perceive new opportunities resulting from the pandemic compared to WC nascent entrepreneurs (54%)

- focused more on core business & unable to pursue new opportunities ?



*In your country, the government has so far effectively responded to the economic consequences of the pandemic.*

**Figure 11: Response of Government to Economic Consequences of Pandemic (OM)**



AB is the only province whose overall OM disapproval rate of the government response (39%) is higher than its approval rate (37%)

- OM disapproval rate of MB is 52% compared to approval rate of 69%

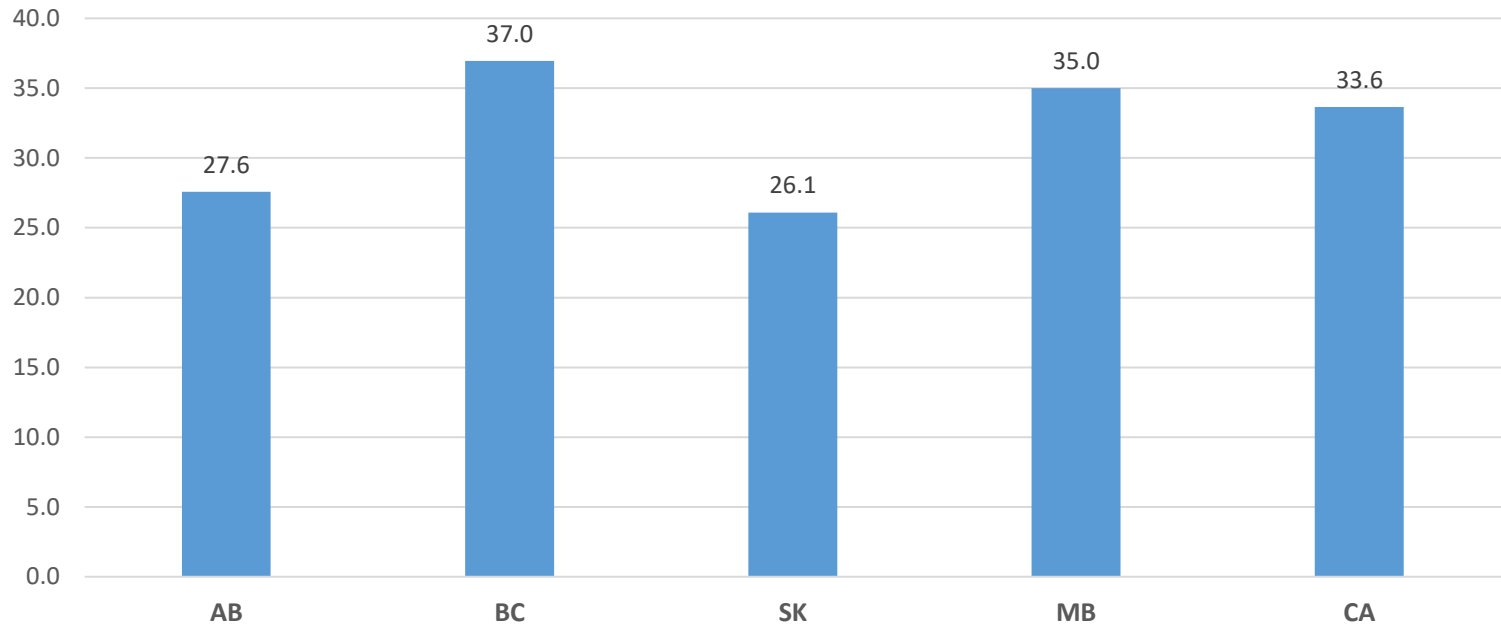
WC OMs have higher disapproval rate than WC entrepreneurs (30% vs. 22%)

Variations of approval rates related to different provincial responses & lockdown measures combined with impact of support programs on different businesses/sectors?



*Did your business receive, or expect to receive, financial support from the government as a result of the coronavirus pandemic?*

**Figure 12: Received or Expects to Receive Financial Support from Government (OM)**



SK & AB have lowest proportion of OMs who have received, or expect to receive, pandemic-related financial support from government

One explanation may be **provinces' industry profile:**

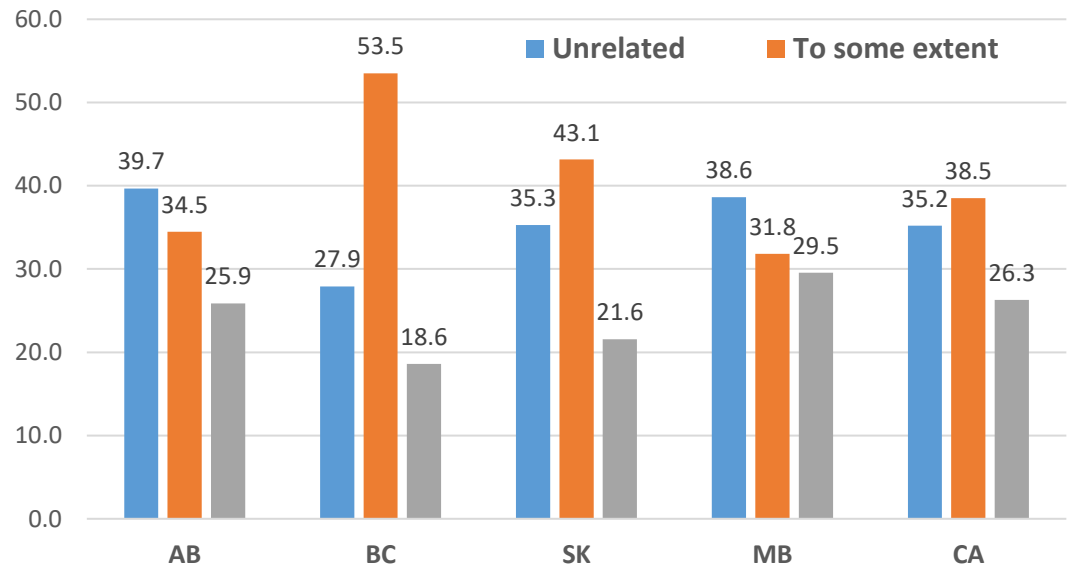
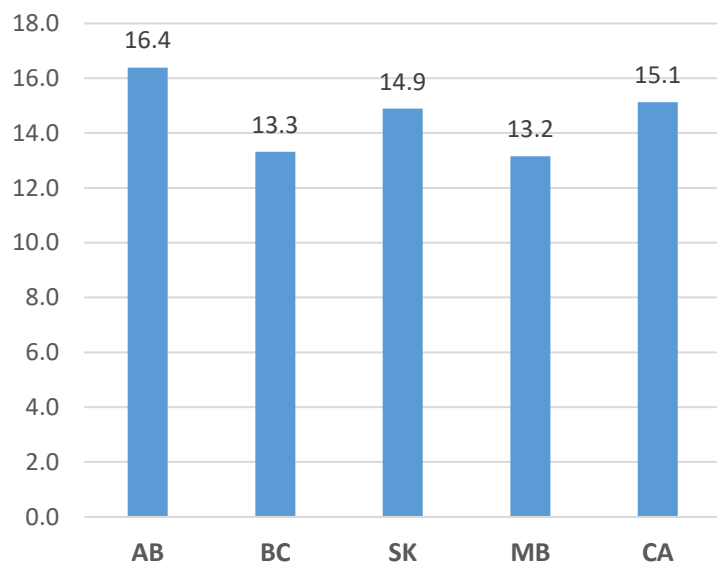
- Emergency response program usage highest in accommodation/food services (over 50%), manufacturing, trade & health/social assistance (over 35%)
- But less than 25% in oil & gas, mining, agriculture, transportation & utilities & less than 20% in professional, scientific & technical
- BC's high level may relate to its high proportion of service-producing industries



1) *Are you, alone or with others, expecting to start a new business, including any type of self-employment, within the next 3 years?*

2) *To what extent is this expectation influenced by the pandemic? Large extent, to some extent or is this unrelated to the pandemic?*

Figures 13/14: Expecting to Start a Business in Next 3 Years / Influence of Pandemic on Expectation



Only 15% of WC entrepreneurs expect to start a business in the next 3 years; with 66% reporting that this expectation is influenced by pandemic

AB has the highest percentage of entrepreneurs who expect to start a business in next 3 years; extent to which some of this activity is 'necessity-driven' ?



# *What was the most important reason for quitting this business?*

**Table 1: Reasons for Quitting a Business in Western Canada**

<b>Reasons</b>	<b>AB</b>	<b>BC</b>	<b>SK</b>	<b>MB</b>	<b>Canada</b>
An opportunity to sell the business	8.1	3.0	4.3	7.7	<b>8.9</b>
The business was not profitable	16.2	18.2	<b>26.1</b>	11.5	19.1
Problems getting finance	<b>18.9</b>	12.1	4.3	7.7	12.0
Another job or business opportunity	13.5	3.0	<b>21.7</b>	11.5	8.9
The exit was planned in advance	2.7	<b>9.1</b>			6.2
Family or personal reasons	2.7	6.1	8.7	<b>15.4</b>	3.6
Retirement		6.1	<b>13.0</b>	7.7	
An incident		<b>9.1</b>			3.1
Other	13.5	<b>15.2</b>	4.3	7.7	12.9
Government/tax policy/bureaucracy	<b>10.8</b>	9.1			2.2
COVID-19 pandemic	13.5	18.2	17.4	<b>30.8</b>	18.2
<b>TOTAL</b>	100	100	100	100	100

- Wider variation of reasons for quitting a business across Western Provinces
- WC entrepreneurs cite a higher level of non-voluntary reasons for quitting a business (63%) compared to CA average (58%)
- Pandemic a major contributing factor for entrepreneurs in all regions, esp. MB 21

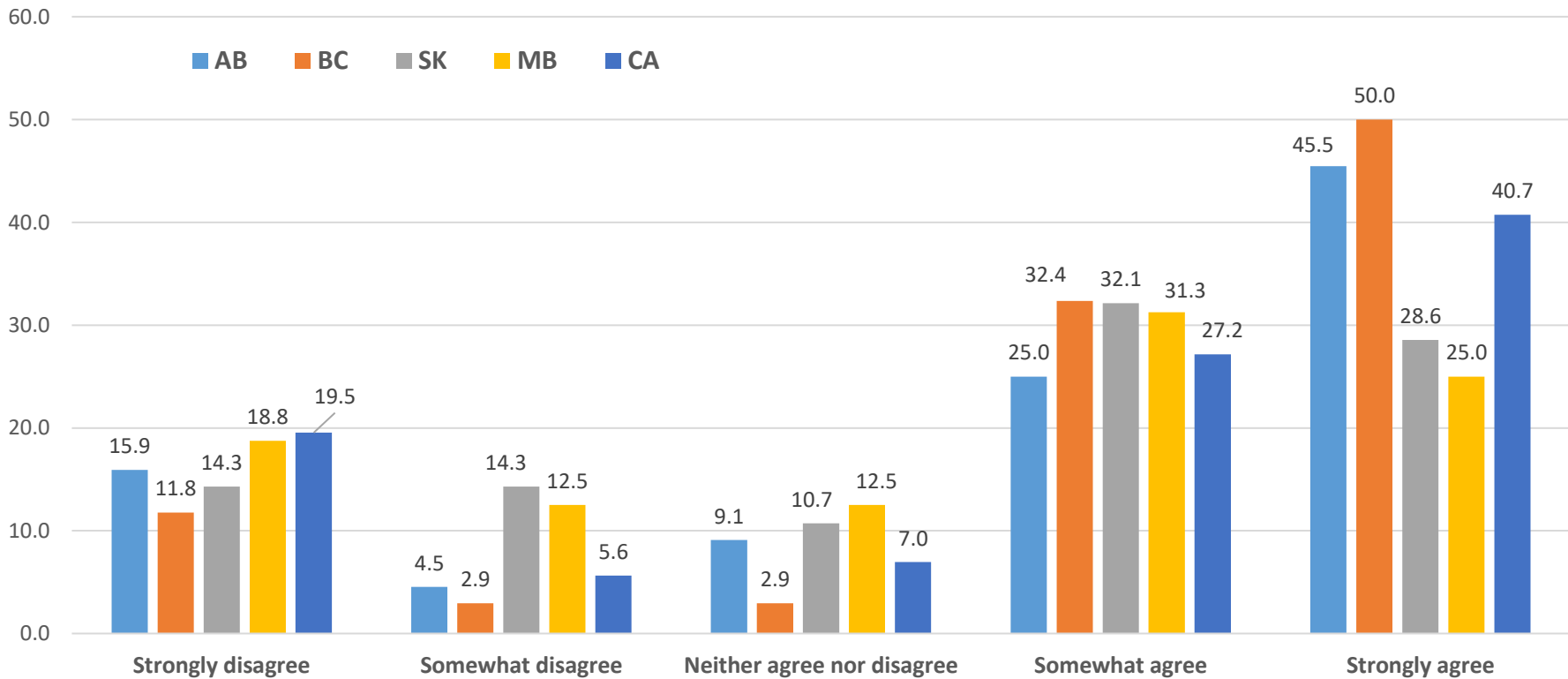


# Intrapreneurs



*The pandemic has caused the business you work for to stop some of its core activities.*

**Figure 15: Pandemic Effects on Business Core Activities**



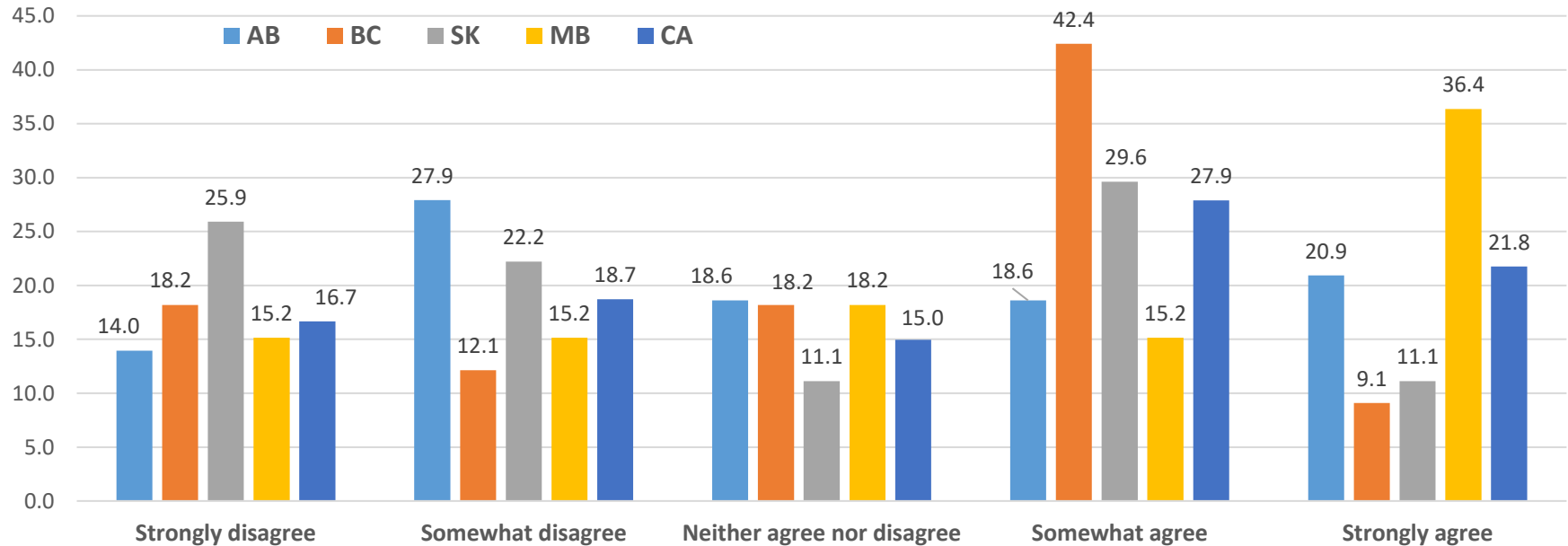
Pandemic has significantly affected core business activities of WC firms compared to CA average, particularly in BC and AB

Pandemic may be causing more significant disruption to ‘pre-pandemic’ core business functions of established firms where intrapreneurs are employed, compared to OM firms



*The pandemic has led to new business opportunities currently being pursued in the business you work for.*

**Figure 16: New Business Opportunities from Pandemic**



AB and SK intrapreneurs are less likely to perceive new opportunities from the pandemic compared to CA average, MB and BC

MB and BC's higher comparative level may be influenced by a number of factors, e.g. diversified nature of the MB economy, declines in goods-producing & energy industries in SK and AB and BC's early response to the pandemic

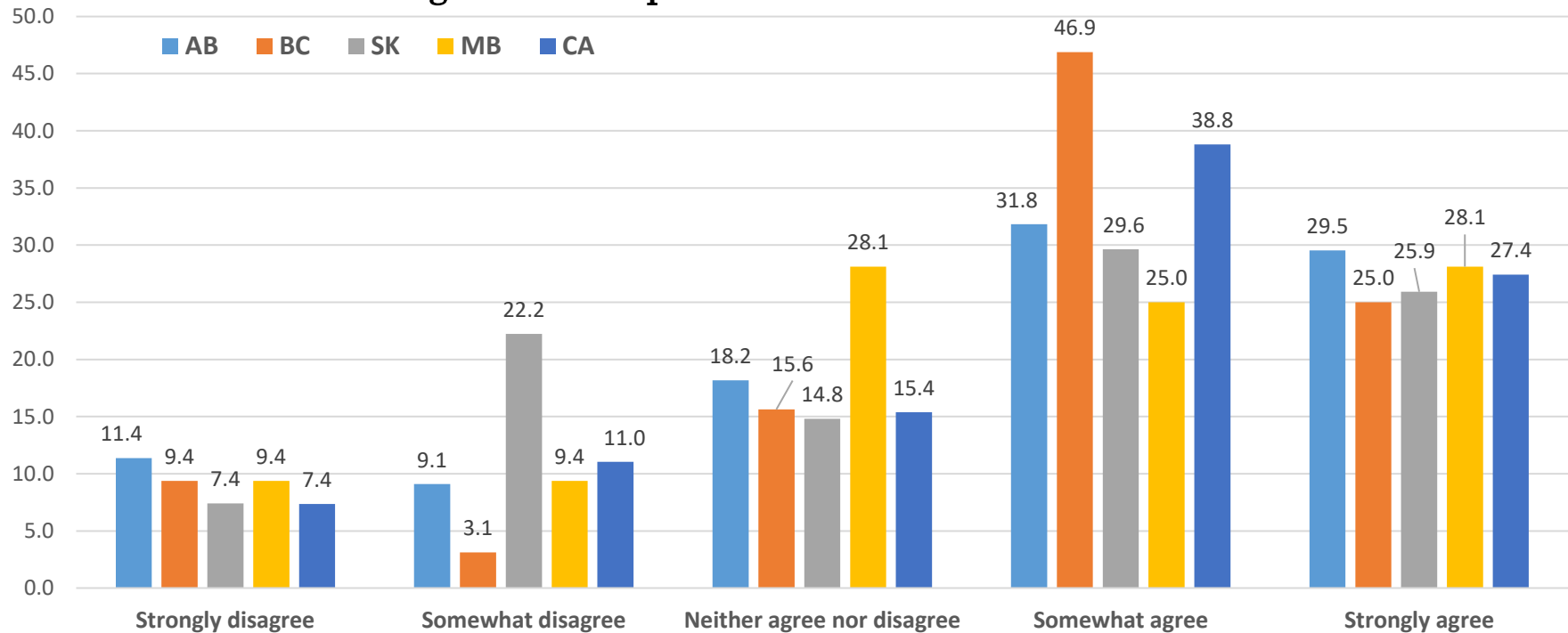
Overall, WC entrepreneurs & intrapreneurs more likely to perceive new opportunities arising from pandemic compared to OM-lead businesses





*In your country, the government has so far effectively responded to the economic consequences of the pandemic.*

**Figure 17: Response of Government to Pandemic**



Strongly agree approval level of AB intrapreneurs (30%) is almost three times the approval level of Alberta OMs (9%) and higher than AB entrepreneurs (20%)

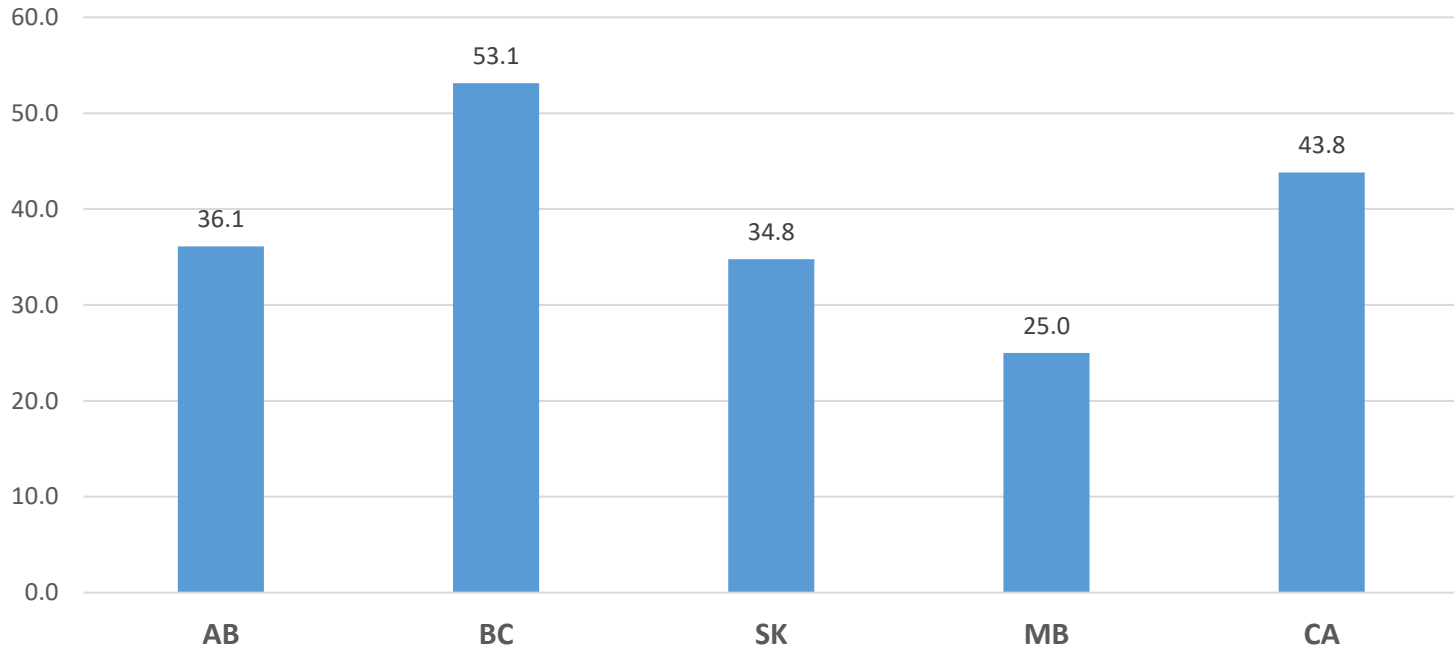
Overall, WC intrapreneurs, nascent entrepreneurs and O-Ms are less positive about the government response than the CA average

Variations of approval levels likely affected by different provincial responses & lockdown measures & ability to access to pandemic-related government financial support



*Did your company receive, or does it expect to receive, financial support from the government as a result of the pandemic?*

**Figure 18: Receipt of Government Support during Pandemic**



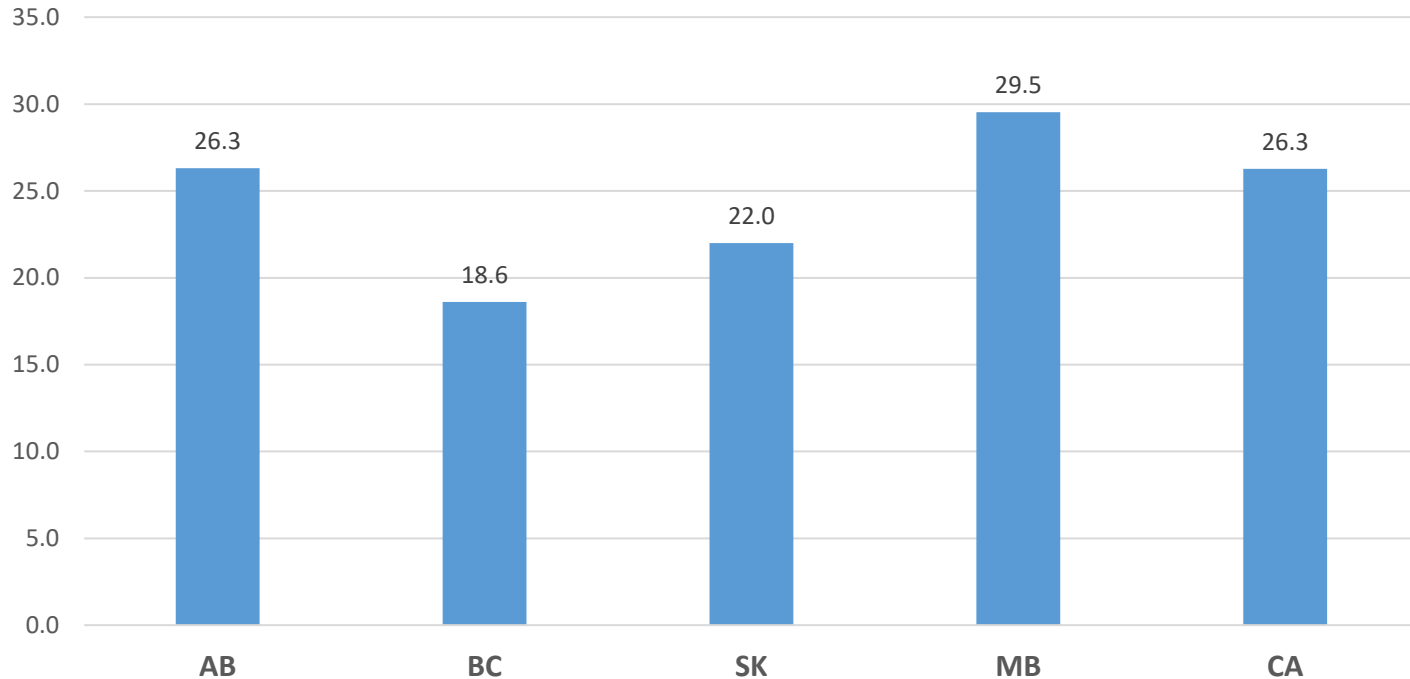
53% of BC intrapreneurs received, or expect to receive, pandemic-related government financial support; significantly higher than AB, SK and MB. This compares to 37% of BC OMs.

One explanation may relate to many (15 of 20) industrial sectors in BC posting lower output in response to COVID restrictions and shutdowns in 2020. Many of these sectors are services-producing industries that were targets of government support programs



*Entrepreneurial intentions are influenced by the pandemic to a high extent.*

**Figure 19: *High Extent* of Influence of Pandemic on Entrepreneurial Intentions**



MB shows highest business opportunity aspirations for OMs and intrapreneurs, with pandemic also identified as major contributing factor to quit a business

Overall, over 60% of all WC respondents report that the pandemic has influenced entrepreneurial intentions **to at least some extent**

Earlier findings: only 15% of WC entrepreneurs expect to start a business in the next 3 years, with 66% reporting that expectation is influenced by pandemic



# Summary

## Negative consequences of pandemic

- A negative effect on household income of WC entrepreneurs.
- WC entrepreneurs are seeing more business failures than entrepreneurs in the rest of Canada.
- WC owner-managers (OMs) report it is much more difficult to start a business than one year ago, with AB having the highest percentage response.
- WC entrepreneurs are delayed in getting their businesses operational, particularly in SK and MB.
- MB has the highest percentage of owner-managers who report the pandemic as a reason for quitting their business.
- Almost half of OMs in WC report lower growth expectations compared to a year ago, with the lowest growth expectation levels seen in BC and AB.



## government response to the pandemic

- Significant differences exist between entrepreneurs, owner-manager and intrapreneurs in WC regarding the effectiveness of the government response.
- Overall, WC owner-managers and entrepreneurs have higher disapproval levels to the government's response to the pandemic than intrapreneurs.
- Variations of approval rates may be explained by the effects of different lockdown measures and the availability and impact of support programs on different businesses.
- WC firms are receiving, or expect to receive, less pandemic-related government financial support than the Canadian average.



## positive signs for entrepreneurship in Western Canada

- More WC entrepreneurs agree that the pandemic has provided new business opportunities compared to those who disagree.
- SK has the highest level of nascent entrepreneurs who have identified new opportunities arising as a result of the pandemic.
- MB has the highest level of OMs and intrapreneurs who have identified new opportunities arising as a result of the pandemic.
- AB has a high level of entrepreneurs who expect to start a business in the next 3 years, and who identify the pandemic as an influencing factor.
- Owner-manager led businesses in WC appear highly resilient in maintaining their core business activities during the pandemic.
- High-growth aspirations may be prominent for nascent entrepreneurs and 'going-concern' businesses in WC during the pandemic, with the pandemic at the same time potentially contributing to higher levels of *necessity-driven* entrepreneurship.



# Recommendations



- Target support for entrepreneurs and intrapreneurs in Western Canada seeking to develop new opportunities arising during the pandemic.
- Support owner-managers who have growth aspirations but cannot pursue new opportunities while focusing on their core business activities during the pandemic.
- Further assess the pandemic-related government support provision to determine if OM-led businesses in certain sectors in Western Canada are disadvantaged.
- Assess the factors delaying Western Canadian entrepreneurs in getting their businesses operational during the pandemic.
- Further study necessity-driven entrepreneurship in Western Canada, including the different profiles of necessity-driven entrepreneurs.





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**THECIS!**



# Discussion & Questions

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