



Global
Entrepreneurship
Monitor

**DRIVING WEALTH CREATION
& SOCIAL DEVELOPMENT
IN**

CANADA

2020



THECiS
The Centre for Innovation Studies



Agenda

- 9:00 Introduction: Peter Josty, Executive Director, THECIS
- 9:05 Presentation by Geoff Gregson. Key highlights from the GEM Canada 2020 Report
- 9:35 Panel discussion/ Q&A with members of GEM Canada team:
 - Geoff Gregson, report author, THECIS Fellow, Adjunct Professor, Faculty of Rehabilitation Medicine, University of Alberta
 - Chad Saunders, report co-author, Associate Professor, Haskayne School, University of Calgary
 - Amanda Williams, Assistant Professor, WEKH Alberta hub, Mount Royal University
 - Étienne St-Jean, Full professor, Institut de recherche sur les PME, Université du Québec à Trois-Rivières.
- 10:00 End



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.”

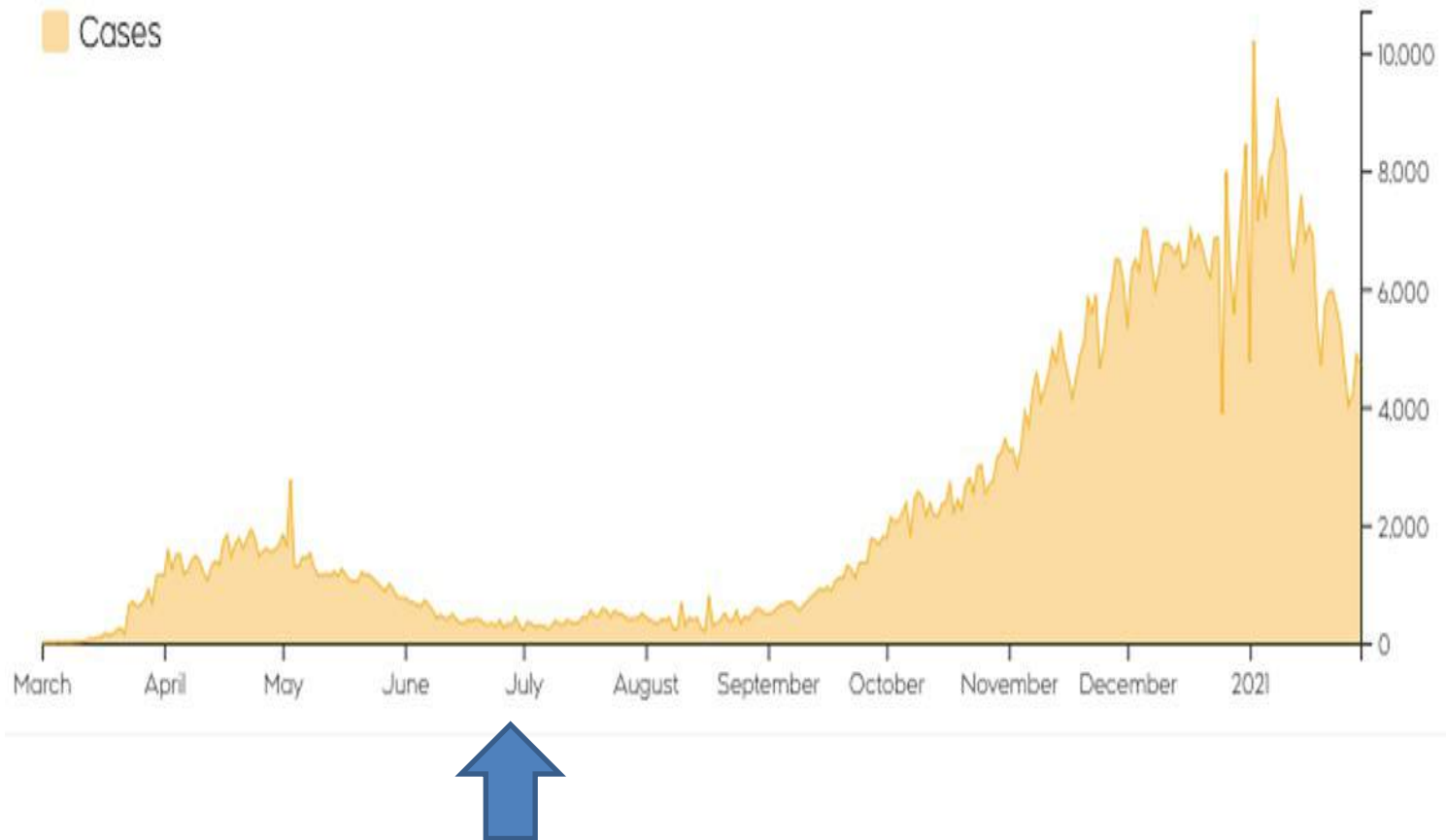
Total early-stage Entrepreneurial Activity (TEA) describes new business activity which is **less than 42 months old but more than 3 months**

Established business (EB) describes a business in existence for **over 42 months (3.5 years)**



The Report is based on data drawn from the GEM Adult Population Survey (APS), collected from June to mid-August 2020

COVID-19 Cases in Canada





Canadian context in 2020

The COVID-19 pandemic **dominated Canada's business landscape** in 2020. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic.

Canadian economy shrank by 5.4% in 2020 (worst year on record)

Economic impacts of pandemic were not felt equally across Canada.

AB: -8.2%; SK: -5.2%; MB: -4.8%; BC: -3.8%; QC: -5.3%;
ON: -5%; NB: -3.7%; YT: +1.1%; NU: +3.5%

Federal emergency response programs rolled out by April; on average, Canadian businesses were receiving \$83,000 in support by Sept. 2020.

Canada's unemployment rate rose to 10%



REPORT FINDINGS

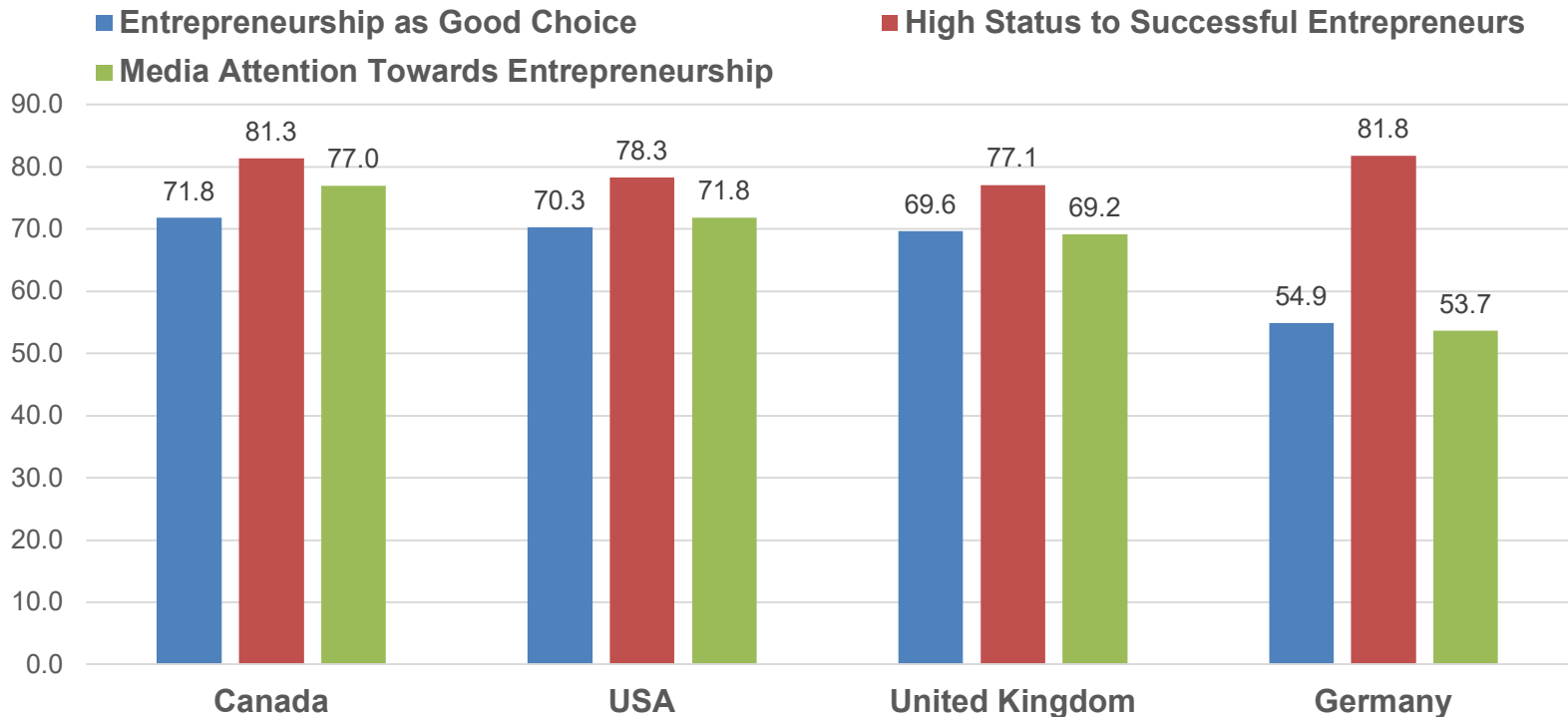


Entrepreneurship retains a high profile amongst Canadians in 2020

7 of 10 Canadians view entrepreneurship as a good career choice

8 of 10 Canadians believe successful entrepreneurs enjoy high status in Canada, similar to 2019

3 of 4 Canadians believe entrepreneurial success attracts high media attention in Canada, similar to 2019



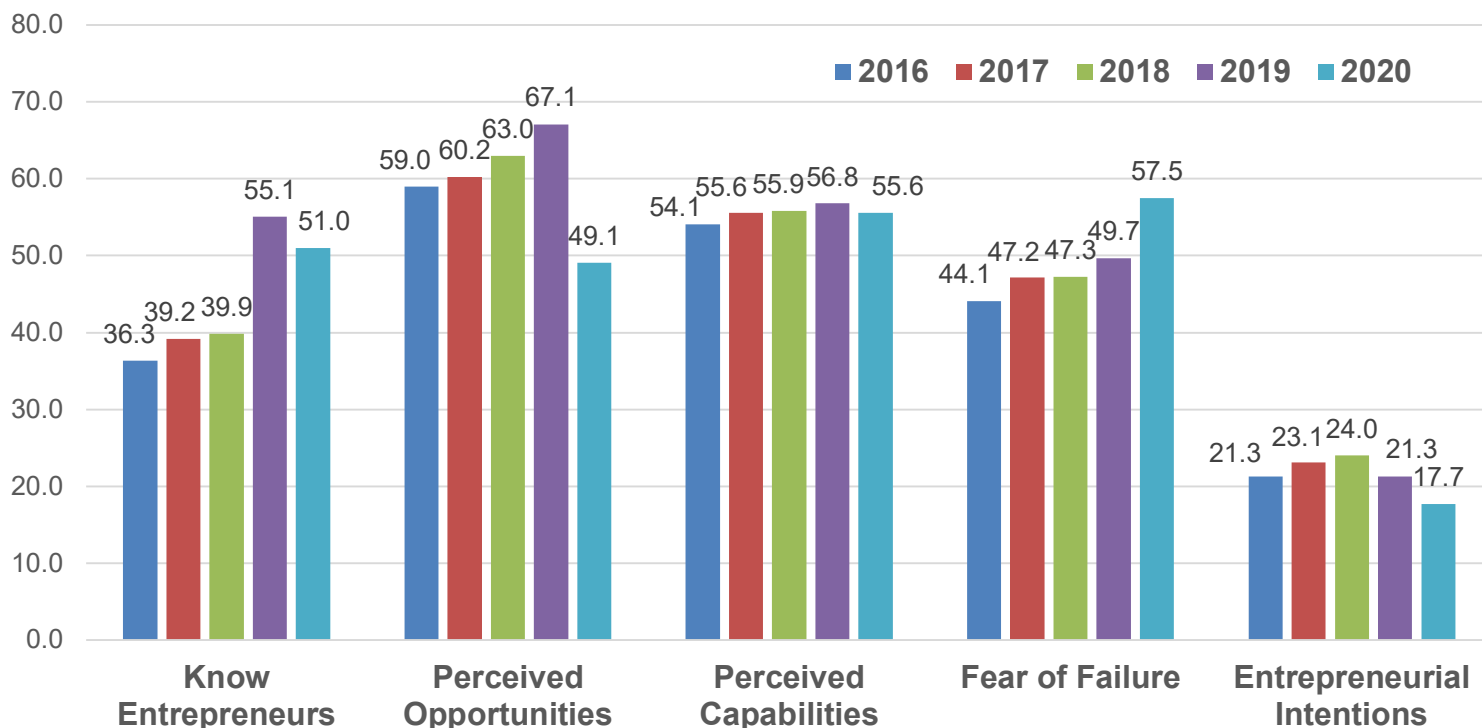
Perception towards Entrepreneurial Skills: Canada (2016-20)



'Perceived opportunities for entrepreneurship' decreased by 18% in 2020; less than 5 out of 10 Canadians see good opportunities to start a business, compared to 7 out of 10 in 2019

'Fear of failure' rate rose by 8% in 2020, and overall, by 13% since 2016

Narrowing gap between *'perceived opportunities'* & *'perceived capabilities'* in 2020 (which may indicate that, while people identify less opportunities, they perceive they have the capabilities to pursue them)

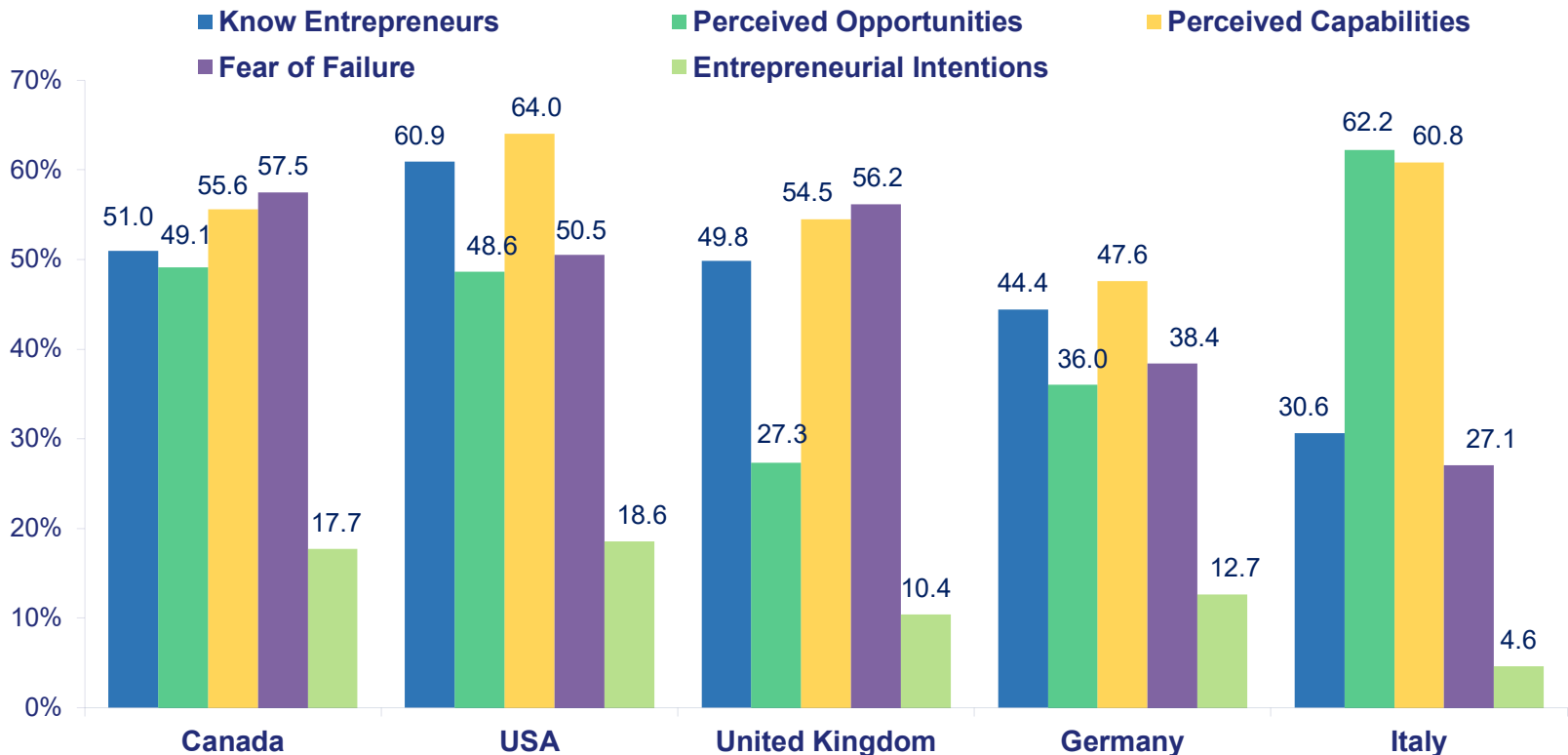




Perception towards Entrepreneurial Skills: G5 Comparisons

Canada's level of '*perceived capabilities*' decreased slightly in 2020 (behind USA & Italy)

Canada has the 2nd highest level of '*intention to start a business,*' (below USA) despite high '*fear of failure*' and low '*capability perception*' levels



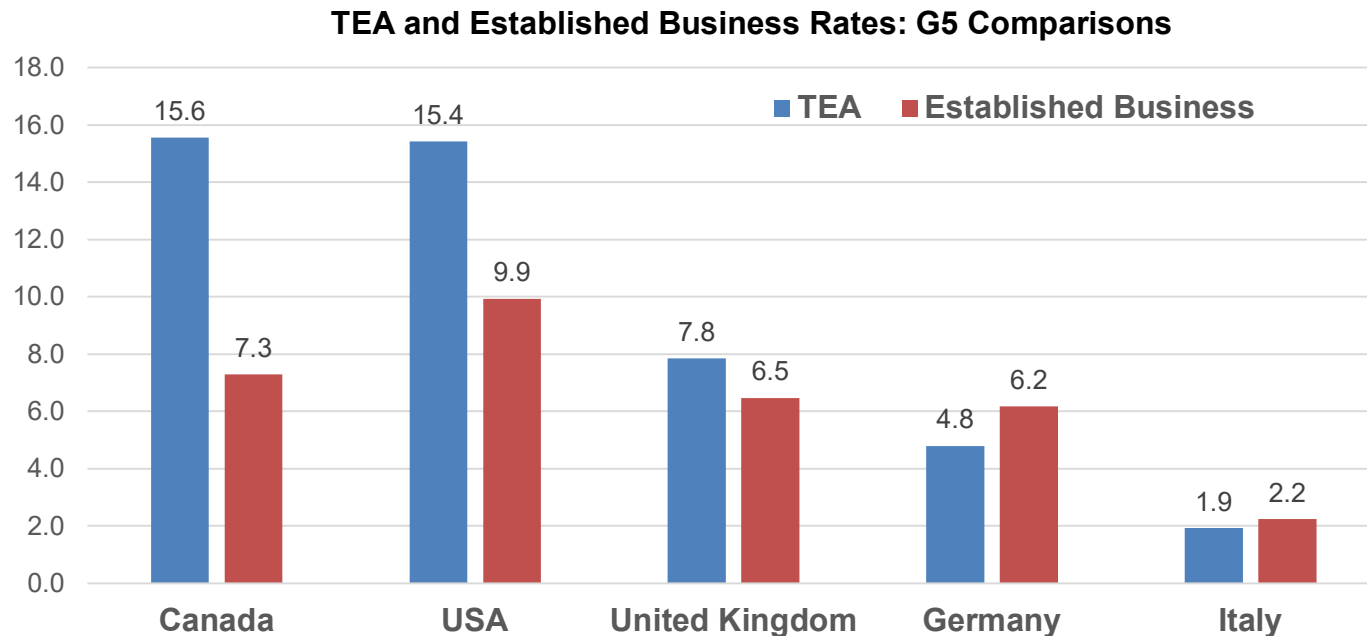


Entrepreneurial Activity & Motivations

Canada maintained its leading position amongst G5 economies for its total early-stage entrepreneurial activity (TEA) in 2020, but was middle-ranked for its established business activity (EB)

Canada's TEA level declined by 2.6% in 2020, dropping Canada from 9/50 economies in 2019 to 15/43 in 2020

Canada: only G5 economy with an **EB rate less than half its TEA rate**

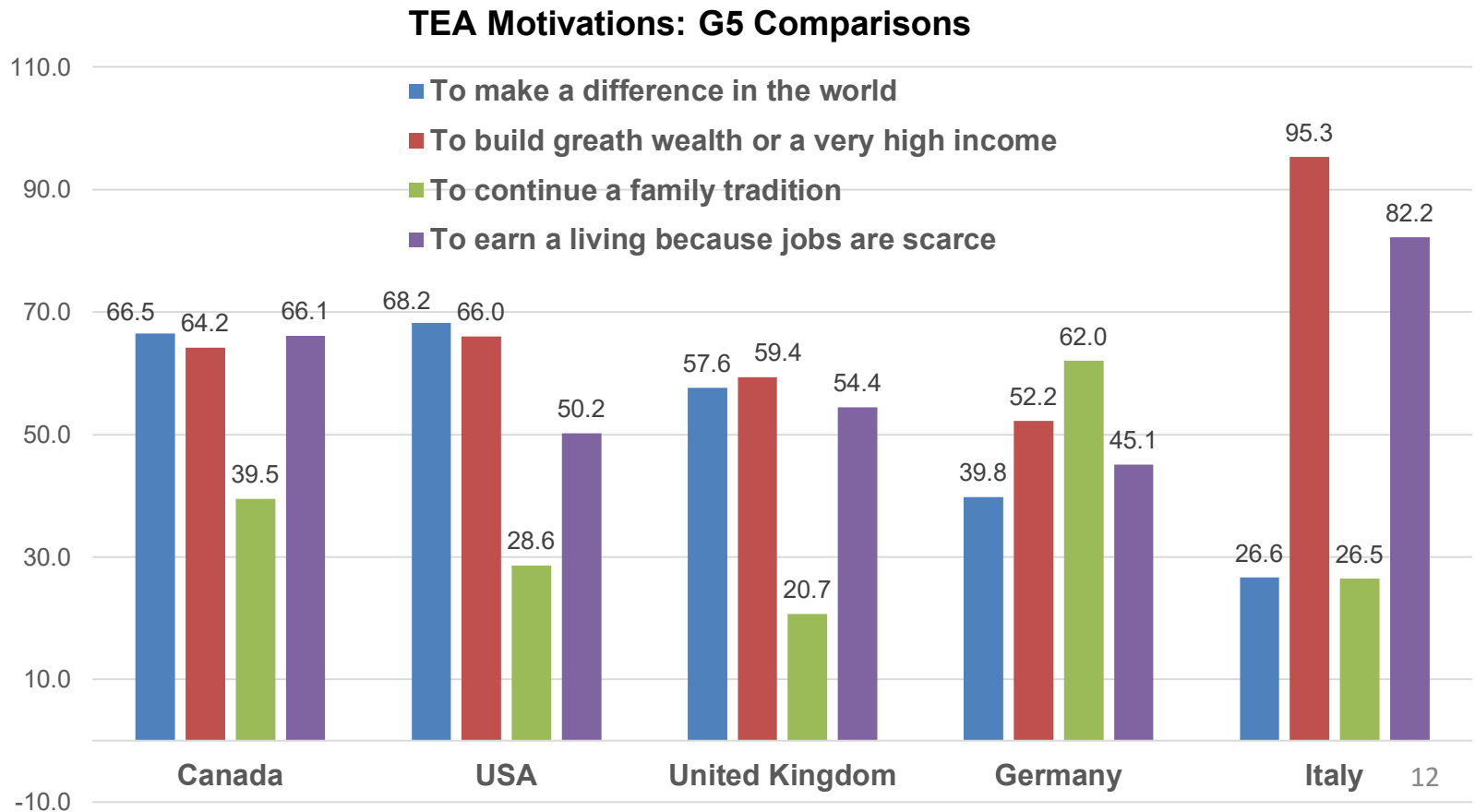




Leading motivation for Canadian entrepreneurs in 2020 is *'to make a difference in the world'* (suggesting 2/3 Canadian entrepreneurs are motivated to build purpose-driven businesses)

Motivation *'to earn a living because jobs are scarce'* 16% higher than USA

Overall, motives in 2020 are similar to 2019

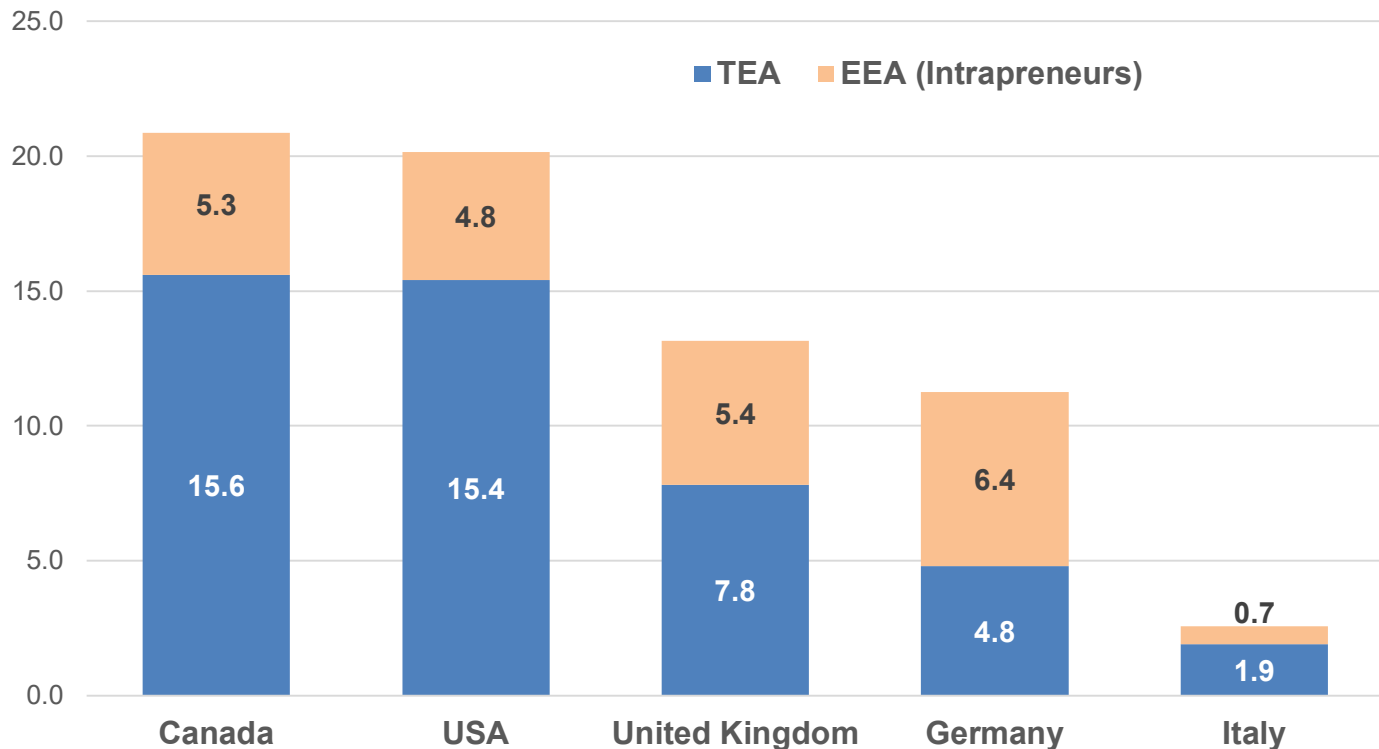




Canada's entrepreneurial employee activity (EEA) level in 2020 is almost identical to 2019 (5.4% in 2019)

EEA levels for USA and UK decreased. Germany was only G5 economy that saw increases in both its TEA and EEA rates

What might the GEM 2021 data reveal?





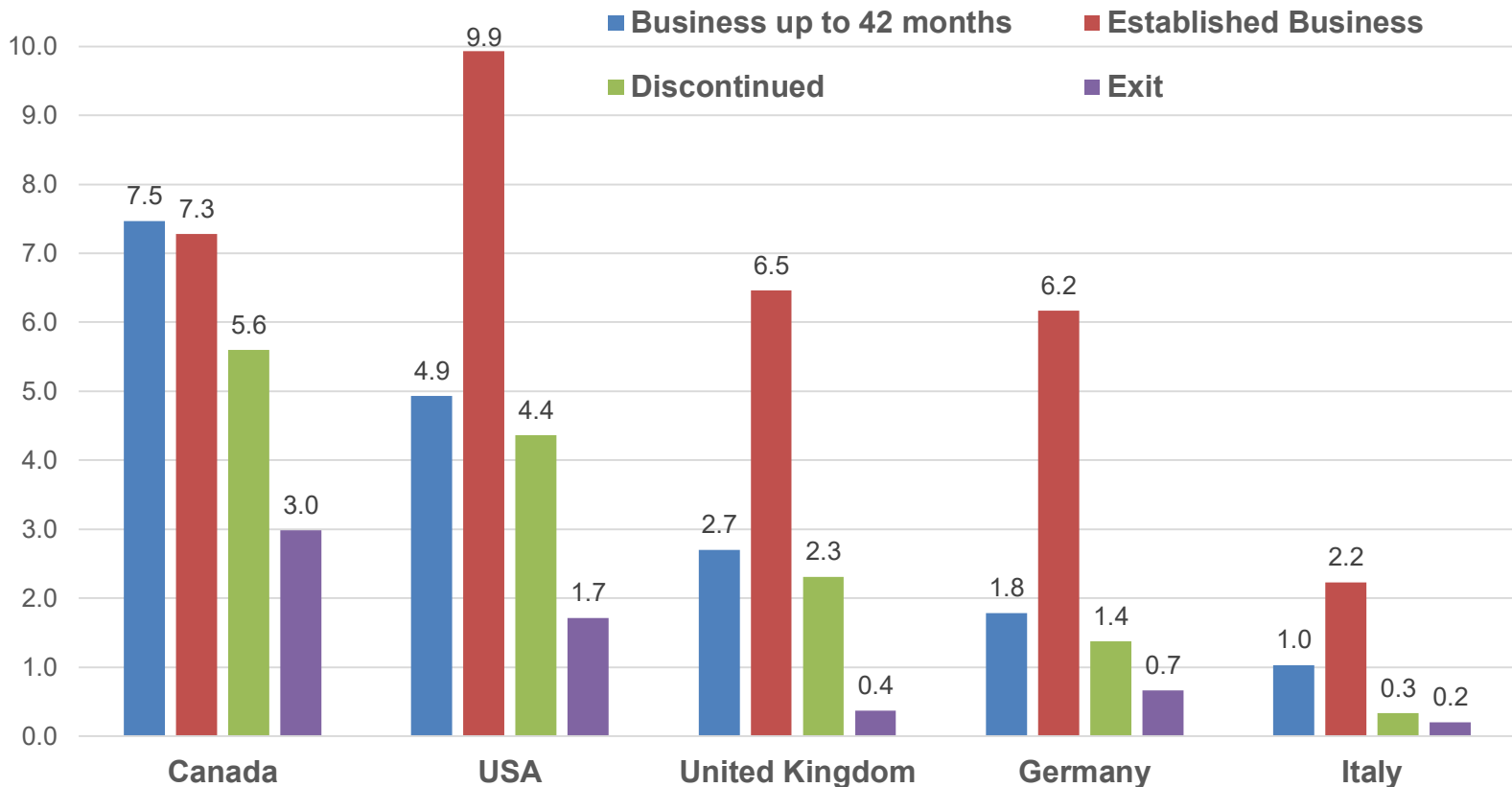
Business Discontinuance

- The GEM Adult Population Survey (APS) asks whether the individual has, within the past 12 months, **sold, shut down or quit a business** they owned and managed.
- Subsequent APS questions asks those individuals who reported exiting a business **whether that business continued after they left, or not**
- Many reasons why entrepreneurs may discontinue a business:
 - lack of profitability
 - inability to raise sufficient capital
 - unforeseen or adverse market conditions
 - founders may retire, voluntarily sell or exit to pursue something else



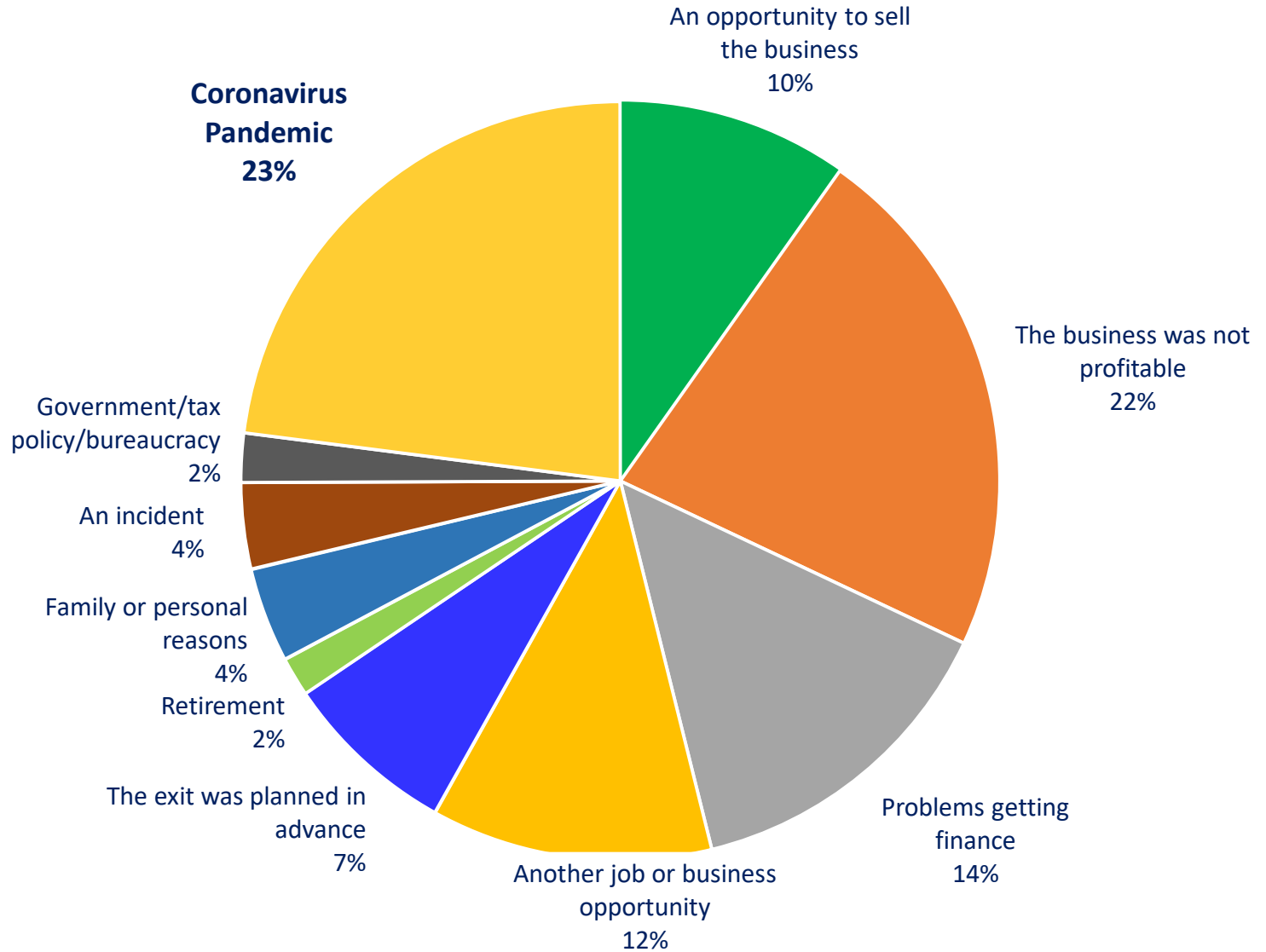
Canada had the **highest rate of business discontinuance and of exits** amongst G5 countries in 2020; a factor contributing to Canada's low EB rate

However, Canada had a **lower rate of business continuation as a proportion of exits** in 2020 compared to 2019, with less than half of those exiting a business reporting that the business continued





Discontinuance Factors for Canadian Entrepreneurs in 2020





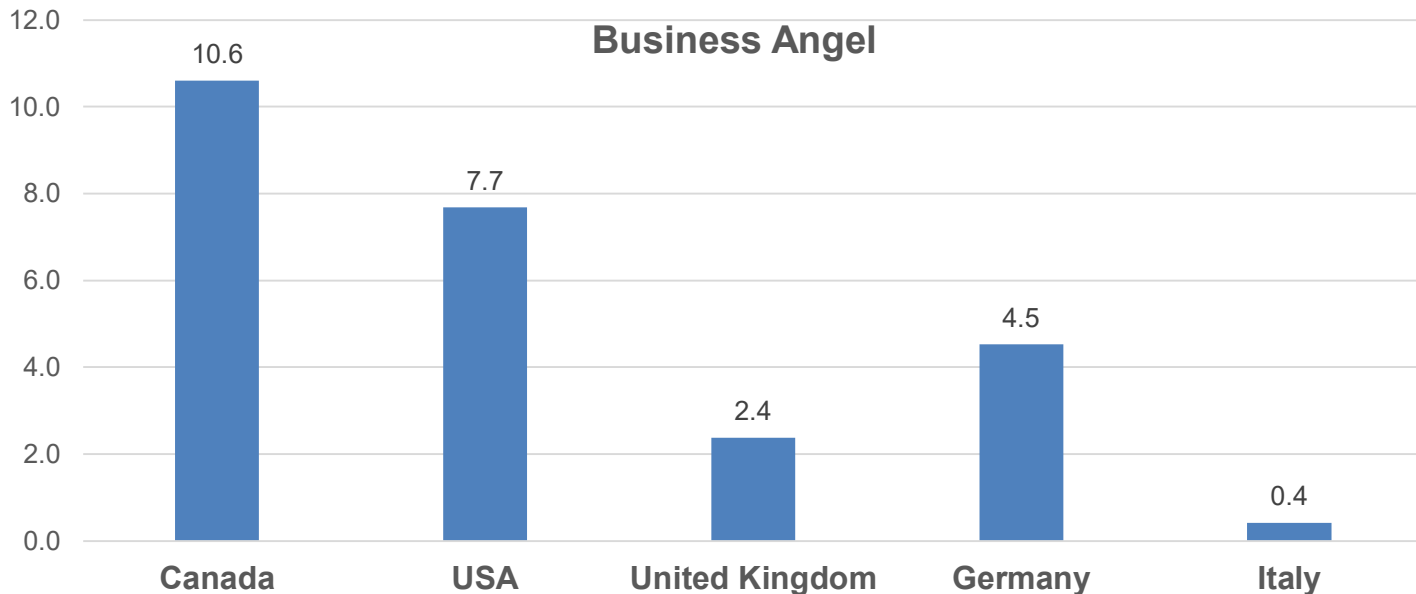
- The lower rate of business continuation may be related to a higher percentage of Canadians in 2020 citing **‘non-voluntary’ factors for business discontinuance** (69% vs. 57%)
- **Coronavirus pandemic** is identified as the most common reason, followed by lack of profitability & problems accessing finance
- Noticeable changes in two ‘voluntary’ discontinuance factors occurred in 2020:
 - ‘the exit was planned in advance’ increased by 3%
 - ‘an opportunity to sell the business’ decreased by 8%
- Pandemic-related market conditions may have increased the difficulty in selling a business
- Including ‘the pandemic’ as an option in 2020 may have drawn in responses previously captured in discontinuance questions (‘lacking profitability’, ‘problems accessing financing,’ which decreased by 2% and 5% respectively, and ‘family or personal reasons,’ which decreased by 8% from 2019 levels



Canada ranks 1st amongst G5 countries in identifying **Business Angels as an important source of funds** for new businesses, and 2nd in levels of informal investment

Business Angel activity fell slightly in 2020

NACO: 39% increase in # of angel investments in 2020, but total amount invested was lower than in 2019. Also a significant decline in the size of investments in 2020 compared to 2019 and 2018

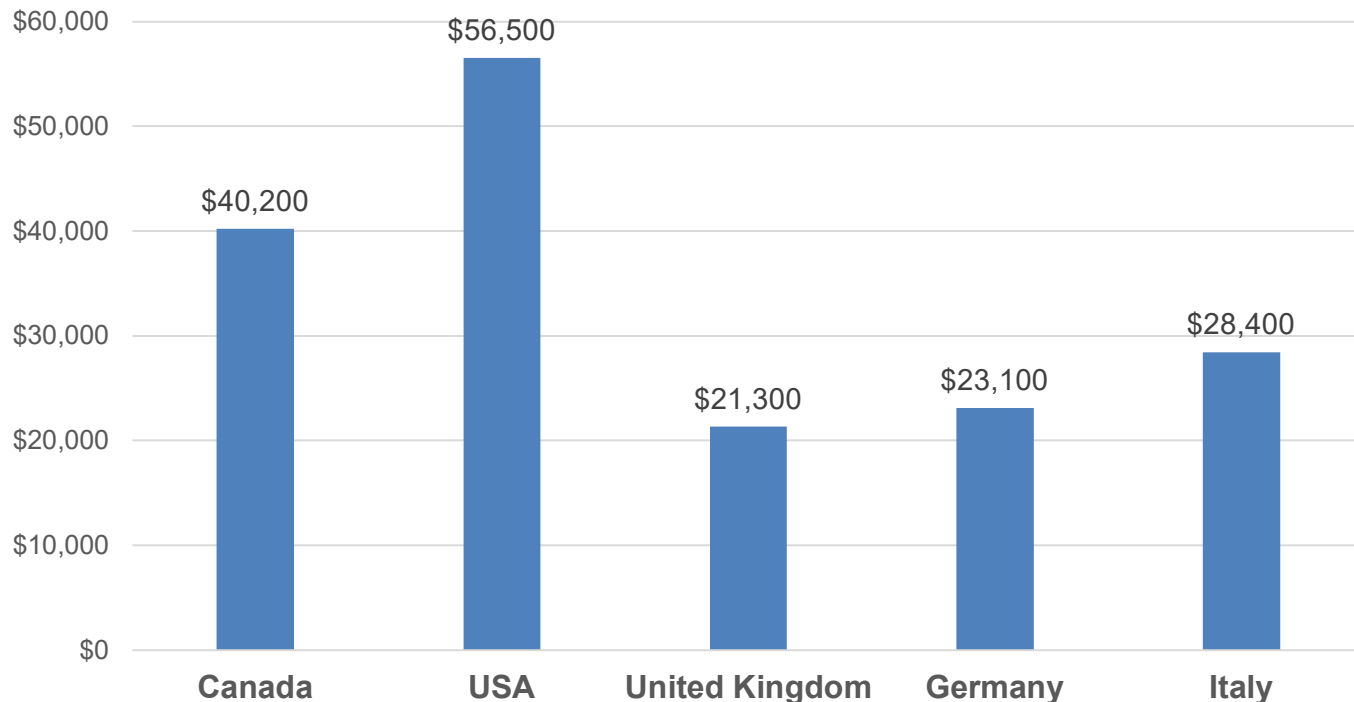




Average level of informal investment to Canadian entrepreneurs increased in 2020

Possible explanations: tight financial constraints by financial intermediaries & banks which limited lending & business funding options

Economic stimulus package introduced after mid-March, which may have increased informal investor confidence





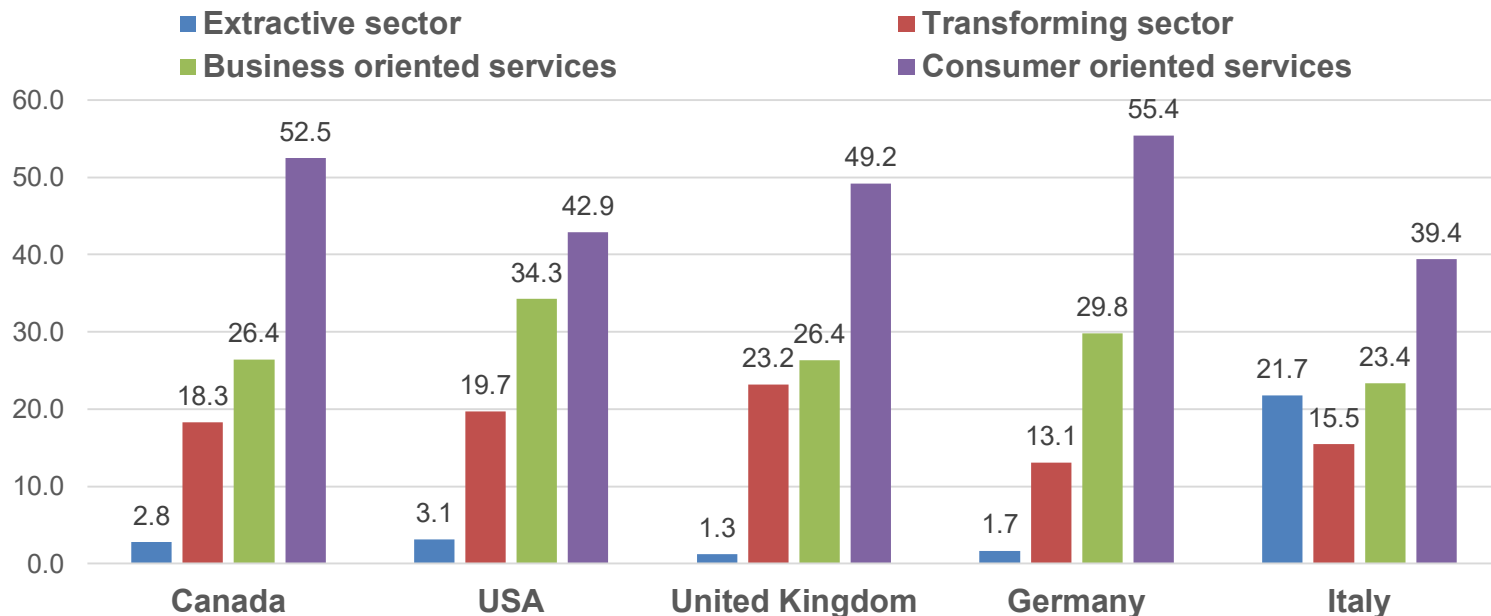
Entrepreneurship in the Canadian Economy

Generally positive results for entrepreneurial activity in industry sectors

TEA levels increased in business-oriented services & transformative sector; entrepreneurs seeking more opportunities in value-adding sectors?

Extractive sector decrease by 3.3% in 2020; negative effects of pandemic on entrepreneurial activity in energy sector as global economy slowed

Distribution by sector (TEA): G5 Comparisons



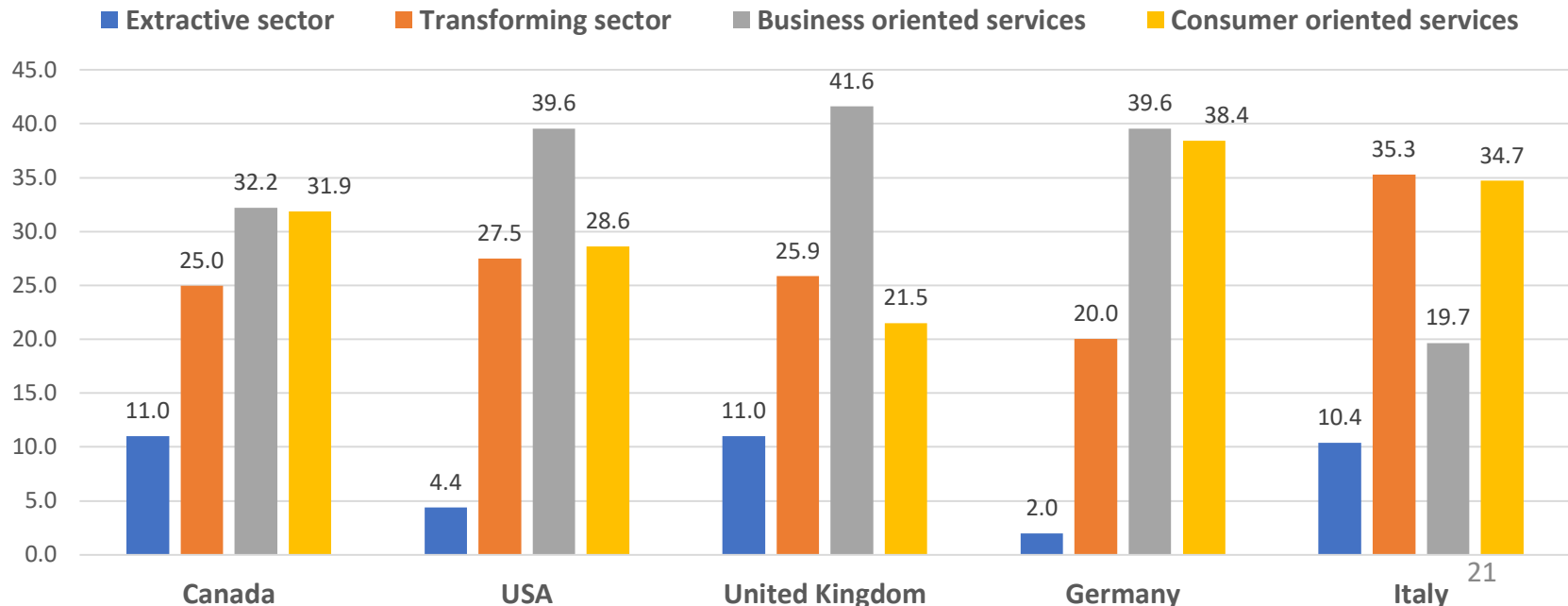


Canada's EB level changed little in 2020 from 2019, with slight decreases in extractive & transformative sectors; no change in consumer services

Canada's extractive sector level is over twice the USA level; highlighting the importance of established business activity in this sector

Consumer oriented services identified as being the hardest hit by the pandemic, particularly retailing, personal services & hospitality

Distribution by sector (EB): G5 Comparisons





Job Creation

Canadian entrepreneurs and established businesses have **lower expectations of high growth in 2020** compared to 2019

Growth aspirations amongst Canadian entrepreneurs expecting more than 19 jobs in 5 years decreased only slightly in 2020 (some optimism for future growth prospects?)

Five Year 'Medium' Growth Aspirations: Canada, 2019 vs 2020

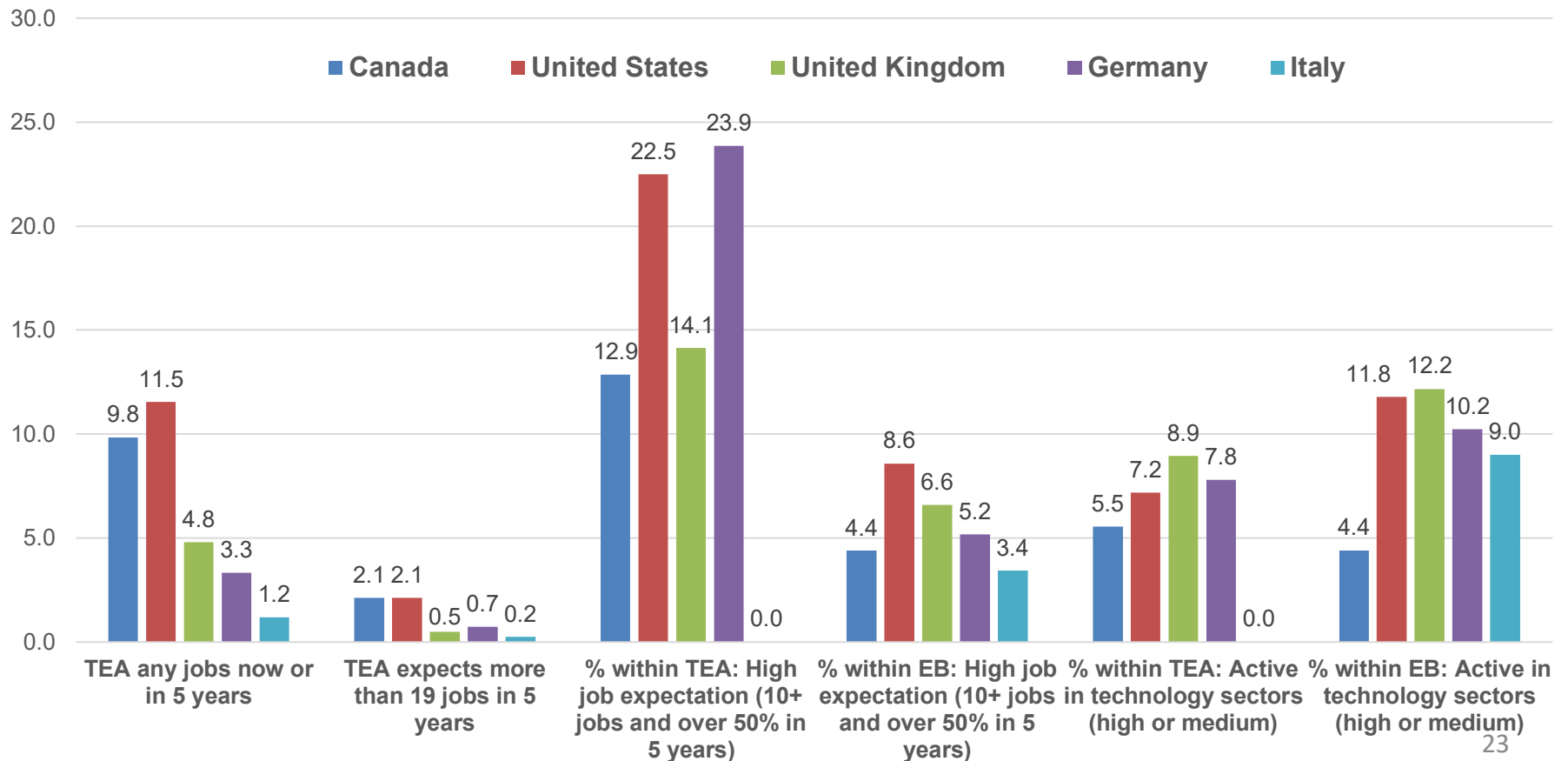
	TEA any jobs now or in 5 years	TEA expects more than 19 jobs in 5 years	% within TEA: High job expectation (10+ jobs & over 50% in 5 years)	% within EB: High job expectation (10+ jobs & over 50% in 5 years)	% within TEA: Active in technology sectors (high or medium)	% within EB: Active in technology sectors (high or medium)
2019	12.2	3.0	18.2	8.8	4.6	5.9
2020	9.8	2.1	12.9	4.4	5.5	4.4
difference	-2.4%	-0.9%	-5.3%	-4.4%	+0.9%	-1.5%



Canada's TEA and EB medium growth expectations below the USA, UK and Germany, with Canada's TEA and EB 'medium to high technology sector' activity the lowest amongst the G5 economies

Factors influencing Canada's lower comparative growth aspirations?

Five Year 'Medium' Growth Aspirations: G5 Comparisons

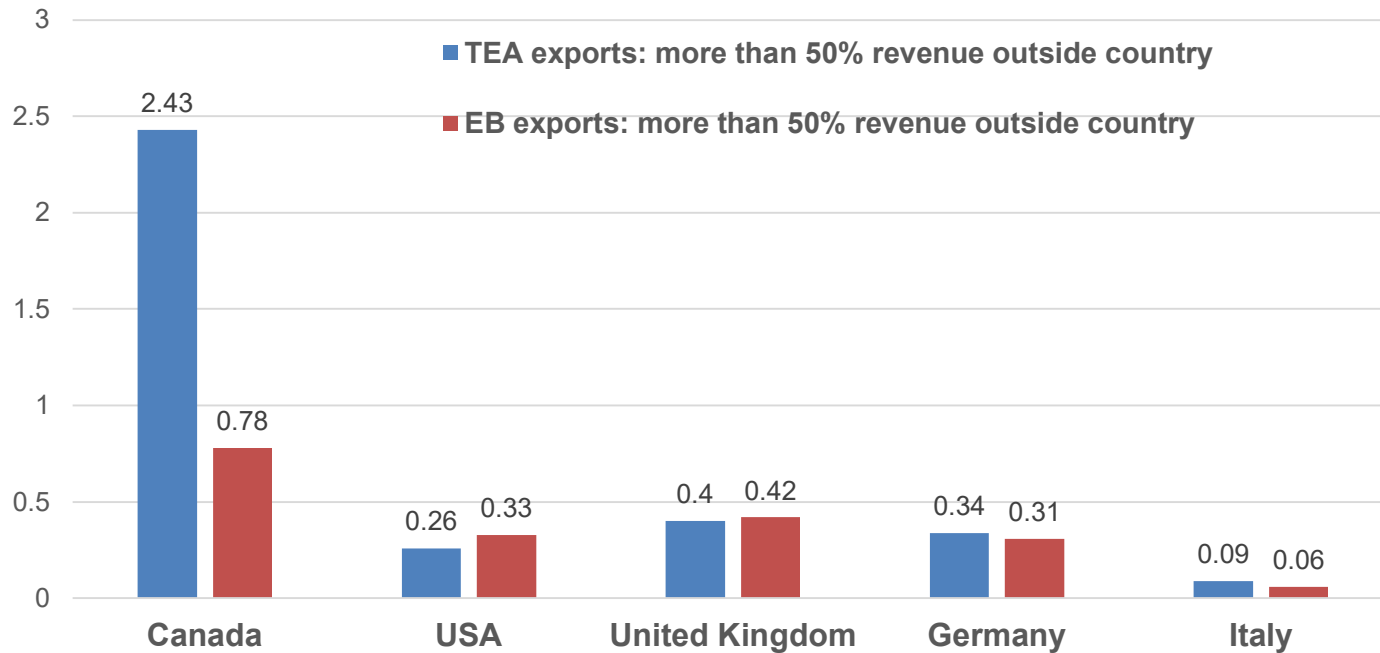




Export Orientation

GEM defines Canada as a **strongly 'export-oriented' economy**

Canada's TEA level rose 0.9% in 2020, while its EB level rose 3.2%, although Canada still shows the lowest TEA level amongst the G5 economies in the extractive sector



Canada ranked 1st in 2020 on expectations of export sales that will generate 25% or more of revenues



The **extractive sector** dominates ‘high export’ orientation for Canada and the other G5 countries in 2020

Canada has the lowest TEA level, which may reflect unfavorable energy market conditions further exacerbated by the pandemic

Canada leads other G5 economies in high export orientation in **business-oriented services** and **consumer-oriented services** (both TEA and EB).

Canada has the highest level of **national scope (for customers and product/process)**, ranking it 6th of 43 countries in 2020/21

Canada has the highest level of international scope and was the only G5 country that saw both levels rise in 2020 from 2019



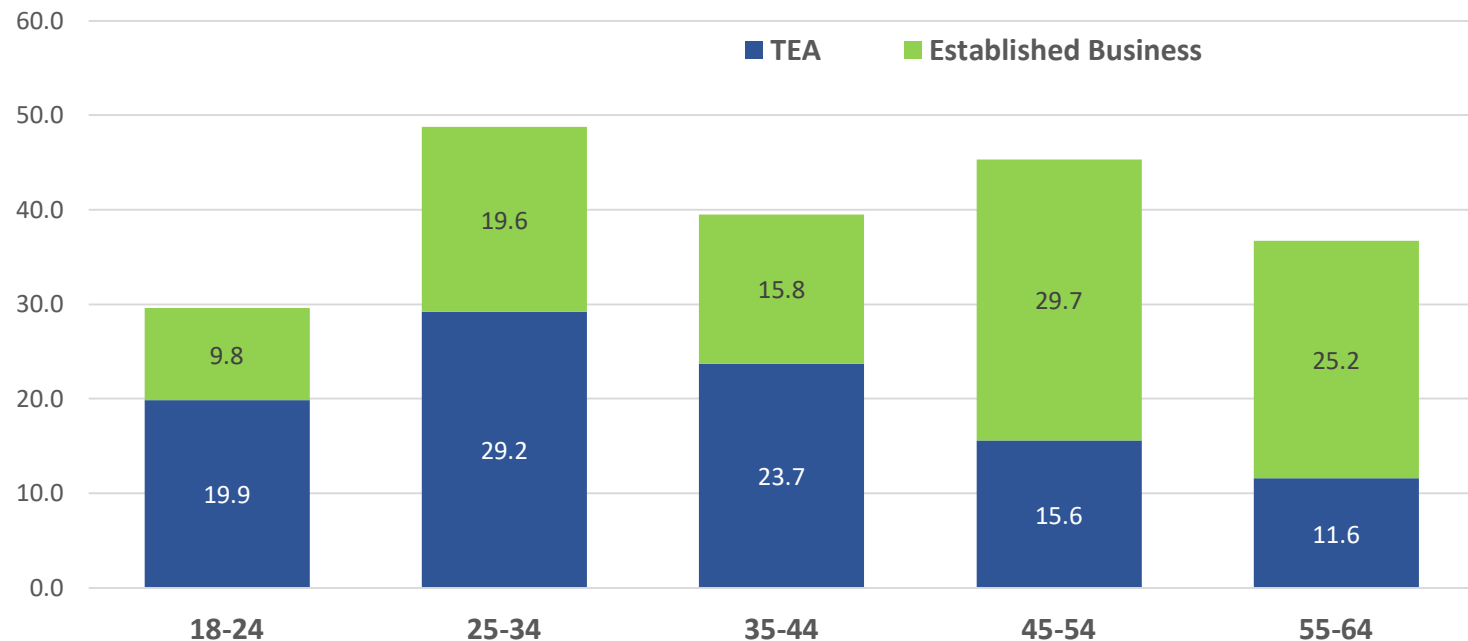
Demographics

Canadians in **25-34 age group most likely to start a business**, followed by 35-44 age group

Canada's level of TEA first increases with age and then declines; a pattern consistent in most high-income economies in the GEM study

Canada's TEA level in 25-34 age group decreased in 2020 while increasing in the 35-44 and 55-64 age groups, suggesting a shift to an older cohort

Share Total of TEA and EB Rates for Canadian Entrepreneurs by Age





Canada's established businesses continue to rely on an older cohort of business owners, with over half of EB activity identified in the 45-64 age range

The 55-64 age group shows the most significant positive changes in 2020, with a rise in both TEA and EB levels

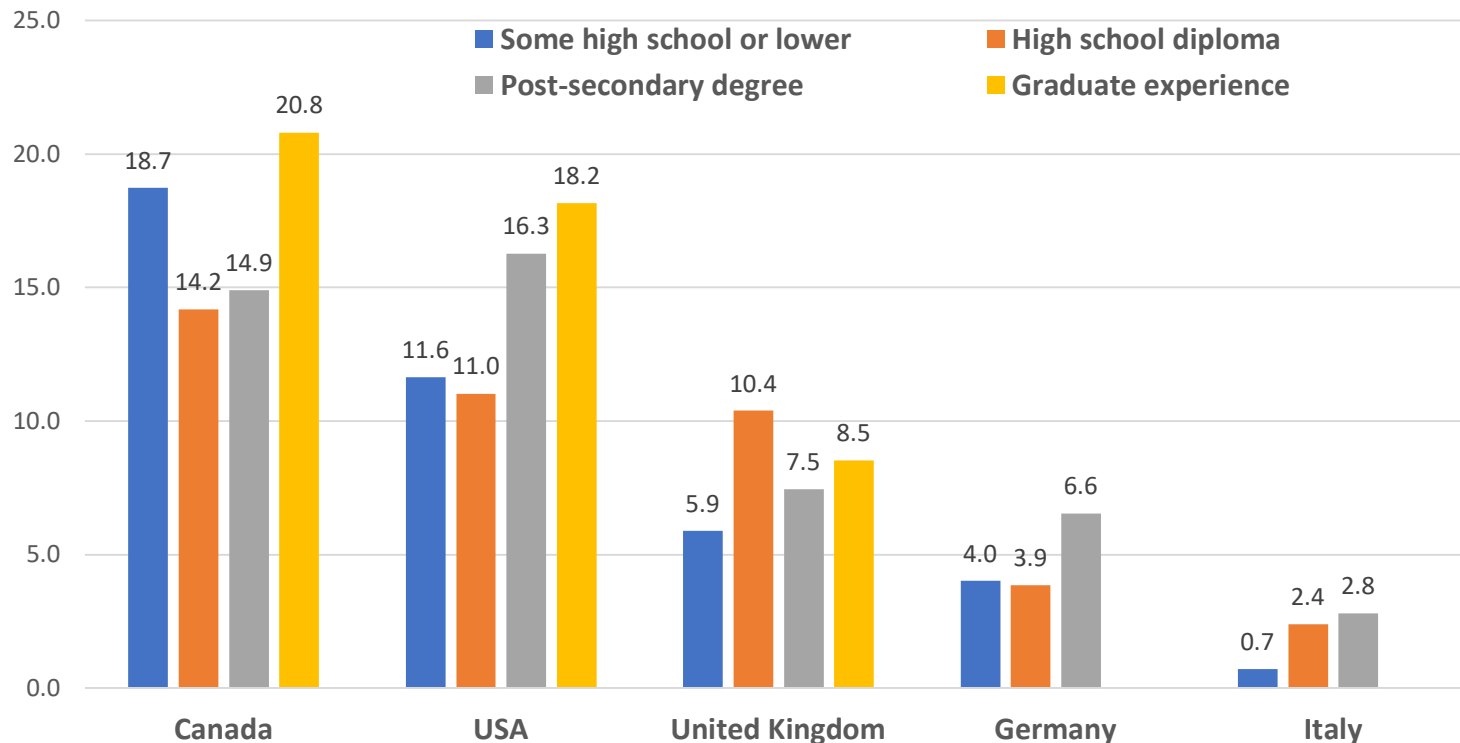
A combination of factors, including access to capital and the pandemic, **may be limiting TEA transformation into established businesses amongst younger entrepreneurs**, who may also be over-represented in Canada's lower rate of business continuation in 2020



Canada's entrepreneurs possessing the **highest educational rates** across 3 of 4 educational levels (USA slightly ahead on post-secondary degree experience, similar to 2019)

Decrease of 7% in 2020 in lowest education level (e.g. some high school or lower). Evidence of difficulty in starting a new business during pandemic without a higher level of education?

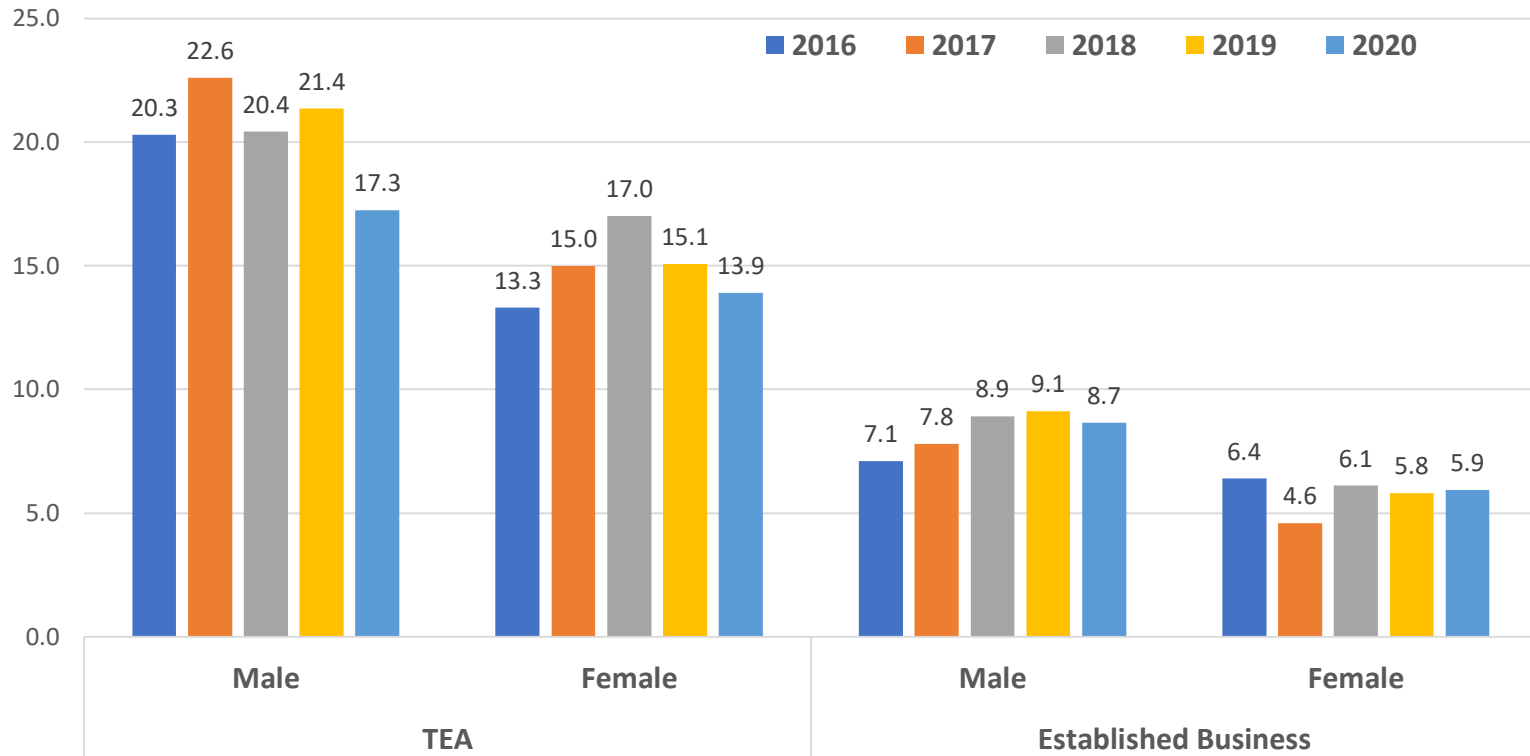
TEA Educational levels: G5 Comparisons





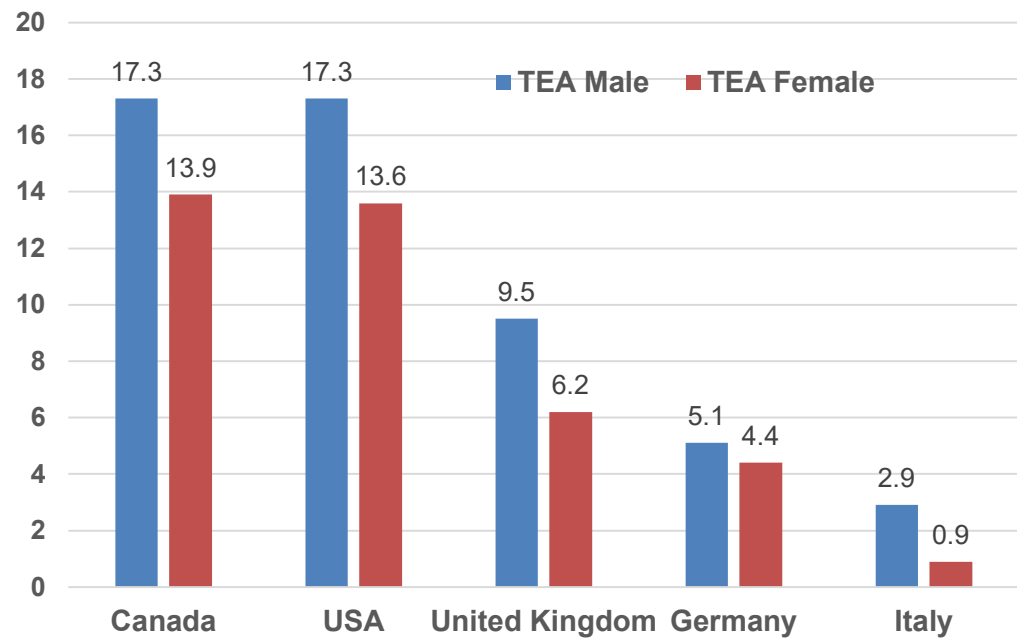
Gender gap for both TEA and EB has reduced in 2020, with the TEA rate for men decreasing to its lowest level in 5 years, compared to a slight decrease for female TEA

TEA and EB Rates by Gender: Canada (2016-20)

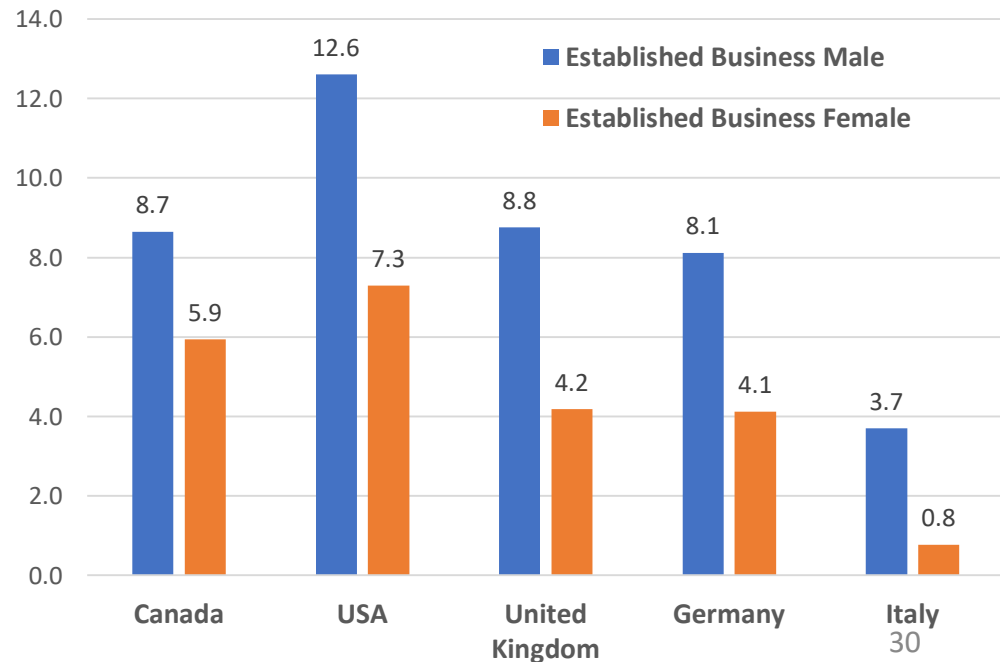




Canada's TEA rate for men is similar to the USA rate, while Canada's female TEA level is now higher than the USA rate



Canada's male EB rate is significantly lower than the USA rate, while Canada's female EB rate has closed the gap with the USA in 2020

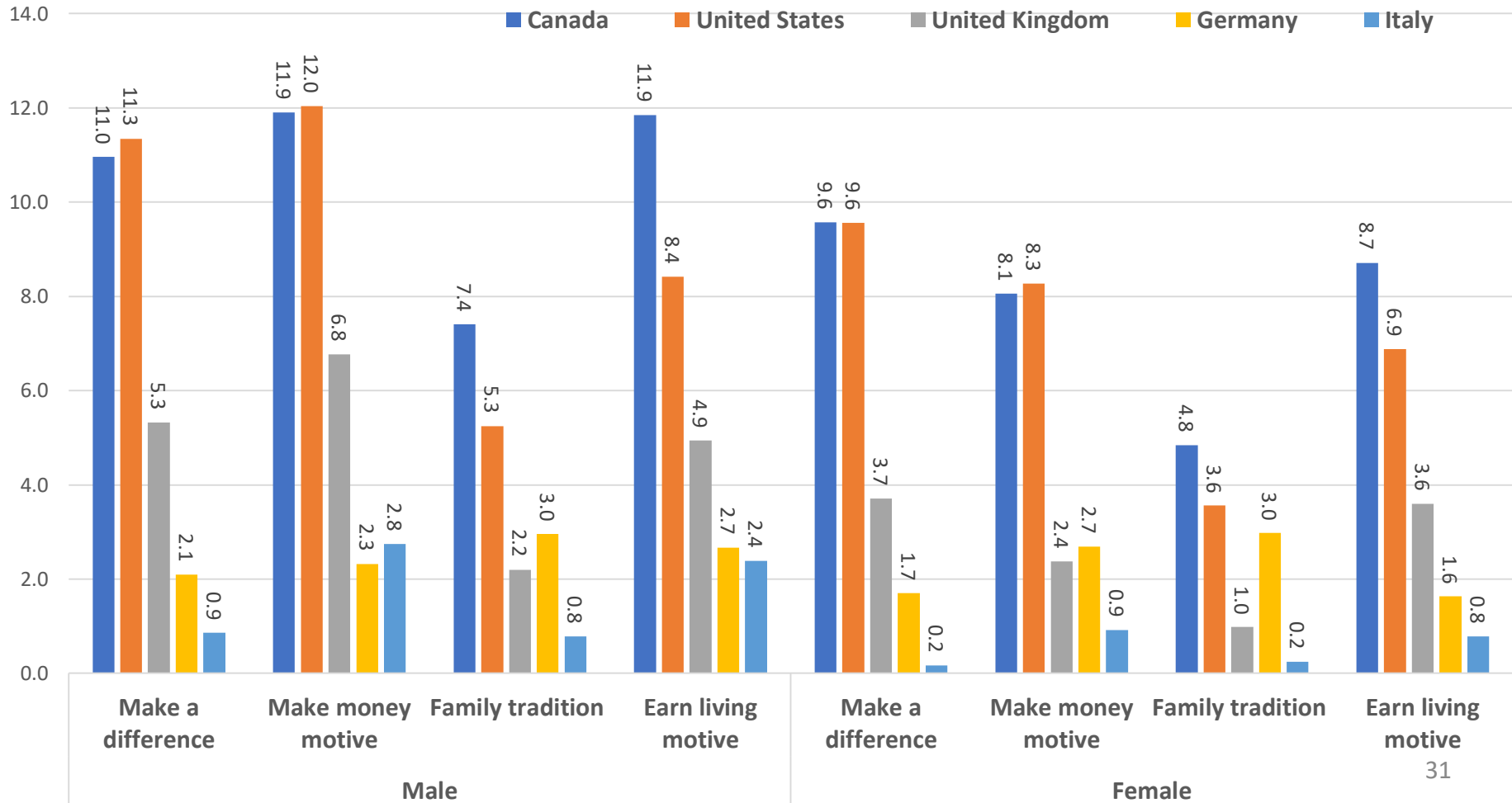




Leading motivation for Canadian male and female entrepreneurs in 2020 is to **'make a difference'**, similar to 2019

Canadian men & women have the highest levels of **'to earn a living'** motive amongst G5 economies, as well as **'to carry on a family tradition'**

TEA Motivations by Gender: G5 Comparisons





Concluding comments

Overall, the Report finds generally favorable results on the state of Canadian entrepreneurship in 2020

Rates of early-stage entrepreneurial activity in 2020 have not changed significantly compared to 2019; partly due to timing of 2020 GEM data collection, which may not capture the full impacts of the pandemic as reflected in the data

The GEM Global Report 2020/21 states:

“Given the strong state of entrepreneurship in Canada in 2019, the modest declines of 2020 suggest the possibility of a robust recovery, particularly given the relatively high confidence of early and established entrepreneurs to seek new opportunities as a result of the pandemic.”



Recommendations

Provide more policy attention to supporting purpose-driven business ambitions of Canadian entrepreneurs

The leading motivation for Canadian male and female entrepreneurs is 'to make a difference in the world'

Provide more policy attention to entrepreneurs seeking growth through export

Canada is a strongly 'export-oriented' economy, but needs to harness its export expertise to support Canadian intending to start a business & who are seeking more opportunities in value-adding sectors



Provide more policy attention to raising awareness & supporting 'transgenerational' entrepreneurship & business ownership

Canada's shift to an older cohort engaged in TEA - and EB reliance on older business owners - identifies the critical role played by experienced entrepreneurs. Younger entrepreneurs have high growth ambitions but are challenged in transitioning to established businesses

Prioritize post-pandemic ambitions of Canadian entrepreneurs

Entrepreneurs are responding to significant shifts in business & consumer behaviors resulting from the pandemic. Many of these shifts are likely here to stay

Canada needs to prioritize promising businesses responding to these shifts that are worthwhile investments for government & private sector support



Panel Discussion

- Peter Josty
(Executive Director, THECIS)
p.josty@thecis.ca
- Dr. Chad Saunders
saunderw@ucalgary.ca
- Dr. Geoff Gregson
geoffreyggregson@gmail.com

