



Study

October 2019

A Nation of Entrepreneurs

*The Changing Face of
Canadian Entrepreneurship*

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Introduction

A nation of entrepreneurs

There are more than 1.1 million small and mid-sized businesses (SME) in Canada.¹ Together, they account for 90% of all private-sector jobs,² employ 10.7 million Canadians³ and contribute roughly \$1 trillion to Canada's gross domestic product.⁴ In other words, small and mid-sized businesses are hugely important for economic growth and employment; they are the **backbone of our economy**.

What's more, Canada is one of the most entrepreneurial nations in the world. Canada tops many international rankings in terms of entrepreneurship,⁵ and our history is full of great men and women who built globally competitive businesses.⁶ In addition, Canada's economy relies more heavily on small and mid-sized businesses than the economy of the United States does.⁷

However, despite its importance to the economy, entrepreneurship remains a difficult, stressful career. One-third of all new businesses fail within five years, and only one in two companies are still open after 10 years. That may explain why entrepreneurship has attracted fewer and fewer Canadians over the past 20 years. However, recent trends are suggesting a renewed interest in the field from a new generation of Canadian business owners.

At the heart of this new wave of Canadian entrepreneurs, we find passionate, dedicated and hardworking individuals who have risked everything to build their businesses. Given the importance of entrepreneurs to the economy and the risks they take, we wanted to take a closer look at **the people behind the businesses**: Who are Canada's entrepreneurs? What challenges do they face? And what skills do they have that allow them to succeed?

As part of BDC's 75th anniversary celebrations, this study answers these questions. The results are based on two national surveys—one of Canadians as a whole and one of entrepreneurs—and official statistics on entrepreneurship, including an update of the **BDC Index of New Entrepreneurial Activity**.

We hope you'll find the results interesting and useful.

Highlights

The findings of this study are based on two BDC surveys: a survey of 1,025 Canadian entrepreneurs about the skills driving their success and a survey of 1,006 Canadians about their perceptions of entrepreneurship. The study also draws on the most recent BDC Index of New Entrepreneurial Activity.

Here are the highlights of our findings.

→ Canada is undergoing an entrepreneurial resurgence

- In 2018, about 44,700 Canadians started a business, the highest number in a decade. This points to a resurgence in new entrepreneurial activity, which has increased in three of the last four years.
- The increase in new entrepreneurial activity is changing the face of entrepreneurship in Canada. Younger Canadians are jumping into entrepreneurship in large numbers, while baby boomers are choosing entrepreneurship late in their careers. At the same time, more newcomers, women and highly educated Canadians are turning to entrepreneurship.
- Today, we estimate that roughly 28% of all entrepreneurs are women, while 40 years ago it was 11%. There were 241,000 women entrepreneurs in Canada in 2018, up from 49,000 in 1976. If the current trend continues, the numbers of new female and male entrepreneurs should reach parity by 2030.

→ Improved technical and managerial skills lead to better outcomes for entrepreneurs

- Entrepreneurship is challenging. A third of all new businesses fail within five years. After 10 years, fewer than one in two ventures are still open for business.
- Three-quarters of entrepreneurs say they have to deal with financial insecurity, overwhelming amounts of stress and a lack of benefits, compared to people in corporate jobs. Unfortunately, the high level of stress puts entrepreneurs at risk of developing mental-health issues.
- Despite these hurdles, 90% of entrepreneurs are professionally satisfied.
- Managerial and technical skills can help entrepreneurs overcome many of the challenges they face. We found that business owners with higher skill levels have higher sales, profit and employment growth than other entrepreneurs in their sector of activity.
- A one-point increase in managerial skills raises the probability that an entrepreneur will be a high performer by 3.1%, while a one-point increase in their technical skills increases this probability by 2.9%.
- Similarly, a one-point increase in managerial skills boosts the probability that an entrepreneur will report being highly satisfied by 10.7%.
- Since managerial and technical skills can be acquired through training, entrepreneurs looking to grow their businesses or increase their professional satisfaction might be interested in pursuing business coaching.

1

A resurgence in entrepreneurship

One out of 430 Canadians started a business in 2018

In 2018, Canadians launched the most new businesses in a decade, continuing a multi-year rebound in entrepreneurial dynamism after two decades of stagnation.

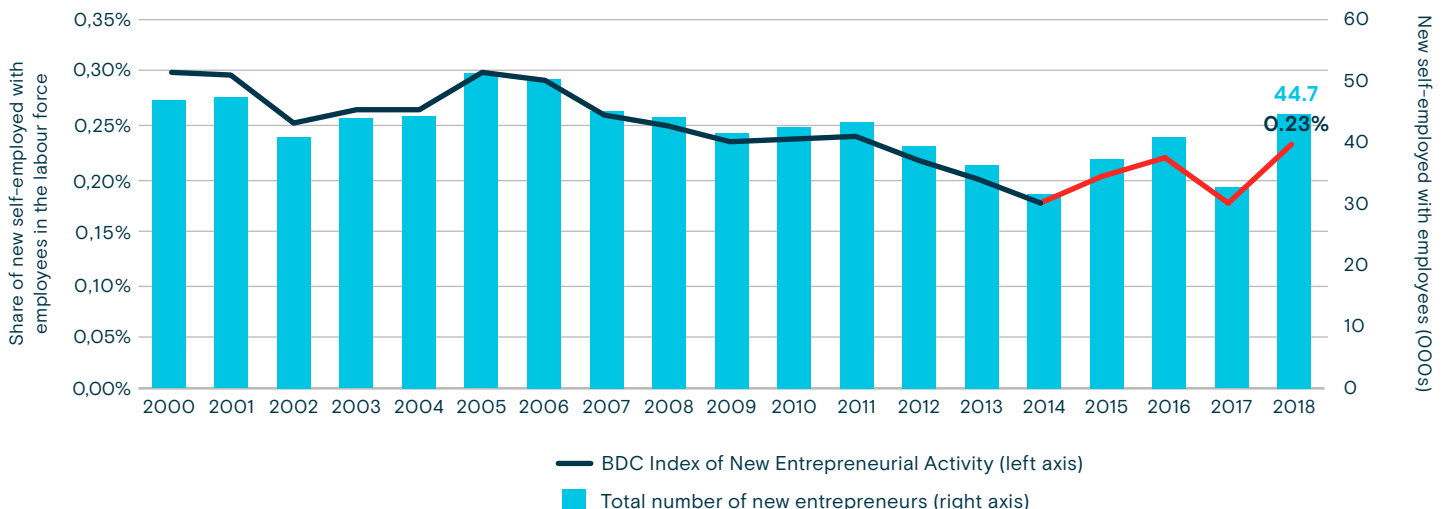
While fewer and fewer Canadians have chosen entrepreneurship over the last 20 years, the tide now appears to be turning. This is the main signal that arises from the updated **BDC Index of New Entrepreneurial Activity**. The index measures how many Canadians become independent workers and hire employees every year, as a proportion of the overall labour force.^{8,9}

Figure 1 shows that fewer Canadians started businesses between 2000 and 2014. The index declined steadily during this period and reached a 20-year low in 2014. Entrepreneurial activity has subsequently recovered, with the index increasing in three of the last four years.

New entrepreneurial activity, measured by the share of new self-employed Canadians with employees in the labour force, reached 0.23% in 2018, the highest rate since 2011. This means that one in 430 Canadians started a business last year.

Figure 1 – Entrepreneurial dynamism is rebounding

New Canadian entrepreneurs per year, 2000 to 2018



Sources: Statistics Canada, Labour Force Survey, 2000 to 2018; BDC calculations.

Canada's aging population, rising wages and the changing structure of the economy may explain the decline

Why was entrepreneurship declining?

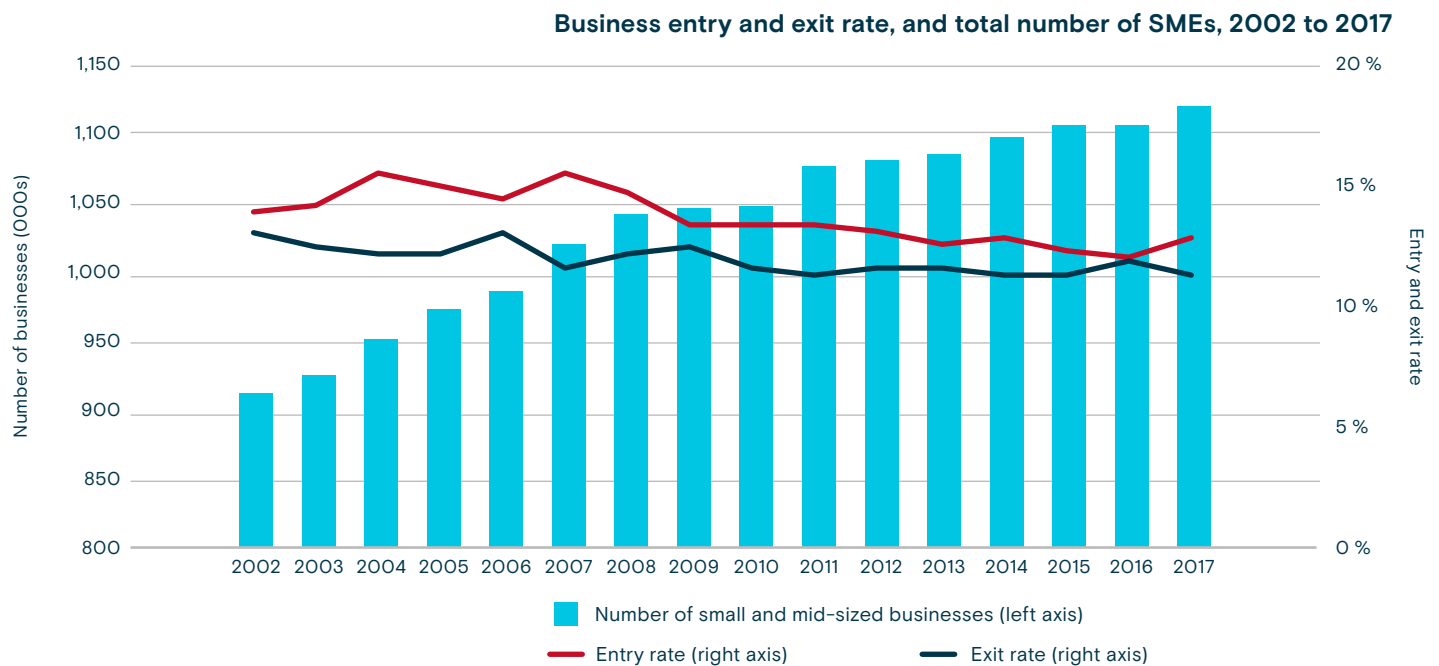
Many factors can explain the decline in entrepreneurial activity from 2000 to 2014. These include Canada's aging population, rising wages and the changing structure of the economy.^{10,11}

For instance, the aging population means that there are relatively fewer young people to start a business. Other factors have been the steady rise in real wages over time and the wage premium associated with higher skills and education. This has created a greater potential loss for people thinking about quitting a job to start a business.

Finally, globalization, technology disruption, acute labour shortages and higher market concentration in some sectors are making it more difficult for new entrepreneurs to compete against larger businesses.^{12,13,14,15}

The decline in entrepreneurial activity during this period did not result in a decrease in the total number of SMEs. (See Figure 2.) Indeed, a 2016 BDC study showed that although fewer businesses were created during this period, the number of businesses closing was also lower.¹⁶ On a net basis, Canada continued to generate new businesses, but at a slower pace than before.

Figure 2 – The number of businesses continued to grow despite slower new business creation



24%
of respondents
are interested
in starting their
own business

Explaining the entrepreneurial resurgence

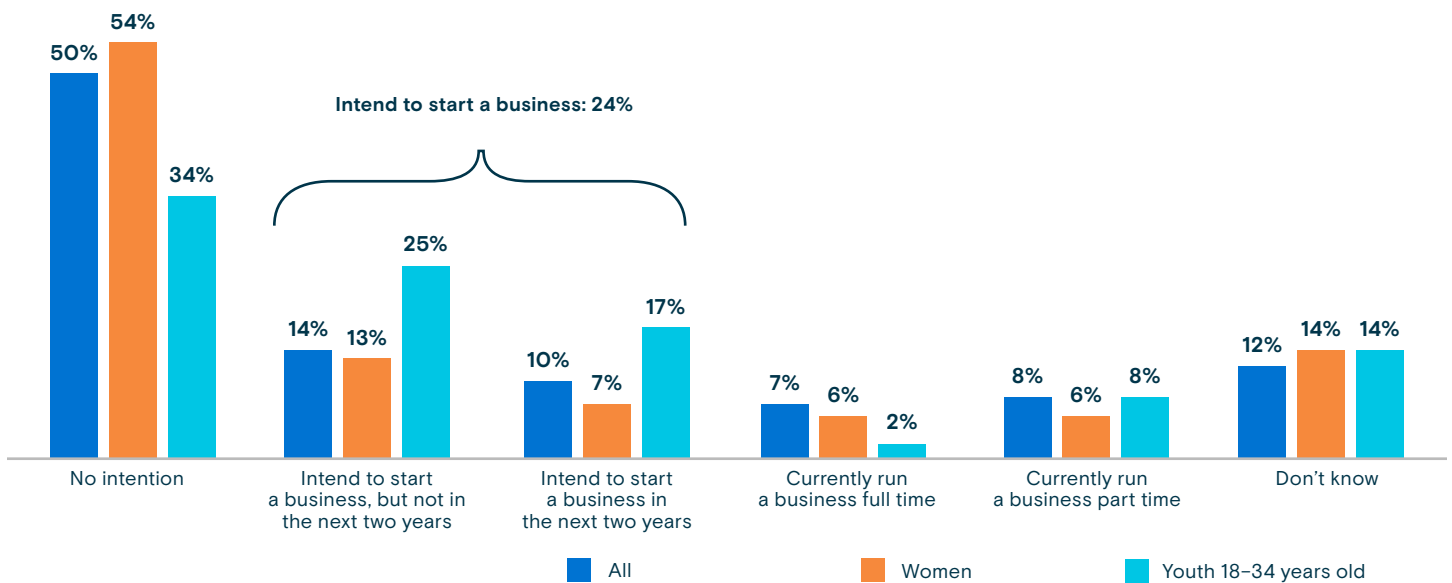
There has been a resurgence of entrepreneurship since 2014, driven mainly by younger and older Canadians, immigrants, and women. BDC's Index of New Entrepreneurial Activity has risen in three of the past four years, with a major uptick in 2018. About 44,700 Canadians started a business last year, the **highest number** in a decade.

We also see signs of this upward trend in a recent BDC survey of more than 1,000 Canadians.¹⁷ The survey reveals that a quarter of those surveyed are interested in **starting or running a business** in the future, and one in 10 expect to do so within the next two years. (See Figure 3.) The proportion of people interested in starting their own business reaches 42% among millennials,¹⁸ by far the most entrepreneurial age group. Entrepreneurial intentions are also much higher in Western Canada and among men.

These data points suggest that the tide is finally turning for entrepreneurial activity in Canada. Until now, the renewal has been driven by a new generation of entrepreneurs, including a large number of highly educated individuals and a growing share of millennials, baby boomers, women and newcomers.

Figure 3 – A quarter of respondents would like to start a business

Do you run a business or intend to start one within the next two years?



Source: BDC, Survey on the Perception of Entrepreneurship in Canada (Montreal: BDC, May 2019).
Base: All respondents (n=1,006).¹⁹

2

The new face of Canadian entrepreneurship

Entrepreneurship is rising among women, newcomers, young adults and educated Canadians

More and more women, newcomers, younger and older adults, and educated people are starting businesses. This evolution is the most important contributor to the rise in entrepreneurship observed since 2014.

The growing proportion of young adults and immigrants in the Canadian labour force—two groups that are historically more enterprising—partly explains the rise in the BDC Index of New Entrepreneurial Activity since 2014. The growing number of women pursuing entrepreneurship is also very important, although they are still less likely than men to start a business. In addition, a growing number of baby boomers are choosing entrepreneurship late in their careers. Finally, Canada's high education levels are fuelling a boom in business start-ups.

These trends are changing the face of Canadian entrepreneurship.

Younger... and older



3.3 out of **1,000**

young Canadians started a business in 2018



1.4 out of **1,000**

older Canadians started a business in 2018

Increasingly diverse



3.6 out of **1,000**

newcomers started a business in 2018

More feminine



1.8 out of **1,000**

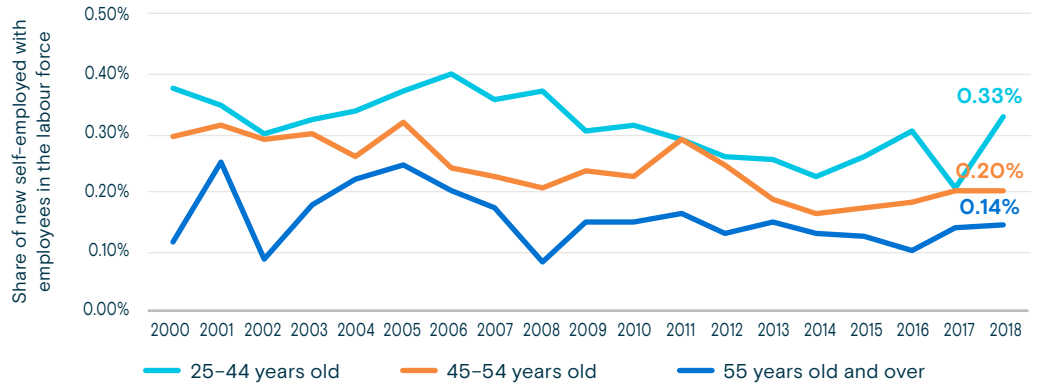
women started a business in 2018

Who is leading the growth in entrepreneurship?

Figure 4 – Entrepreneurial activity, by demographic group

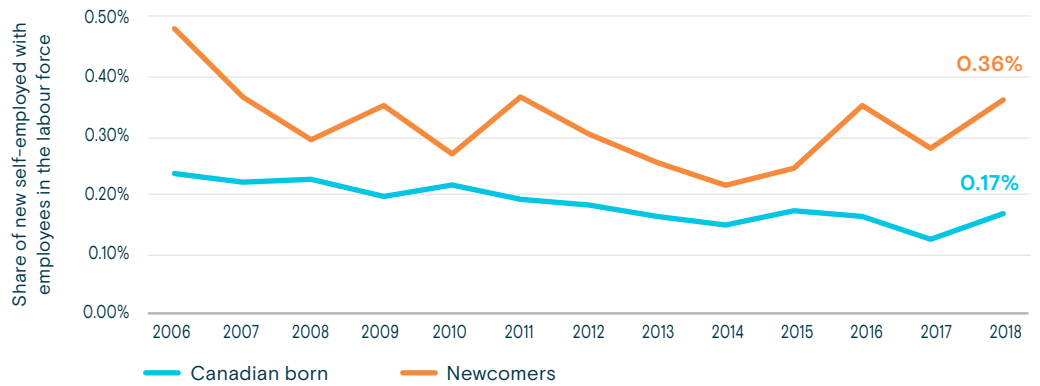
The number of younger and older entrepreneurs is rising

A. Entrepreneurial activity, by age group



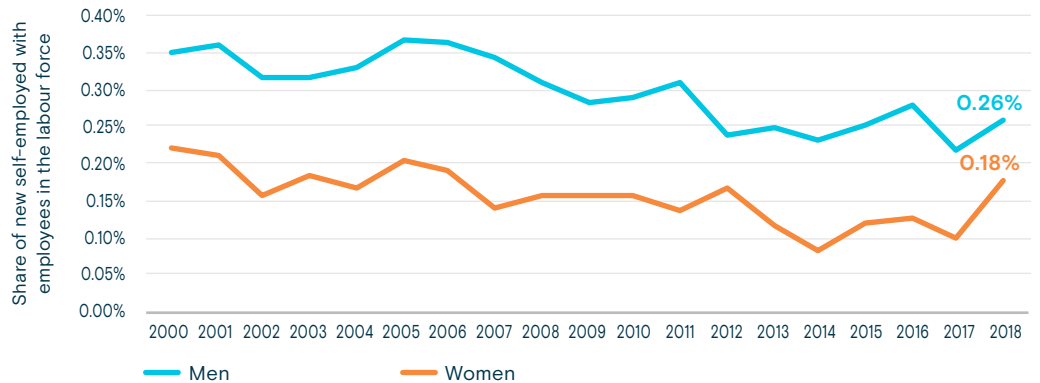
Newcomers are increasingly turning to entrepreneurship

B. Entrepreneurial activity, by citizenship at birth



The entrepreneurial activity gender gap reached a record low in 2018

C. Entrepreneurial activity, by gender



Source: BDC, Index of New Entrepreneurial Activity (Montreal: BDC, October 2019).

Canadian entrepreneurs are getting younger... and older

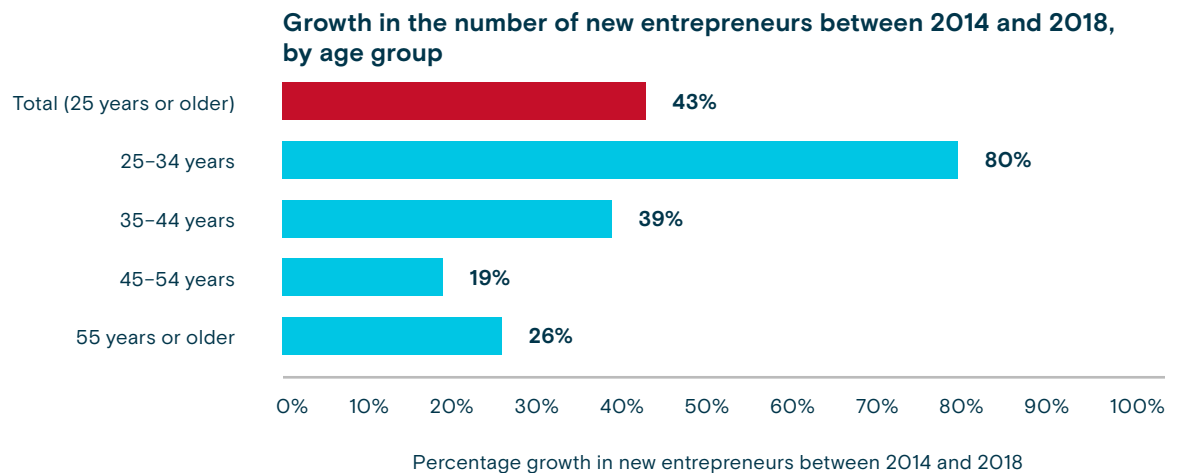
Two important demographic phenomena are changing the face of entrepreneurship in Canada: the aging of the population and the massive entry of millennials into the workforce.

With regards to the aging of the population, this trend is reflected in the number of older people becoming entrepreneurs. The number of Canadians starting a business in the prime of their life (age 55 or older) has tripled in the last 18 years. Close to 5,900 of them started or bought a business in 2018, compared to only 1,900 in 2000.

At the same time, two cohorts of younger workers are entering the marketplace en masse.²⁰ Millennials and Generation Z are proving to be among the most entrepreneurial groups in the workforce. (See Figure 4A.)²¹

This generation of young Canadians is taking an ever-larger place among entrepreneurs, accounting for about a third of new entrepreneurs in 2018. Younger Canadians are in part responsible for the revival in entrepreneurship we have experienced since 2014. Indeed, the number of Canadians under 35 years old starting a business increased by 80% between 2014 and 2018. (See Figure 5.)

Figure 5 – Younger entrepreneurs are leading the rise in entrepreneurship



Sources: Statistics Canada, Labour Force Survey, 2014 and 2018; BDC calculations.

A quarter of entrepreneurs are newcomers to Canada

Canadian entrepreneurs are increasingly diverse

Entrepreneurs are a very diverse group, maybe even more than the general population. According to Statistics Canada, one in four business owners are newcomers to Canada, higher than the proportion of newcomers in the population (21.9%).

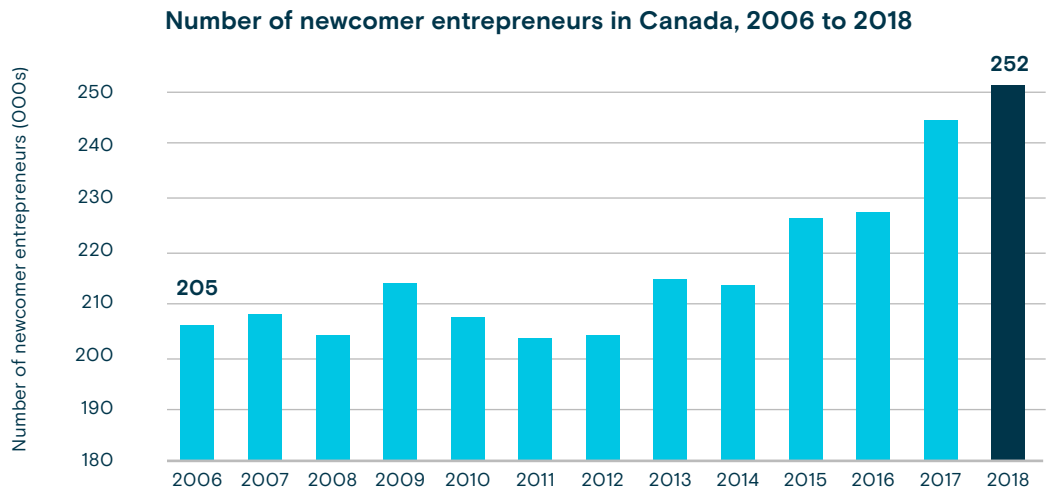
BDC's Index of New Entrepreneurial Activity shows that, in 2018, the rate of entrepreneurial activity among newcomers was twice as high as that among the Canadian-born population. (See Figure 4B.) The entrepreneurial activity rate has been higher among newcomers than among non-newcomers for the past 12 years.

Canada's entrepreneurial ecosystem benefits from this booming cultural diversity. Not only are newcomers more likely to start a business,²² but they also create more net jobs per business and their firms grow more quickly than businesses owned by the Canadian-born population.²³

What's more, the number of newcomer entrepreneurs is growing quickly. Standing at 205,400 entrepreneurs in 2006, it jumped 22% in 12 years, with newcomers numbering 251,600 in 2018. (See Figure 6.)

This trend will continue to fuel entrepreneurship in Canada over the next decades. Since the mid-1990s, immigration has contributed more to the growth of the Canadian population than births have. By 2032, immigrants will account for up to 80% of Canada's population growth.²⁴ As Canada becomes increasingly diverse, its entrepreneur class will follow suit.

Figure 6 – The number of newcomer entrepreneurs is booming



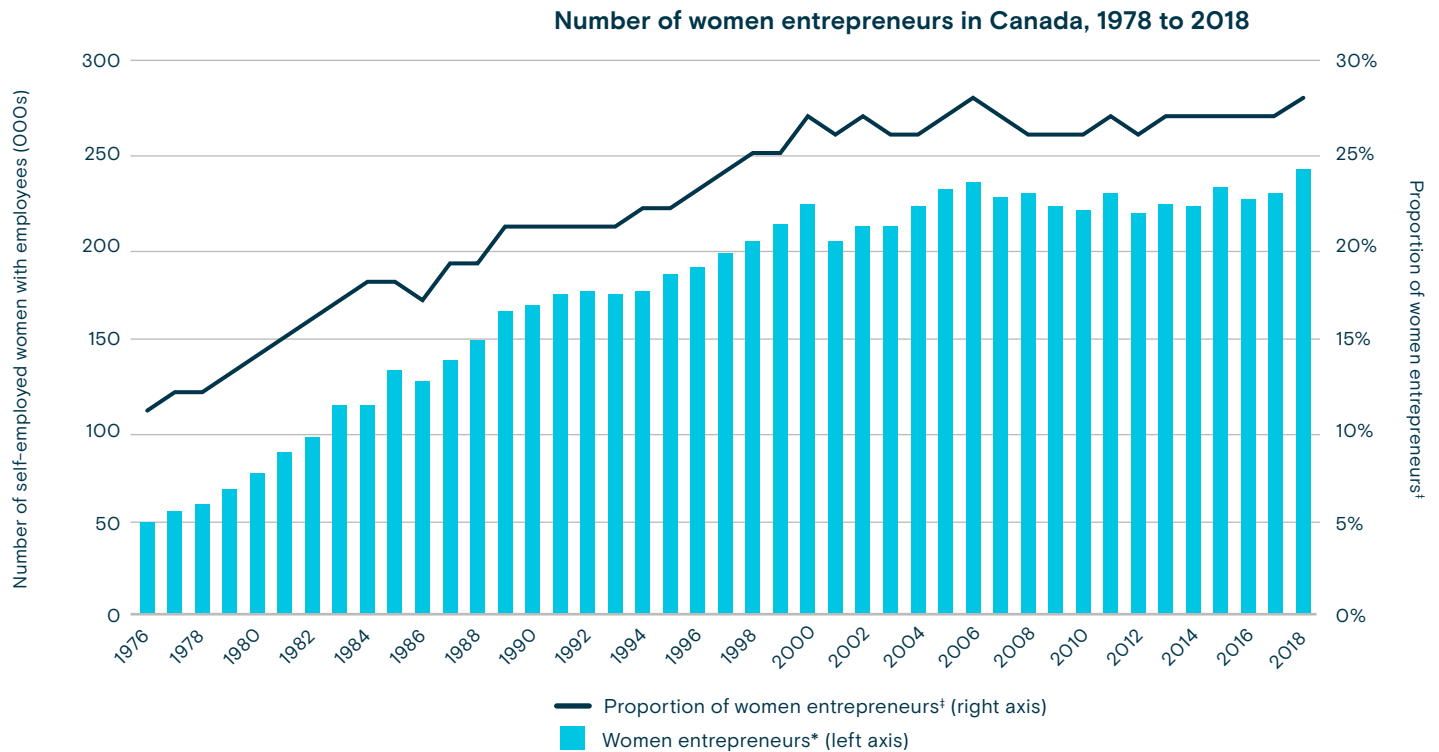
Sources: Statistics Canada, Labour Force Survey, 2006 to 2018; BDC calculations.

The number of female entrepreneurs has grown **3.1 times faster** than the number of male entrepreneurs over the last 40 years

Canadian entrepreneurs include more women

Although women remain less likely than men to start a business, the number of women entrepreneurs is increasing rapidly. Between 1976 and 2018, the number of self-employed women with employees almost quadrupled, growing from 49,000 in 1976 to 241,000 in 2018. Today, we estimate that roughly 28% of all entrepreneurs are women, while 40 years ago it was 11%. (See Figure 7.)²⁵

Figure 7 – There are four times more women entrepreneurs than 40 years ago



Sources: Statistics Canada, Labour Force Survey, 1978 to 2018; BDC calculations.

* Self-employed women with employees.

‡ Women as a proportion of the total number of entrepreneurs.

Women are turning to entrepreneurship at an impressive pace. The number of female entrepreneurs grew 3.1 times faster than the number of male entrepreneurs over the last 40 years. (See Figure 8.)

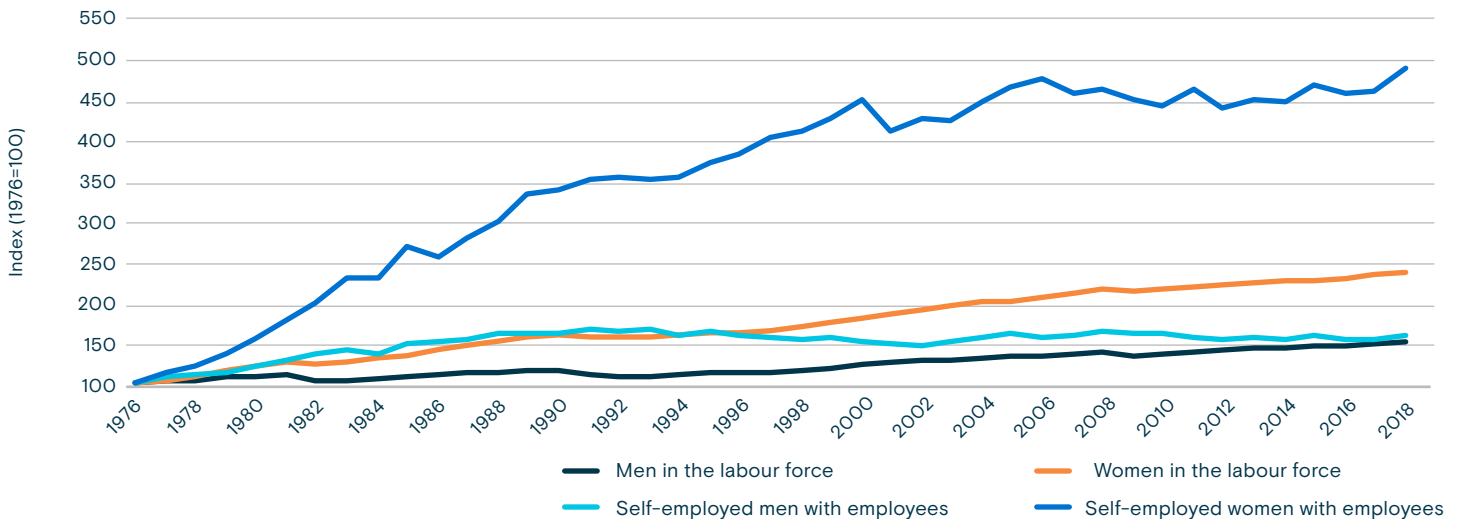
This growth is not simply a consequence of the massive entry of women into the labour market during this period. The number of self-employed women with employees grew 2.5 times faster than the number of women in the labour force over the same period.

Higher education and general economic emancipation have helped empower women. In a recent BDC survey,²⁶ around 50% of women entrepreneurs reported pursuing this career for the independence and autonomy it provided; 40% said it was for the flexibility.

If the current trend continues, we should have an equal number of new female and male entrepreneurs in 13 to 22 years.²⁷ Indeed, the entrepreneurial activity gender gap is narrowing and reached a record low in 2018. (See Figure 4C.) Clearly, women are taking their place in the Canadian business ecosystem; they are expected to play an even greater role in the growth of the Canadian economy in the future.

Figure 8 – Women are turning to entrepreneurship at an impressive pace

Index of the growth in labour force participation and self-employment with employees in Canada



Sources: Statistics Canada, Labour Force Survey; BDC calculations.

Entrepreneurs are much more likely than their peers to hold a university degree

Canadian entrepreneurs are increasingly educated

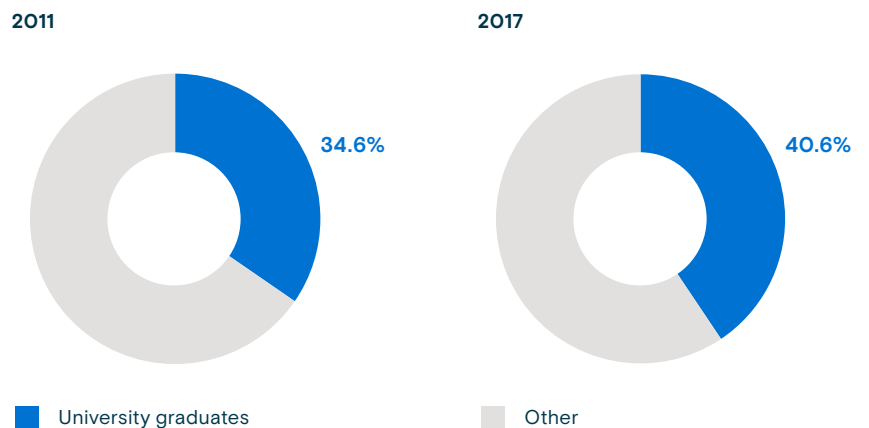
Entrepreneurs are much more likely to have a university degree than are Canadians as a whole. In 2017, nearly 41% of entrepreneurs had a university degree, compared to only 26% of people in the labour force as a whole.

This divide in education levels is growing. The proportion of entrepreneurs with a university degree has increased by six percentage points in just six years. (See Figure 9.)

The university graduation rate is higher among some groups of entrepreneurs. Over half (57%) of newcomer entrepreneurs have a bachelor's degree or above, compared to 35% of Canadian-born entrepreneurs, according to Statistics Canada. Similarly, 46% of women entrepreneurs have a bachelor's degree or above, compared to 40% for men.

This suggests a link between post-secondary education and entrepreneurship. Indeed, in the last few years, business schools, entrepreneurship programs and university-backed business incubators have taught the management skills needed to build a business to thousands of young Canadians.²⁸

Figure 9 – Around 41% of entrepreneurs had a university degree in 2017



Source: Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2017 and 2011.



Judith Portier

“

The abundance of projects, and the number of hours we spent on them, forced us to maintain a pace of work that became unsustainable in the long run.”

Case study

Leading change

How this entrepreneur rediscovered her passion

Projects kept following one after the other at lightning speed for Judith Portier, they just kept piling up on her drafting table—to the point where the young environmental designer no longer knew where to focus.

“The abundance of projects, and the number of hours we spent on them, forced us to maintain a pace of work that became unsustainable in the long run,” admits Judith Portier, whose company, Design by Judith Portier, specializes in designing and developing event and festival sites, kiosks and other short-term installations in public spaces.

Portier’s design workshop had experienced considerable growth since its launch in 2011. But after several years of non-stop expansion, the Montreal designer was starting to run out of steam.

That’s when she turned to BDC to help her take stock of her business—and its future. The Bank introduced her to a business coach who helped her through this journey.

Choosing projects of greater value

This exercise allowed her to better define her personal and professional aspirations, which would in turn help her better identify the projects she wanted to work on. Especially since the lack of structure had sometimes led her to put time, effort and money into contracts that were barely profitable or not profitable at all.

“Sometimes we work for six months on projects that only last three days. It makes more sense to choose enjoyable projects, that spark excitement and bring greater value, especially in terms of our commitment to sustainability,” says Portier.

She now tends to choose projects that really showcase the company’s skills. While the business enjoys continued success in many fields, their choices are guided by a single rationale. “We select projects that enrich our expertise and ultimately make us more effective,” notes Portier.

Planning for the long term

Besides better prioritizing projects, Portier now also has an annual strategic planning process that allows her to better define and manage her business goals. “A one-year outlook suited me best. But I also have an action plan for each week and month of the year,” she explained.

Portier says she is now ready to start a new growth cycle. She also hopes to broaden the business’s geographical reach by participating in projects across Canada and—who knows—maybe even around the world.

3

A stressful but rewarding career

**Fewer than
one in two
ventures
are still open after
10 years**

Running a business is highly stressful. Entrepreneurs wear many hats, ranging from bringing in sales to hiring and managing employees, and ensuring production is running smoothly. They don't count their hours. And they take personal and financial risks; indeed, a third of all new businesses go under within five years.²⁹

On top of managing the high risks and the hard work, entrepreneurs need to handle personal stress. When asked what the main disadvantages were of owning a business, three-quarters of entrepreneurs said they had to deal with financial insecurity, overwhelming amounts of stress and the lack of benefits compared to people in corporate jobs.³⁰

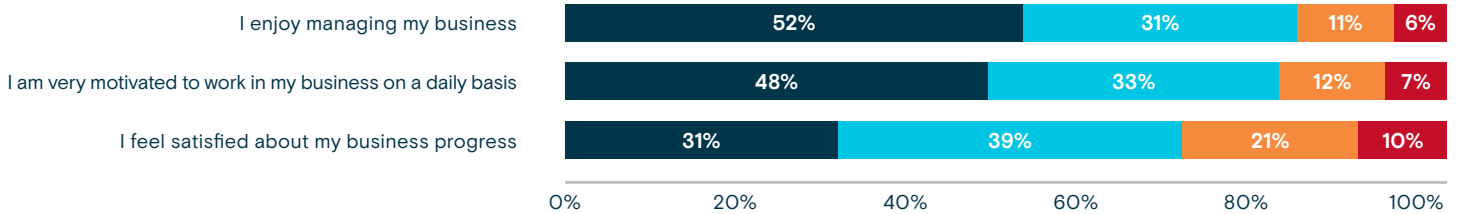
Inevitably, such high levels of stress put entrepreneurs at risk of developing mental-health issues. In a recent study by the Canadian Mental Health Association commissioned by BDC, entrepreneurs tended to report higher rates of mental-health problems than the general Canadian population (21% vs. 8.1%)—mainly, mood and anxiety disorders.³¹ The same study found that nearly half of entrepreneurs experienced lows or felt tired at least once a week, and two-thirds felt depressed at least once a week.³² Female entrepreneurs and start-up owners were found to be more at risk of experiencing poor mental health.

Entrepreneurs are professionally satisfied

Despite choosing a very challenging career, 90% of Canadian entrepreneurs are professionally satisfied.³³ Most entrepreneurs in our survey said they enjoy managing their business and that they are very motivated to go to work every morning. (See Figure 10.) Moreover, 70% feel satisfied about the progress of their business.

Figure 10 – Most entrepreneurs enjoy managing and working in their business

Self-reported satisfaction among entrepreneurs



To what extent do you agree with the following statements?

Strongly agree
 Agree
 Disagree
 Strongly disagree

Source: BDC, Survey on the Factors Influencing Entrepreneurs' Success (Montreal: BDC, May 2019).
Base: All respondents (n=1,019).

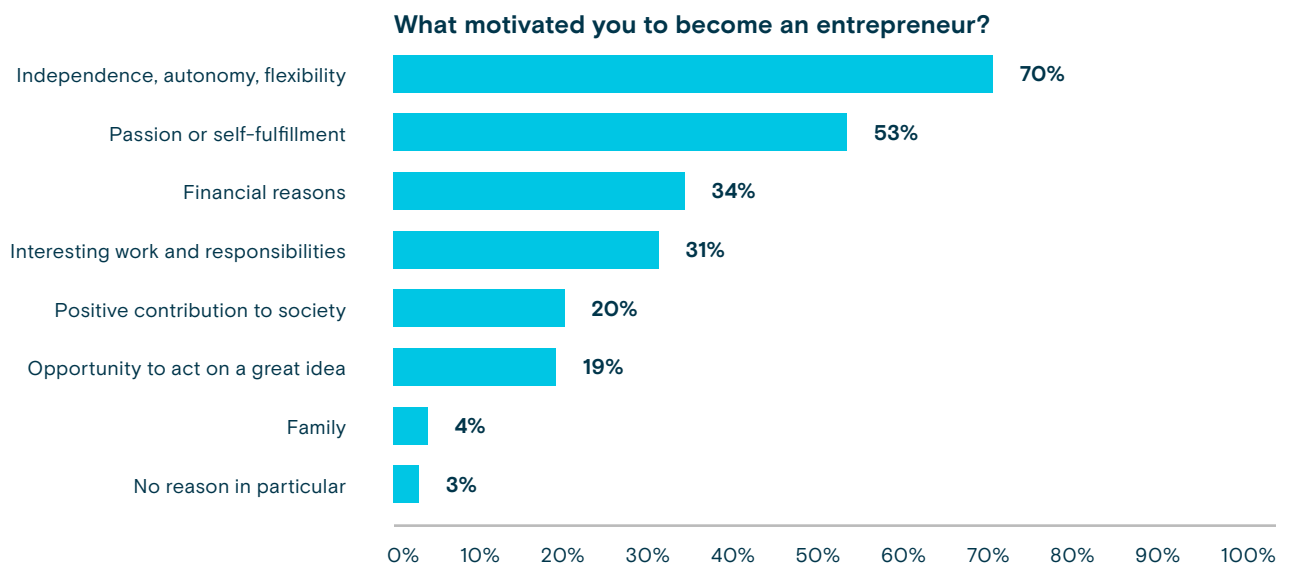
Entrepreneurs are motivated by much more than money

The contrast between the stress facing entrepreneurs and their professional satisfaction may seem paradoxical at first.

Our survey data provide the beginnings of an answer. We found that a majority of entrepreneurs started their business to become their own boss; they sought autonomy, independence and flexibility, which they find in entrepreneurship. Passion and self-fulfillment inspired around half of all entrepreneurs, and an even greater percentage of women (59%) and young entrepreneurs (75%). Women and young entrepreneurs are also more likely to start a business to positively contribute to society. Only one in three Canadian entrepreneurs pursue entrepreneurship for financial reasons. (See Figure 11.)

Another explanation is that entrepreneurs are grittier than most individuals—in other words, they demonstrate greater passion and perseverance. Research suggests this character trait helps them achieve their long-term goals and find great satisfaction in doing so, despite failure and setbacks. (See page 17.)

Figure 11 – A majority of entrepreneurs started their business to become their own boss



Source: BDC, Survey on the Factors Influencing Entrepreneurs' Success (Montreal: BDC, May 2019).
Base: All respondents who provided an answer (n=877).

How do entrepreneurs work through the stress?

If entrepreneurship is risky and difficult, why do so many business owners continue to do it? Being an entrepreneur obviously isn't for everyone; it requires a mix of passion and perseverance, also known as the “grit factor.”

The “grit factor”

In studying the factors that differentiate successful individuals from those who struggle in a variety of contexts, American psychologist Angela Lee Duckworth found that “grit”—the passion and perseverance individuals demonstrate in achieving long-term goals—was a significant predictor of success.

Dr. Duckworth describes gritty individuals as goal-oriented people who have a resilient approach to failure and setbacks, and who don't get discouraged at the first sign of a challenge or obstacle. They see failure as an opportunity to learn and improve, not as evidence of a permanent lack of ability.

For instance, she studied West Point military cadets entering their first year of training and found that grittier cadets were less likely to drop out. Since then, her team of researchers at the University of Pennsylvania has found that grit explains success in many other occupations, including sales, academia and teaching.

Although Dr. Duckworth has not researched the link between entrepreneurship and grit, other studies have echoed her approach to do so. These studies found a strong positive relation between grit, entrepreneurial intention and success.

Is grit innate or learned?

This question has yet to be answered. Dr. Duckworth's research shows that grit evolves over time, with older people being grittier, and that gritty people tend to allocate more time to training. Dr. Duckworth is also investigating the link between grit and a growth mindset—that is, the tendency to commit to an objective and to make sustained efforts to achieve it.

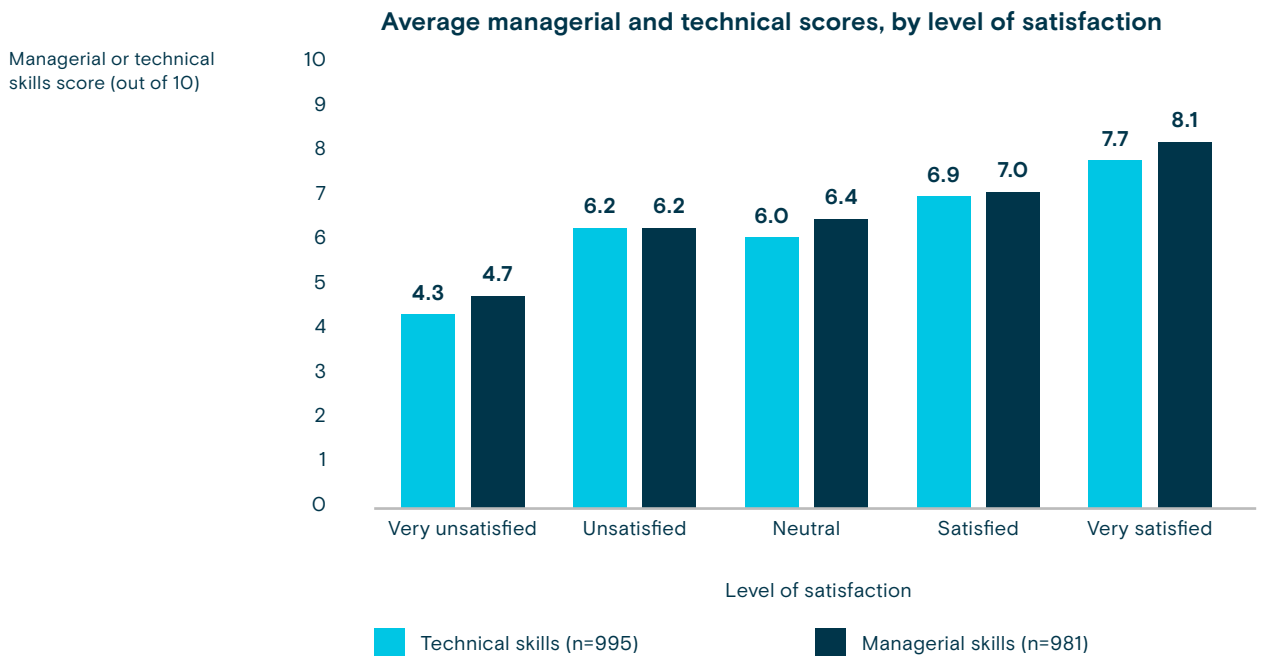
Whether or not grit can be learned, one thing is certain: Entrepreneurs need a good dose of courage and hard work to start a business. If courage cannot be learned, the skills necessary to grow a business can.

Improved managerial skills increase satisfaction

There is also a strong link between entrepreneurs' level of satisfaction and their level of managerial and technical skills. Unsatisfied entrepreneurs tend to have lower managerial and technical scores. (See Figure 12.)

Having the right tools to manage a business helps entrepreneurs feel more confident and less stressed. Highly skilled entrepreneurs are also more likely to have higher sales, profits and employment growth than their peers. (See page 19.) In other words, well-equipped entrepreneurs are resilient and have a better chance of growing their business.

Figure 12 – Entrepreneurs with better managerial and technical skills are more satisfied



Source: BDC, Survey on the Factors Influencing Entrepreneurs' Success (Montreal: BDC, May 2019).
Base: All respondents who provided an answer.

Do Canadian entrepreneurs have the skills they need?

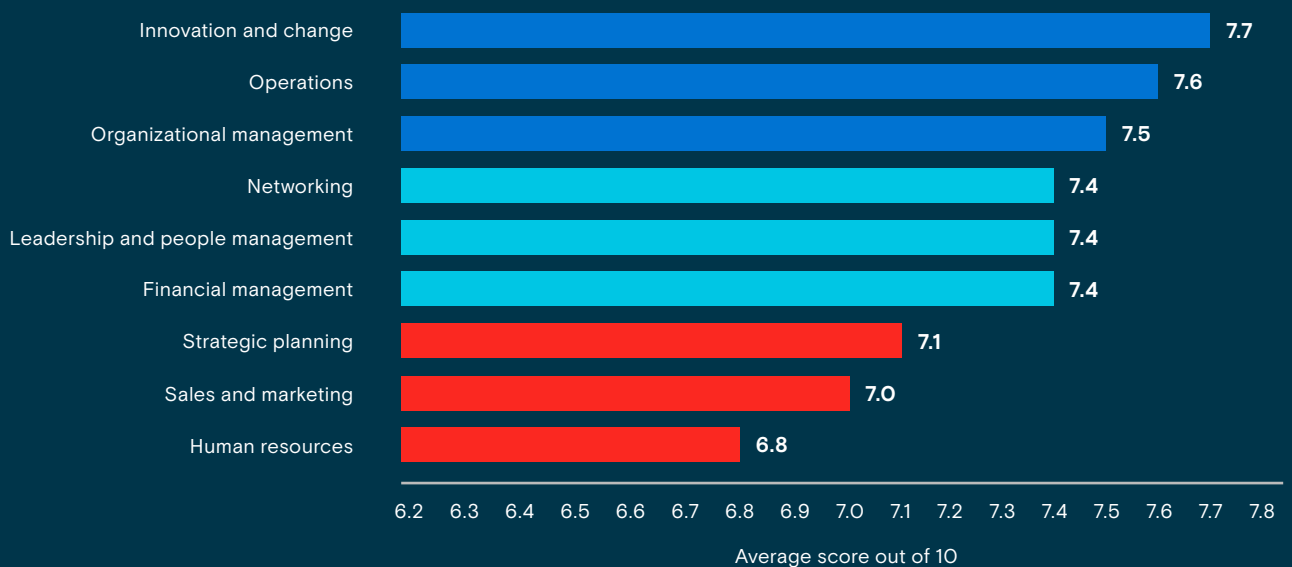
Our survey helped us identify the strengths and weaknesses of Canadian entrepreneurs. We asked entrepreneurs to evaluate their level of technical and managerial skills on a scale from 0 to 10, where “0” means they have no skill and “10” means they are expert. Overall, we asked about five technical and four managerial skills.³⁴ The idea was to identify gaps and areas for improvement.

We found that Canadian entrepreneurs are very strong in managing their company’s operations, including all aspects of innovation and change management. However, they face challenges in human resources, sales and marketing, and strategic planning. (See Figure 13.)

Entrepreneurs with larger businesses, older entrepreneurs and those with more experience running a business tended to have higher scores. Those who received formal management training had much higher scores than those who did not. We found no difference in skills with respect to gender or province of residence.

People with certain skills were more likely to do business in specific sectors. While most entrepreneurs reported a lower score for sales and marketing, it was one of the top strengths of retail entrepreneurs. Meanwhile, entrepreneurs in the service sector were less comfortable with managing their operations. Finally, entrepreneurs running exporting businesses were more skilled in financial management, sales and marketing, strategic planning, and innovation.

Figure 13 – Average management and technical skills of Canadian entrepreneurs



Source: BDC, Survey on the Factors Influencing Entrepreneurs’ Success (Montreal: BDC, May 2019).
Base: All respondents (n=1,014).

Better managerial skills increase performance

Our analysis³⁵ revealed that entrepreneurs with stronger managerial and technical skills perform better than their peers in their sector of activity. A one-point increase in their **managerial skills** increase the probability of being a high performer³⁶ by 3.1%. A one-point increase in their **technical skills** increases this probability by 2.9%.³⁷

Strong **managerial skills** are also linked to **satisfaction**.³⁸ A one-point increase in their managerial skills boosts the probability they will report being highly satisfied by 10.7%.

Managerial skills in innovation and change management, as well as networking, are positively and significantly related to high sales growth. Innovation and change management, as well as organizational management skills, are also positively and significantly related to being highly satisfied.³⁹

4

Empowering the people behind the business



Michelle Feder

Director,
Small Business,
BDC Advisory Services

It's often said that entrepreneurship cannot be learned—that you are “born” with it. Clearly, passion and perseverance are common to many entrepreneurs, and these skills cannot necessarily be taught.

The debate about whether entrepreneurs are born or made continues to fascinate researchers. While it is agreed that we can't teach someone the passion needed for entrepreneurship, there is a recent and growing consensus that we can teach individuals certain entrepreneurial skills⁴⁰—such as technical or leadership skills—that enhance their likelihood of success.

How to get the business skills you need

Our study's results reflect this consensus. Entrepreneurial success is linked to the development of managerial and technical skills, which can be acquired. Moreover, our definition of success goes beyond dollars and cents to also include the owner's professional satisfaction.

That's why it's important to constantly improve your skills, especially if you have ambitions to see your business grow, says Michelle Feder, Director, Small Business, BDC Advisory Services. “It's always better to recognize your limitations and reach out to get the knowledge you need,” she says.

Entrepreneurs have different learning styles and there are various possibilities for getting training and advice. Feder suggests the following options.

Training and networking

Many colleges and universities now offer programs that are specifically designed for business owners. The courses are typically focused on fundamental business skills and tailored to fit the schedules of busy entrepreneurs.

Chambers of commerce and other business organizations also offer courses, seminars and networking events where you can meet other entrepreneurs who are facing similar challenges and learn what solutions they've found.

“It's really important to get out from behind your desk, meet people and get ideas about how you can improve,” Feder says. “Even if you are already quite skilled and confident in your knowledge and abilities, fresh perspectives can stimulate new ideas and ways of doing things.”

e-learning

While entrepreneurs are more educated than the Canadian population as a whole, not everyone is “enamoured with school,” Feder says. Some people prefer to learn on their own, outside formal educational structures.

If this resonates with you, there’s a wealth of online courses and other resources where you can learn at your own pace. For example, BDC’s [Entrepreneur’s Learning Centre](#) offers free courses on such topics as financing your business, financial management and operational efficiency.

Coaching

A business coach, who is typically a former successful entrepreneur or corporate executive, works with you to improve your managerial skills by providing advice as you work.

“It’s learning by doing, and then reflecting on what worked, what didn’t and why,” Feder says. “That’s a really favourable learning style for a lot of entrepreneurs.”

She adds a coach can hold you accountable for doing day-to-day tasks that add up to big improvements in your business. She says business owners that have worked with a BDC coach report finding the experience surprisingly impactful.

“They feel more capable. They make better business decisions and are more in control.”

Advisory boards and mentors

An [advisory board](#) is an informal group of experts that meets regularly to act as a sounding board, hold you accountable, provide advice and fill in gaps in your expertise. Board members are typically experienced executives who are willing to help for modest or no compensation.

For small companies and start-ups, a [mentor](#) can provide a similar service.

“Consistently learning and applying solid business skills are critical to business success,” Feder says. “Whether you are building your knowledge of financial management, human resources or sales and marketing, reach out to trusted advisors who can help when you need it.”



**Boris and
Tammy Zilberberg**

“

It takes a bit of humility to know you need help. We realized we needed more expertise to take our company to the next level.”

Case study

Kidcentral Supply

How outside advice helped propel this business to the next level

Boris and Tammy Zilberberg were grappling with a problem many business owners would envy. Their wholesale children's products business Kidcentral Supply was growing so quickly they were struggling to keep up.

“It felt like we were the conductors of a runaway train, going at full speed, and it was hard to gain control of it,” Boris says.

Sales were growing at an astonishing pace, jumping 10-fold in the previous decade. But the growth was so fast, it was creating its own challenges. The Zilberbergs had to say no to several large new retail opportunities because they weren't sure they could fulfill the extra orders.

“A light bulb went off”

Boris and Tammy came up with a solution—arranging management training for key personnel with the help of BDC. The Zilberbergs connected with a team of experts from the Growth Driver Program, a specialized advisory service working exclusively with mid-sized businesses that have strong growth potential and ambition.

There, the couple quickly had an important revelation that changed the course of their business. “We realized it wasn't just our managers who needed training,” Tammy says. “We did, too.”

“A light bulb went off,” Boris says. “It takes a bit of humility to know you need help. We realized we needed more expertise to take our company to the next level.”

Training paid off

The revelation led the pair to embark on a three-year journey with the Growth Driver Program. Tammy and Boris are still only partway through the consulting engagement, but the investment has already paid off in multiple ways.

Notably, Boris and Tammy were able to achieve their original goal of improving their team's management skills. This allowed managers to increase their responsibility for day-to-day operations, freeing Tammy and Boris to focus on big-picture opportunities.

Getting outside advice was humbling, but Boris and Tammy agree it was key for taking Kidcentral to a new stage of growth. “It helped us think outside the box,” Tammy says. “It allowed us to look at opportunities we wouldn't have looked at before, and it gave us the ability to take advantage of them.”

Conclusion

Skills are at the heart of success

While the last 20 years have seen a decrease in the number of Canadians starting a business, the trend now appears to be changing. Entrepreneurship has been on the rise for three of the past four years. This revival has been driven by a growing number of women, newcomers, younger and older adults, and highly educated Canadians all turning to entrepreneurship as a career.

Many Canadians now dream of starting their own business. However, being an entrepreneur remains a tough occupation; only half of new companies are still in business after 10 years.

So what makes the difference between an entrepreneur who succeeds and one who does not? While entrepreneurial success depends partially on the business owner's innate passion and perseverance, it also relies on his or her managerial and technical skills—competencies that can be acquired through training, coaching and mentorship.

Our study finds that entrepreneurs with stronger managerial and technical skills achieve better business performance. Indeed, a one-point increase in managerial skills raises the probability of being a high performer by 3.1%, while a one-point increase in technical skills increases this probability by 2.9%. Entrepreneurs should therefore think about investing in their own coaching and training as an investment in their future business success.

As Canada's only bank devoted exclusively to entrepreneurs, our mission is to promote and support Canadian entrepreneurship. For the last 75 years, we have supported small and medium-sized businesses to help them succeed. We understand that it is the entrepreneurs behind these companies who make them progress. We hope the readers of this report will be inspired to invest in themselves and acquire the skills they need to build companies that can compete on the world stage.

Methodology

The results of this study come from two online surveys, econometric analysis and the update of BDC's Index of New Entrepreneurial Activity.

Survey on the perceptions of Canadian entrepreneurs

The BDC Research and Economic Analysis team developed a questionnaire to evaluate Canadians' perceptions of entrepreneurs. BDC asked Delvinia to conduct an online survey of the general population from April 1 to April 6, 2019, with 1,006 respondents across Canada. Delvinia invited the members of the AskingCanadians panel to participate in this survey. The sample is representative of the Canadian working-age population. For comparison purposes, a probability sample of this size would carry a margin of error of ± 3.1 percentage points, 19 times out of 20.

Survey on entrepreneurial skills

The BDC Research and Economic Analysis team developed a questionnaire to assess the skills of entrepreneurs and their level of success. BDC then asked Maru/Blue to conduct an online survey from April 22 to May 3, 2019, with 1,025 business owners across Canada. Members of the Maru/Blue Panel received an email invitation to complete the survey.

The results were weighted by region and size of business to ensure findings were representative of Canadian small and mid-sized businesses. For comparison purposes, a probability sample of this size would carry a margin of error of ± 3.1 percentage points, 19 times out of 20.

BDC's Index of New Entrepreneurial Activity

Inspired by the Kauffman Indicators of Entrepreneurship⁴¹ in the United States, BDC used a similar methodology and created its own Index of New Entrepreneurial Activity. This index measures the yearly appearance of new independent workers who hire employees. It allows us to obtain up-to-date information about individuals creating businesses in Canada.

The BDC index is based on Statistics Canada's Labour Force Survey (LFS). The LFS is a monthly survey of a sample of 54,000 households across Canada. It takes information from all household members who are 15 years old or older, and who are civilian workers or are unemployed and actively looking for a job. These results give us the number of individuals who have become independent workers within the past 12 months and who have employees working for them. We consider that these independent workers are in fact entrepreneurs, as opposed to those who work for themselves and do not hire employees.

BDC's Index of New Entrepreneurial Activity measures new independent workers with employees as a proportion of the total labour force. For instance, in 2011, 43,200 Canadians became independent workers and also hired employees, out of a total of 18,699,400 Canadians in the labour force. That year, the BDC Index of New Entrepreneurial Activity stood at 0.23% (43,200/18,699,400). In other words, one out of 430 Canadians started a business in 2011.

Econometric model

This study investigates the impact of management and technical skills on different success indicators. The analysis was conducted using a series of multinomial logistic regressions.

Four success indicators were used. They were the probability of experiencing high sales growth, the probability of experiencing high profit growth, the probability of being a high performer relative to other businesses and the probability of being highly satisfied running a business.

We defined high sales or profit growth as average annual growth of 10% or more over the last three years. We defined high performers as businesses reporting higher than average annual growth in sales, profit and employment compared to other businesses in their sector of activity. Satisfaction was defined as entrepreneurs reporting that they enjoy managing their business, are satisfied with their business progress or are very motivated about working in their business every day.

To define the management and technical scores, we asked entrepreneurs to rate their level of knowledge or competence related to five technical and 11 managerial skills. The average score was then used as a predictor.

Technical skills were as follows:

- financial management
- sales and marketing
- human resources management
- operations management
- strategic planning

Managerial skills were regrouped under four categories:

- organizational management
- leadership and people management
- innovation
- networking

Annex A presents the questions used in the survey to measure the skills.

We used a multivariate logistic regression model to isolate the impact of managerial and technical skills, while controlling for other factors that may have an impact on success. These control variables include the company's number of employees, annual sales, main sector of activity, age and location; its owners' experience, level of education, gender and age; and the number of owners and type of ownership. The regression equations measure whether the variables of interest—the managerial and technical skills—are statistically significant predictors of success with p-values equal to or below 10%. The detailed regression results are available from the authors upon request.

Annex A

1. Question on technical competencies and knowledge

How do you evaluate your **level of knowledge** in each of the following areas?

Please use a scale of 0 to 10, where 0 means you have “no knowledge” and 10 means you have “extensive knowledge” in this field.

- a) Financial management
- b) Sales and marketing
- c) Human resources management
- d) Operations management
- e) Strategic planning

2. Questions on managerial competencies

A. To what extent do you agree with the following statements regarding **organizational management**?

Please use a scale of 0 to 10, where 0 means “strongly disagree” and 10 means “strongly agree.”

- a) One of my strengths is managing several tasks at the same time.
- b) I set and follow realistic objectives and a monthly action plan.
- c) I am skilled at making well-informed decisions, even under uncertain conditions.

B. To what extent do you agree with the following statements regarding **leadership and people management**?

Please use a scale of 0 to 10, where 0 means “strongly disagree” and 10 means “strongly agree.”

- a) I am highly skilled at delegating work to others and following up on the results.
- b) I am good at coordinating and motivating people.
- c) I have regular and effective conversations and meetings with my employees.

C. To what extent do you agree with the following statements regarding **innovation**?

Please use a scale of 0 to 10, where 0 means “strongly disagree” and 10 means “strongly agree.”

- a) I am skilled at recognizing business opportunities and developing new ideas.
- b) I understand the steps involved in implementing changes in my business.
- c) I believe it is important to constantly look for new ways to do things.

D. To what extent do you agree with the following statements regarding **networking**?

Please use a scale of 0 to 10, where 0 means “strongly disagree” and 10 means “strongly agree.”

- a) I have a strong network of people (peers, experts, etc.) whom I can ask for advice.
- b) I know how to surround myself with skilled people in specific fields.

Endnotes

- ¹ Innovation, Sciences and Economic Development (ISED), *Key Small Business Statistics* (Ottawa: ISED, January 2019). Small businesses are defined as establishments with one to 99 employees. Mid-sized businesses are defined as establishments with 100 to 499 employees.
- ² Ibid.
- ³ Ibid.
- ⁴ SMEs accounted for slightly over 50% of Canada's gross domestic product in 2017, when Canada's nominal gross domestic product totalled \$2.1 trillion.
- ⁵ Canada ranks third in the world on the Washington-based Global Entrepreneurship and Development Institute's index, after the United States and Switzerland. Canada ranks 12th out of 49 countries on the London-based Global Entrepreneurship Monitor (GEM) in terms of total early-stage entrepreneurial activity, and second among all innovation-oriented countries. In terms of established businesses, Canada ranks 34th among all GEM countries and 13th among all innovation-oriented countries. Canada ranks third on the World Bank's Ease of Starting a Business Index and fourth out of 16 countries on the Conference Board of Canada's Ease of Entrepreneurship Index.
- ⁶ Examples include John Molson, Harrison and Wallace McCain, Joseph-Armand Bombardier, Lise Watier, Linda Hasenfratz, and Manjit Minhas.
- ⁷ According to the most recent data, small businesses in the United States accounted for 47% of all private-sector jobs, 46% of gross domestic product and 33% of export value. These ratios are 90%, 50% and 42% in Canada, respectively. Source: "Facts & Data on Small Business and Entrepreneurship," Small Business & Entrepreneurship Council, accessed August 8, 2019, <https://sbecouncil.org/about-us/facts-and-data>.
- ⁸ See the methodology section of this report for details on the index's calculation.
- ⁹ We define entrepreneurs as independent workers—including those who own businesses—who have paid employees.
- ¹⁰ Bank of Canada, Trends in Firm Entry and New Entrepreneurship in Canada (Ottawa: October 2015). <https://www.bankofcanada.ca/wp-content/uploads/2015/10/dp2015-11.pdf>.
- ¹¹ Steven Globerman and Jason Clemens, Demographics and Entrepreneurship: Mitigating the Effects of an Aging Population (Vancouver: Fraser Institute, May 2018). <https://www.fraserinstitute.org/sites/default/files/demographics-and-entrepreneurship-full.pdf>.
- ¹² As incumbent businesses swat away smaller players, we observe a higher concentration in almost every major industry. A more concentrated market structure makes it more difficult for start-ups to compete against bigger players.
- ¹³ Shutao Cao, Mohamad Salameh, Mai Seki and Pierre St-Amant, Trends in Firm Entry and New Entrepreneurship in Canada (Ottawa: Bank of Canada, October 2015). <https://www.bankofcanada.ca/wp-content/uploads/2015/10/dp2015-11.pdf>.
- ¹⁴ Sylvain Leduc, "Seeking Gazelles in Polar Bear Country." Speech to the Sherbrooke Chamber of Commerce, October 3, 2017. <https://www.bankofcanada.ca/2017/10/seeking-gazelles-in-polar-bear-country/>.
- ¹⁵ Industry concentration in the U.S., measured using the Herfindahl-Hirschman Index, shows a steady increase from the late 1990s. Moreover, increased concentration is widespread across all industries. See Gustavo Grullon, Yelena Larkin and Roni Michaely, "Are US Industries Becoming More Concentrated?" *Review of Finance*, 23, 4 (2019): 697.
- ¹⁶ Sylvie Ratté, *The Scale Up Challenge: How Are Canadian Companies Performing?* (Montreal: BDC, September 2016).
- ¹⁷ BDC, Survey on the Perception of Entrepreneurship in Canada (Montreal: BDC, March 2019).
- ¹⁸ Millennials are Canadians born between 1981 and 2000, while Generation Z comprises Canadians born after 2000.
- ¹⁹ While the panel we used was representative of the Canadian population as a whole, it remains a non-probabilistic web survey. A comparable probabilistic survey would have a 3.1% margin of error. This can help explain the comparatively high number of entrepreneurs in our survey (7%) compared to their proportion in the Canadian population as a whole (4.3%, according to Statistics Canada).
- ²⁰ Millennials are already the largest group in the working-age population, accounting for 40% of it. As Generation Z enters the labour force, these two younger generations will account for 60% the workforce by 2025 and almost 71% by 2030. See Pierre-Olivier Bédard-Maltais and Sylvie Ratté, *Future-proof Your Business: Adapting to Technology and Demographic Trends* (Montreal: BDC, 2017).
- ²¹ BDC's Index of New Entrepreneurial Activity shows that entrepreneurship is more attractive to younger people. Indeed, new entrepreneurial activity among young Canadians (25 to 44 years old) stood at 0.33%, compared to 0.14% for older Canadians (55 or older).
- ²² The BDC's Index of New Entrepreneurial Activity shows the entrepreneurial rate among newcomers is more than double the rate for people born in Canada, standing at 0.36% for newcomers, compared to 0.17% for Canadian-born people.
- ²³ Statistics Canada, *Immigrant Entrepreneurs as Job Creators: The Case of Canadian Private Incorporated Companies* (Ottawa: Statistics Canada, 2019).
- ²⁴ Pierre-Olivier Bédard-Maltais and Sylvie Ratté, *Future-proof Your Business: Adapting to Technology and Demographic Trends* (Montreal: BDC, 2017).
- ²⁵ The number of women entrepreneurs is higher than the number of women-owned businesses (16%) because 21% of businesses are owned jointly by men and women. In other words, women have joint or majority ownership of 37% of businesses.
- ²⁶ BDC, Survey on the Perception of Entrepreneurship in Canada. Base: All respondents (n=1,006). Partial results can be found here: <https://www.bdc.ca/en/blog/pages/what-canadians-think-entrepreneurs.aspx>
- ²⁷ This result is obtained by extrapolating the trend shown in Figure 8. Based on the trend observed since 1978, parity could be achieved as early as 2032. However, if we use the trend observed since 2014, parity will not be reached until 2041.
- ²⁸ At the same time, the wage premium associated with higher skills and education may have a negative impact on entrepreneurship, as it increases the potential losses of leaving paid employment. Which effect is stronger is still an open question.
- ²⁹ Innovation, Sciences and Economic Development, *Key Small Business Statistics* (Ottawa: ISED, January 2019).
- ³⁰ BDC, Survey on the Perception of Entrepreneurship in Canada. Base: All respondents (n=1,006). Partial results can be found here: <https://www.bdc.ca/en/blog/pages/what-canadians-think-entrepreneurs.aspx>

- ³¹ Canadian Mental Health Association (CMHA), *Going it Alone: The Mental Health and Well-Being of Canada's Entrepreneurs* (Toronto: CMHA, 2019). <https://cmha.ca/documents/entrepreneurs-mental-health>.
- ³² Ibid.
- ³³ Satisfaction was defined as entrepreneurs enjoying managing their business, being satisfied with their business progress or being very motivated about working in their business every day.
- ³⁴ See Annex A for the list of technical and managerial skills.
- ³⁵ We used a multivariate logistic regression model to measure the impact of technical and managerial skills on the probability of success. More details are presented in the methodology section.
- ³⁶ A high performer is defined as a business reporting higher than average annual growth in sales, profit and employment, compared to other businesses in their sector of activity.
- ³⁷ Detailed regression results are available upon request.
- ³⁸ We define satisfaction as entrepreneurs reporting that they enjoy managing their business, are satisfied with their business progress or are very motivated about working in their business every day.
- ³⁹ A one-point increase in innovation and change management skills increases the probability of high sales growth by 3.0% and high satisfaction by 6.1%. A one-point increase in networking skills increases the probability of high sales growth by 1.6%. A one-point increase in organizational skills increases the probability of being highly satisfied by 3.6%.
- ⁴⁰ For more information, see Julian Lange, et al., "Does an Entrepreneurship Education Have Lasting Value? A Study of Careers of 3,775 Alumni," *Journal of Business and Entrepreneurship*, 25, 2 (Spring 2014); Colette Henry, et al., "Entrepreneurship Education and Training: Can Entrepreneurship Be Taught?," *Education and Training*, 47, 2 (2005): 98-111; and Peter Klein and Bruce Bullock, "Can Entrepreneurship Be Taught?," *Journal of Agricultural and Applied Economics*, 38, 2 (August 2006): 429-439.
- ⁴¹ "The Kauffman Indicators of Entrepreneurship," Kauffman Foundation, accessed July 19, 2019. <https://indicators.kauffman.org/>.

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