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Canadian Entrepreneurship at a Glance

Figure 1 encapsulates this report and summarizes the results for the different indicators (phases) in the entrepreneurial process across Canada. These results are reviewed, explained, detailed and expanded upon in the different sections of the report. Generally speaking, we can say that the entrepreneurship situation in Canada has improved since all the indicators are higher in 2010 than they were in 2009 (see Appendix 3 for the 2009 indicators).

- We see that 11.2% of Canadians intend to start a business (entrepreneurial intention) at some point in their lives.
- However, only 4.6% of Canadians were actively involved in creating a business (entrepreneurial venture) in the past year.
- A total of 10.1% of the Canadian population owns a business.
- However, there were more closures (6.7% in 2010) for a variety of reasons – personal, financial, retirement, etc.

Highlights

Entrepreneurial activity by region

- Western Canada (Alberta/British Columbia) leads the way in entrepreneurial intentions (16.9% of the population), followed by central Canada (Ontario and Manitoba/Saskatchewan), with the Atlantic provinces and Quebec bringing up the rear (Figure 2).
- The ranking of the Canadian regions is the same for entrepreneurial ventures and ownership as for intentions.
- Three of the four indicators of entrepreneurial activity (intention, venture and closure) increased between 2009 and 2010, a situation that may be partly attributable to the economic crisis. In fact, the largest growth took place in the Canadian regions most affected by the crisis (Alberta/British Columbia and Ontario) while there was little change in Quebec and eastern Canada last year. This widened the gap between those regions and the rest of Canada.
- It is logical, however, that there was little change in entrepreneurial ownership. A year is too short a time to really impact on ownership, since potential owners must first make the decision to become entrepreneurs, then develop their business plan, find financing, etc.

Anatomy of the Canadian entrepreneur

- A man
- Between 35 and 54 years of age
- Created his first business between the ages of 25 and 44
- Well off financially
- More educated than the general population
Anatomy of the serial entrepreneur

- Approximately one in seven entrepreneurs in Canada
- A man
- Usually between the ages of 18 and 54

Anatomy of entrepreneurs who want to grow and innovate

- Entrepreneur who wants to innovate:
  » A man
  » At least 35 years old
  » With more than 10 employees

- Entrepreneur who wants to grow:
  » A man
  » Between 18 and 34
  » Priority requirement is financial resources
  » With more than 10 employees

INTRODUCTION

In February 2009 the Fondation de l’entrepreneurship developed and launched the largest Canadian survey on entrepreneurship to date. The aim was to measure the entire entrepreneurship “food chain” (entrepreneurial culture, entrepreneurial intention, venture process, current ownership, entrepreneurial succession, business closure, etc.). The survey, which was conducted with the help of Léger Marketing, is a reliable source of information on Canadian entrepreneurial activity. It was repeated in March 2010 to measure developments in entrepreneurship in the past year.

This report focuses on the data collected in March 2010 and is presented this year by the Business Development Bank of Canada (BDC). When it is useful to do so, the figures are compared to the results obtained in 2009 to illustrate a trend. We therefore present a detailed analysis of Canadian entrepreneurship with separate consideration given to the behaviours of would-be entrepreneurs, current entrepreneurs, and those who have closed a business in Canada. Most of the figures concerning the entrepreneurial process are based on the perceptions and opinions of Canadians directly involved in it (venturers, business owners, etc.). This is new information, which complements existing information from other sources. It is also important to bear in mind that this report focuses not on the businesses, as the majority of surveys do, but on the entrepreneurs.

We begin by analyzing each phase of the entrepreneurial process (intention, venture, ownership, closure) in separate sections of the report. Then we analyze serial entrepreneurship, before looking more closely at the issues of growth and innovation. Appendix 1 outlines the methodology that guided the study and report, and in Appendix 2 we analyze Canadian entrepreneurial activity from different angles, such as by gender, age, income and education of the entrepreneur. Lastly, Appendix 3 contains a chart summarizing Canadian entrepreneurial activity in 2009.
Table 2: Definitions of the indicators used in the report

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention</td>
<td>Alone or with others, you intend to create a new business or take over an existing business</td>
</tr>
<tr>
<td>Venture</td>
<td>In the past 12 months, alone or with others, you took steps to create a new business or take over an existing business (e.g. look for equipment or a location, organize a team to start the business, develop a business plan, begin to save money, or take other actions that would help start a business)</td>
</tr>
<tr>
<td>Ownership</td>
<td>Alone or with others, you currently own a business</td>
</tr>
<tr>
<td>Closure</td>
<td>You have closed or ceased operating a business selling goods and/or services that you used to own and manage (not including sales)</td>
</tr>
</tbody>
</table>

Canadian Entrepreneurial Activity in 2010

1. Entrepreneurial intentions on the rise in Canada

To measure entrepreneurial intentions in Canada, we analyzed the proportion of the population intending to create or take over a business, as well as the timeline within which they planned to take action and the main reasons for becoming an entrepreneur.

1.1. Economic crisis stimulates the desire to start a business

In 2009 Alberta led the way with 10.4% of the population intending to start a business. The other regions obtained similar results, ranging between 6.3% and 6.8% of their population, for a Canadian average of 7.0%.¹ For 2010, Figure 3 shows that 11.2% of Canadians indicated their intention to start a business some time in their lives, which is a significant increase.

Figure 3: Proportion of the Canadian population intending to start a business by region (2010)

- It would appear that a common theory about entrepreneurship, namely that a difficult economic situation can stimulate entrepreneurship, applies to the Canadian situation.

¹ See Figure A4 in Appendix 3 summarizing Canadian entrepreneurial activity in 2009.
As we emerge from the economic crisis, we see that more Canadians living in the regions most affected by the crisis (Alberta/British Columbia, Manitoba/Saskatchewan and Ontario) intend to start a business than those living in less affected regions, such as Quebec and eastern Canada.

- We also see the biggest jump in entrepreneurial intentions in the most affected regions.
- In the regions less affected by the economic crisis, we still see an increase in entrepreneurial intentions in the Atlantic provinces while there was no change in the results for Quebec. However, the gap between Quebec and the other provinces has widened since 2009 (see Figure A4 in Appendix 3).

### 1.2. Intention to start a business sooner

Figure 4 indicates that:

- 20.5% of adult Canadians intending to start a business plan to do so in the next year.
- Over 70%\(^2\) of these intentions could become reality in the next three years, while nearly 90%\(^3\) have a planned horizon of five years.
- The timeline for start-up shortened in 2010. Compared to 2009, there are more intentions with a horizon of one year, and fewer with a horizon of more than five years.

### 1.3. Increase in opportunity entrepreneurship

People have different reasons for intending to start a business.

- Table 3 shows that the majority (57.3%) of Canadians who want to start a business want greater independence and freedom, 45.3% want a higher standard of living and income, and 44.4% want to take advantage of a business opportunity.
- Two other reasons are important to Canadians intending to start a business, namely being their own boss (29.4%) and not having any other options in terms of being able to work (7.7%).

As expected, as we emerge from a difficult economic situation there has been a slight increase in necessity entrepreneurship since 2009, but, more importantly, there has been significant growth in opportunity entrepreneurship, which also accounts for the intention to act sooner.

### 2. Constant increase in Canadian venture efforts

After entrepreneurial intention, next in the entrepreneurial process comes the effort to create, take over or buy a business, such as looking for equipment and a location, drawing up a business plan, etc.

---

\(2\) \(50.7 + 20.5 = 71.2\%\)

\(3\) \(50.7 + 20.5 + 18.3 = 89.5\%\)

\(4\) Multiple choice question allowing respondents to indicate more than one reason, which explains why the total exceeds 100.0%.
2.1. Decline from west to east

In 2009, 3.2% of the Canadian population on average had taken steps to start a business in the previous 12 months (see Figure A4 in Appendix 3). Figure 5 shows that in 2010 this figure rose to 4.6% in Canada as a whole. Once again, western Canada (Alberta/British Columbia) led the way, followed by central Canada (Ontario and Manitoba/Saskatchewan), Quebec and, lastly, the Atlantic provinces.

- Once again we see the impact of the economic crisis, not only in helping to increase entrepreneurial intentions, but also in triggering the move to take action.

2.2. Twice as many recent venture efforts

For how long have venturers been trying to create or take over a business?

- 53.7% of Canadian venturers who were active in the past year actually started these efforts within the past year.

In the past year more Canadians took concrete action, and once again a possible explanation is the economic crisis. In fact, in 2010 twice as many venturers had initiated their venture efforts in the preceding year than in 2009.

- 37.6% of venturers have been trying to develop or take over a business for the past one to three years, while 4.9% have been doing so for four or five years. Lastly, 3.8% of venturers have been trying for more than five years or could not say for how long they have been doing so. These involve businesses that are more complex to develop (e.g. high tech or high value-added businesses, businesses in

\[ 1.3 + 0.2 + 2.3 = 3.8\% \]
transition, etc.), or the venturers are dragging their feet, in which case these potential businesses are unlikely to materialize.

2.3. Predominance of the retail, IT/computers, and construction sectors

Table 4 shows the sectors favoured by venturers, which points to the future of Canadian entrepreneurship.

The retail sector (15.4%) is very popular with venturers, as are information technologies and computers (11.1%), construction (9.5%), and the professional and business services (6.5%) sector. This is different from the previous year, mainly because more than 50.0% of current venture efforts began within the past year.

- Also, the popularity of some sectors with venturers rose:
  - Construction (9.5%)
  - Agriculture, fisheries, forestry and mining (6.0%)
  - Finance, insurance and real estate (5.3%)

- The IT/computers sector was the target of 11.1% of Canadian venturers. This is a significant increase over 2009.

2.4. Slightly more inexperienced venturers

Have Canadian venturers started other businesses in the past or is this their first entrepreneurial experience?

- Figure 7 shows that this is the first entrepreneurial experience for 55.2% of Canadian venturers, compared to 43.4% who have some previous experience. In 2009 there were equal numbers of venturers with and without experience (50.0% each). Thus in 2010 there is a slightly larger proportion of venturers without experience, which could also be an effect of the economic crisis, persuading people without experience to take a chance.

2.5. Money and time: two obstacles to business creation

We also asked Canadian venturers about the main obstacles to creating or taking over a business.

- Table 5 shows that 63.4% of venturers admit that current financial obstacles (lack of personal savings, lack of financing) can be an obstacle to creating/taking over a business, and 35.2% are worried about future financial obstacles (fear of going into debt, of losing a regular income, etc.).

In short, money is a major obstacle to business creation in Canada. The significance of financial obstacles may also be due to the credit crisis, which occurred before and during the recession.

- 33.2% of venturers also mentioned time as being a constraint on business creation, since it is a process that requires a lot of time and has an impact on family life, leisure time, etc.

---

**Table 4: Main industries or sectors targeted by current Canadian venturers (2010)**

<table>
<thead>
<tr>
<th>Industry or sector</th>
<th>CAN (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail trade</td>
<td>15.4</td>
</tr>
<tr>
<td>Information technologies and computers</td>
<td>11.1</td>
</tr>
<tr>
<td>Construction</td>
<td>9.5</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>6.5</td>
</tr>
<tr>
<td>Agriculture, fisheries, forestry and mining</td>
<td>6.0</td>
</tr>
<tr>
<td>Culture</td>
<td>5.7</td>
</tr>
<tr>
<td>Finance, insurance and real estate</td>
<td>5.3</td>
</tr>
<tr>
<td>Health services</td>
<td>4.3</td>
</tr>
<tr>
<td>Distribution/wholesale trade</td>
<td>3.7</td>
</tr>
<tr>
<td>Transportation, communications and public services</td>
<td>3.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.9</td>
</tr>
<tr>
<td>Education and social services</td>
<td>2.7</td>
</tr>
<tr>
<td>Engineering, accounting, research and management</td>
<td>2.1</td>
</tr>
<tr>
<td>Other†</td>
<td>17.7</td>
</tr>
</tbody>
</table>

---

6 Note: The figures do not add up to 100.0% because there were other possible answers, less favoured by venturers.

7 In the “Other” category, the following sectors were identified most often by respondents: food services, hairdressing, consulting and restaurant industry.
• 21.4% of venturers think that a lack of expertise and know-how is an obstacle to business creation, which corroborates the previous finding that more than 55% of venturers do not have experience. Technical assistance, mentoring, coaching, training and networking could all be effective ways to reduce this problem.

• Lastly, 14.0% of venturers think that they will encounter administrative, legal or tax complexities that are an obstacle to creating/taking over a business in Canada. The possible failure of the business was also mentioned by 12.5% of the venturers.

3. Status quo for Canadian business owners

After making the effort to start a business, they are now owners: actual entrepreneurs!

3.1. Decline in owners from west to east

Figure 8 shows that 10.1% of Canadians currently own a business, a similar situation to that in 2009.

• The proportion of the population owning a business is still higher in western Canada and it declines from west to east.

• Quebec is now in last place since the Atlantic provinces rebounded. Quebec is also the only province to have a smaller proportion of owners in 2010 than in 2009.

• We cannot see any impact of the crisis on this indicator, which makes sense since the situation was measured barely a year ago, a short amount of time to make the decision to start a business, take action and actually create it.

3.2. Canada has a large core group of businesses that survive

Does this entrepreneurial activity generate lasting businesses and add to the core group of entrepreneurs and businesses (Figure 9)?

• 6.4% of entrepreneurs have owned their businesses for less than a year, while 16.3% have been owners for between one and three years. This means that more than one in five entrepreneurs (22.7%)...
have still not successfully completed the critical first three years of operations.

• 10.7% of Canadian entrepreneurs have owned their businesses for four or five years. In total, therefore, 33.4% of entrepreneurs have still not made it through the next stage – five years of survival – which, from what we know of entrepreneurial activity, is critical.

• 21.9% have had their businesses for between six and ten years, while 44.4% have been owners for more than ten years. All in all, there has been very little change in the length of ownership since 2009.

Canada is conducive to business survival, since 66.3% have made it through the critical first five years of operations.

### 3.3. Consistency between targeted and actual sectors

Table 6 shows the main industries or sectors in which Canadian business owners operate.

- As shown in Table 6, the retail trade is still the most popular sector, with 9.0% of the owners.
- Next come finance, insurance and real estate (8.8% of owners), the construction industry (8.4%), information technologies and computers (6.5%), then engineering, accounting, research and management (6.3%), most of which are value-added sectors. These are followed by the agriculture, fisheries, forestry and mining sector (6.2%), manufacturing (5.5%), and professional and business services (5.3%), which are still important in Canada.
- Compared to venturers, there is a certain consistency in the owners’ ten main targeted sectors. However, the cultural sector and information technologies (and computers) are more preponderant among venturers than owners, while the engineering and manufacturing sectors are more common among owners than venturers.

### 3.4. Most entrepreneurs do not have any export experience

To expand our understanding of Canadian entrepreneurship, we asked business owners whether they sold their products and services outside Canada. Figure 10 shows that 28.9% of the owners do. In other words, slightly less than one-third of business owners have export experience.

### 4. Rising number of business closures

Again this year, while businesses were created in Canada, others closed their doors. In this section we quantify and analyze the closures in terms of the number of years of operation and reasons for closure.

#### 4.1. Declining closures from west to east

Figure 11 shows that 6.7% of Canadians said they had closed a business, compared to 5.4% in 2009. We should note, however, that these closures

---

9 The category “Other” contains the following sectors identified more often by respondents: training, management, hotel and restaurant industry.
were not necessarily due to bankruptcies, which have decreased in number in recent years, according to BDC. There are a variety of reasons for these closures, as detailed in section 4.3.

Once again, the impact of the economic crisis is perceptible. While we did not see any major differences between the Canadian regions in 2009, in 2010 there was a much higher increase in the number of closures in western Canada, and the rates decline from west to east. For Quebec and the Atlantic provinces, which were less affected by the crisis, the rates were similar in 2009 and 2010.

4.2. One in two entrepreneurs survived for five years before closing the business

We will now look at the average life span of businesses closed by Canadians. In 2009, 34% of Canadian closures took place before the fourth year of operations, while 49% of the closures occurred before the sixth year.

- In Figure 12 we see that 7.1% of businesses were closed before a full year of operations, and 27.7% did not make it past the first three years. A total of 45.6% of entrepreneurs could not keep their businesses going longer than five years. There are better results this year than in 2009, however, in terms of making it through the critical first three and five years of operations.
- In all, 23.7% of businesses closed after six to ten years of operations, while 27.6% lasted longer than ten years. That means that just over 50% of entrepreneurs (51.3%) managed to keep their businesses going for more than five years. It also means, however, that nearly 50% suffered a setback before the sixth year of operations.

4.3. Over 50% of closures directly attributable to business leader

Why did these entrepreneurs have to close their doors? Table 7 shows the three main reasons given by Canadians who closed a business. They were personal (26.9%), financial (17.8%) and retirement (17.7%), and these three reasons together account for 62.4% of closures.

---

10 $7.1 + 20.6 = 27.7\%$
11 $7.1 + 20.6 + 17.9 = 45.6\%$
Looking more closely at the data in Table 7, we see that more than half of the reasons for closure directly related to the business leader (personal reasons, retirement, another job), while 28.3% of the reasons were business-related (financial reasons, lack of clients, competition too strong). Barely 7.5% of the reasons for closure were contextual (lack of support).

Closures related to the business leader’s reasons (about 50% of the closures that occurred in Canada) such as retirement, finding another (paid) job or other personal reasons, may be difficult to mitigate with strategies supported by the socioeconomic players in the region. However, specific actions could be taken to reduce closures for business-related (e.g. financial) and contextual (e.g. lack of support from peers) reasons.

5. Canada can count on serial entrepreneurs

5.1. Half of venturers are serial entrepreneurs

This section discusses serial entrepreneurs, and documents their situation. Who are they? They are entrepreneurs who are actively involved, i.e. go further than intention, in more than one phase of the entrepreneurial process (venture, ownership, closure).

Of the 43.4% Canadian venturers not involved in their first start-up experience (Figure 7), some had experience in pre-start-up (seed) situations while others had actually started businesses, including some which they still owned.

Figure 13 shows that 34.6% of experienced venturers had successfully started another business, while 59.8% had started between two and four other businesses. Lastly, 3.0% had started five or more. These are therefore serial venturers (but not yet serial entrepreneurs), with experience in turning business ideas into reality. This is an important lever for Canadian entrepreneurship.

In total, 97.4% of experienced venturers had officially created another business at some point in their lives.

Did these venturers create existing, lasting businesses or have they ceased operating these businesses?

- Figure 14 shows that more than 40% of these venturers no longer own any of the businesses created in the past.
- However, 36.9% of them still own one business, 18.4% still own two to four businesses, while 0.8% own five or more.

---

12 There were other options (rarely chosen as reasons for closure by respondents) in the questionnaire that are not shown in the table (e.g. victim of fraud, going back to school, etc.), which explains why the total does not always add up to 100.0%.
13 The “Other” category contains mainly the following reasons for closure: moving, divorce, bankruptcy, illness and disagreement with partners.
14 \( 34.6 + 59.8 + 3.0 = 97.4 \% \)
Thus, more than 50%\(^{15}\) of experienced venturers who had officially started another business in the past still own at least one business. These are not only venturers with experience, they are entrepreneurs and, what’s more, they are serial entrepreneurs. Once again, they constitute a powerful lever for Canadian entrepreneurship and valuable models to be admired.

From the evidence of the preceding figures that many current venturers had started a business in the past and that some still own one or more businesses, serial entrepreneurship is unquestionably an important economic lever for Canada. Therefore, in the rest of this section we will develop as specific a profile as possible of Canadian serial entrepreneurs.

5.2. About one in seven entrepreneurs in Canada is a serial entrepreneur

- In Figure 15 we see that 85.3% of Canadians involved in the entrepreneurial process (venture, ownership, closure) are involved in only one phase. These entrepreneurs are not yet serial entrepreneurs.
- The rest, i.e. 14.7%\(^{16}\) (about one in seven entrepreneurs), are serial entrepreneurs. Of these, 13.5% are active in two phases (e.g. owns a business and worked on starting another in the past year, had closed a business but is starting another, or still owns one business but had closed another). Only 1.2% of entrepreneurs are active in all three phases (venture, ownership and closure).

Serial entrepreneurship involves about one in seven entrepreneurs in Canada, or 14.7%. These are entrepreneurs who enjoy developing ideas and projects and turning them into a business. They will often sell a business once it is generating enough income, and then invest their energy in founding another. This group is an important lever of creativity, innovation and wealth for Canada.

5.3. Serial entrepreneurship involves more men than women in Canada

- An analysis of Table 8 shows that women are more active in only one phase of the entrepreneurial process (excluding intention) than men (88.2% versus 83.5%).
- However, for serial entrepreneurs (involved in two or more distinct phases), there are slightly more men (16.5%\(^{17}\)) than women (11.8%\(^{18}\)).

Thus we see that the trend towards serial entrepreneurship in 2010 involves more men than women in Canada.

However, if we include entrepreneurial intentions (not shown in Table 8) in the analysis of serial entrepreneurship, there are no significant differences between men and women. This means that women who are or were active in the entrepreneurial process intend to try again, but do not move

\[^{15}\] (36.9 + 18.4 + 0.8) X 97.4% of experienced venturers had officially started another business in their lives = 54.6%
\[^{16}\] 13.5 + 1.2 = 14.7%
\[^{17}\] 14.8 + 1.7 = 16.5%
\[^{18}\] 11.3 + 0.5 = 11.8%
from intention to real action. This also supports the finding that women entrepreneurs are less ambitious, especially in terms of growth, as we shall see in section 6.3.

5.4. Most serial entrepreneurs are between 18 and 54 years of age

We continue this analysis of serial entrepreneurship by looking at the age of entrepreneurs active in more than one phase of the entrepreneurial process, excluding entrepreneurial intention, since this does not necessarily entail actual pre-start-up actions. Is there a correlation between serial entrepreneurship and the age of the entrepreneurs?

- While 28.0\%\(^\text{19}\) of 18-34 year-olds are active entrepreneurs in at least two phases, 18.3\%\(^\text{20}\) of 35-54 year-olds versus only 8.4\%\(^\text{21}\) of entrepreneurs aged 55 and over are involved in more than one phase.

Table 9 shows that there are more serial entrepreneurs aged 18 to 54, which is excellent news for the future of entrepreneurship.

- This table also shows that significantly more entrepreneurs between 35 and 54 years of age are active in all three phases (2.3\%) than 18-34 year-olds (0.7\%) and those 55 and over (0.3\%).
- We also see that serial entrepreneurship involves young people aged 18 to 34 as well as entrepreneurs aged 34 to 54 in Canada.

6. Canadian entrepreneurship: highly growth-oriented

As we did for serial entrepreneurship, in this section we will develop as specific a profile as possible of innovation and growth in Canadian entrepreneurship.

6.1. More entrepreneurs hiring at least ten employees in the future

How big are businesses run by Canadian owners? In addition to the current number of employees, this section measures the growth potential of these businesses by the number of employees they expect to have within five years.

- In Figure 16 we see that 58.0\% of current owners have one to three employees, and 21.4\% provide employment for four to ten people. In total, therefore, nearly 80\% (79.4\%\(^\text{22}\)) of Canadian entrepreneurs currently have between one and ten employees. This means that most businesses owned by Canadian entrepreneurs are micro or small.

\[\text{27.3} + 0.7 = 28.0\%\]
\[\text{16.0} + 2.3 = 18.3\%\]
\[\text{8.1} + 0.3 = 8.4\%\]
\[58.0 + 21.4 = 79.4\%\]

Table 9: Serial entrepreneurship by age across Canada (2010)

<table>
<thead>
<tr>
<th>Number of phases</th>
<th>18-34 (%)</th>
<th>35-54 (%)</th>
<th>55 and over (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 phase</td>
<td>72.0</td>
<td>81.7</td>
<td>91.6</td>
</tr>
<tr>
<td>2 phases</td>
<td>27.3</td>
<td>16.0</td>
<td>8.1</td>
</tr>
<tr>
<td>3 phases</td>
<td>0.7</td>
<td>2.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Figure 16: Number of current jobs (full-time and part-time) created by owners (2010)
• When we analyze Figure 17, we see that micro and small businesses will remain very common among Canadian entrepreneurs in the next five years. A total of 68.2%\(^{23}\) of Canadian entrepreneurs hope to hire ten people at most in the next five years. In short, 11.2%\(^{24}\) of entrepreneurs who currently have ten human resources at most hope to hire more than ten employees in the next five years.

• Similarly, a total of 17.6% of entrepreneurs currently have more than ten employees, and 20.3% hope to hire the same number in the next five years. All told, this is an increase of about 15%\(^{25}\).

• The frequency of the “Don’t know” answer shows a lack of planning or at least of medium-term vision. We should point out that the survey questionnaire gave the owners predetermined ranges to choose from (did not ask for a specific number). Despite that, over 11.4% of entrepreneurs could not say how many employees would make up their workforce in five years.

To summarize, in the next five years we may expect to see an increase of about 15% in the number of business owners hiring more than ten employees.

6.2. Greater desire to grow than to innovate

Small business owners in Canada were asked about their desire to grow their businesses and invest in innovation.

• Figure 18 shows that 37.5% expressed a desire to invest in innovation.

• 57.8% said they wanted to grow, in terms of the number of employees, total sales, through acquiring a business or parts of other businesses, etc. However, more than one in four entrepreneurs (25.9%) do not want to grow. In total, 2.2\(^{26}\) times as many entrepreneurs say they want to grow as those who want to maintain the status quo.

• Once again, the frequency of the “Don’t know” answer was a feature of the analysis. More than one in five entrepreneurs (22.3%) could not say whether they wanted to invest in innovation, and 16.3% of business owners could not make any predictions about the growth of their business.

6.3. Desire to innovate much stronger among men

• From our analysis of the desire to innovate by gender, it is clear that men are much more ambitious in this regard than women: 45.9% of the men entrepreneurs want to invest in innovation versus barely 22.8% of the women (twice as many men as women).

• 64.0% of the men business owners are considering growing their businesses, compared to 46.9% of the women (1.4 times as many men as women).

\[^{23}\] 45.7 + 22.5 = 68.2%
\[^{24}\] 79.4 – 68.2 = 11.2%
\[^{25}\] (20.3 – 17.6) / 17.6 x 100 = 15.3%
\[^{26}\] 57.8 / 25.9 = 2.2
All told, the desire to invest in innovation and growth is much stronger among men than women in Canada. Could this also be why women are responsible for fewer business closures (see Figure A1 in Appendix 2)? Do women take fewer business risks, relying more on their own knowledge and being less willing to “stick their necks out” through innovation?

### 6.4. Innovation synonymous with experience and growth synonymous with youth

We will now analyze the desire to innovate and grow in terms of the age of Canadian entrepreneurs.

- 26.3% of young entrepreneurs envisage investing in innovation, compared to 35.7% of those 35-54 years old and 41.6% among the 55-and-over age group. Table 11 thus shows that the desire to invest in innovation increases with the age of the business owner.

- Conversely, young entrepreneurs are more driven by a desire to grow their business (71.2% of 18-34 year-olds) than their older counterparts (53.2% among the 55-and-over group).

In short, innovation makes much more sense to older entrepreneurs, while young entrepreneurs focus mainly on growing their business.

### 6.5. Entrepreneurs’ desire to grow and innovate increases with the number of employees

Table 12: Desire to invest in innovation and grow the business by size of the business (2010)

<table>
<thead>
<tr>
<th>Desire</th>
<th>% with 1-3 employees</th>
<th>% with 4-10 employees</th>
<th>% with more than 10 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>33.7</td>
<td>57.8</td>
<td>68.0</td>
</tr>
<tr>
<td>Growth</td>
<td>61.7</td>
<td>71.3</td>
<td>85.9</td>
</tr>
</tbody>
</table>

- Table 12 shows that there is less desire to invest in innovation among entrepreneurs with one to three employees (33.7%), while it is much more prevalent among entrepreneurs with more than ten employees (68.0%).

- The desire to grow the business also increases with the number of employees, from 61.7% for entrepreneurs with one to three employees to 85.9% for business owners providing more than ten jobs.

Table 12 thus shows that the desire to invest in innovation, like the desire to grow, increases steadily as the number of employees increases.

### 6.6. Importance of human and financial resources for growth

Obviously, different resources are needed to enable owners to grow.

- Figure 19 shows that 44.8% of entrepreneurs think that human resources are needed to grow their organization, while a similar percentage think financial resources are just as necessary (42.7%).
• Physical resources (land, buildings, vehicles, equipment, supplies, inventory, etc.) are necessary for growth according to 12.1% of Canadian entrepreneurs. In other words, entrepreneurs think that human and financial resources are much more essential to growth than physical resources.

• Although not shown in the preceding figure, men entrepreneurs in particular indicated that human resources are necessary (51.5% of men compared to 33.1% of women entrepreneurs).

6.7. Younger owners need money, older owners need people

This analysis points up an interesting relationship between the age of Canadian business owners and the resources they consider essential to grow their business.

• Most younger owners (18-34) mention financial resources (70.0% of young entrepreneurs), but the importance of financial resources declines as the age of the entrepreneur rises (45.4% of entrepreneurs aged 35 to 54, and 34.5% of entrepreneurs in the 55-and-over age group).

• Conversely, human resources are considered most important by older entrepreneurs (48.6% of entrepreneurs 55 and over, and 44.2% of entrepreneurs aged 35 to 54). In short, the importance of human resources increases with the age of the business owner.

Younger entrepreneurs primarily need financial resources to grow their business, and this importance declines as they get older, to be gradually replaced as a priority by human resources. We have already seen that more young entrepreneurs want to grow their business than their older counterparts, so financial resources will be vital in supporting the growth of Canadian businesses.

• Figure 20 shows that 44.1% of Canadian owners think it is difficult to access the resources needed to grow. However, 41.9% of entrepreneurs say these resources (especially financial and human) are easy to access. Although not shown in the preceding figure, there was no significant difference between men and women in terms of the difficulty of accessing the resources needed to grow. This, therefore, does not account for why women are less enterprising in this regard.

• According to Table 14, difficulty accessing the resources needed to grow the business declines with the entrepreneur’s age. While 62.7% of young entrepreneurs have difficulty accessing these resources, only 37.0% of those aged 55 and over have the same difficulty.

Having seen a link between the importance of financial resources for younger entrepreneurs and the importance of human resources for older entrepreneurs, it appears that financial resources are more difficult to access than human resources for the growth of Canadian businesses, since more young entrepreneurs have the desire to grow.

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27 Multiple choice question allowing respondents to indicate more than one reason, which explains why the total exceeds 100.0%.
28 Multiple choice question allowing respondents to indicate more than one reason, which explains why the total exceeds 100.0%.
6.8. Money and time: obstacles to business growth

Still looking at business growth, Table 15 shows that most of the main obstacles to growth are the same as the obstacles to business creation (money and time).

- Current financial obstacles (mentioned by 28.1% of the owners) as well as future financial obstacles (cited by 21.6% of the owners) remain a major obstacle to business growth, hence the importance of financing.
- Lack of time is the most important hindrance to growth (30.3% of the owners). Could this be one reason for women's lack of desire to grow, since work/life balance is often more important to these clients?
- Age is much more of an obstacle for owners who want to grow (25.3%) than for venturers who want to create or take over a business (which is consistent with the previous finding that the desire to grow declines with age). Conversely, a lack of expertise and know-how is less of a barrier to growth (5.3%) than it was for creating/taking over a business.
- We should note that some entrepreneurs simply do not want to grow (17.3%), and that 13.7% of business owners do not see any obstacle to business growth, a larger percentage than in the creation phase.
- Administrative, legal or tax complexities are perceived as a hindrance to growth for 10.1% of Canadian owners, while the possible failure of the business is a potential obstacle for 7.6% of current owners. Lastly, a lack of support from peers was noted as an obstacle to growth by 5.1% of the owners. These obstacles are less important than in the creation phase.

Table 16 shows that the main obstacles to business growth are the same, regardless of the number of employees working for the entrepreneur. Current finances, future finances, time and age are the main obstacles for entrepreneurs, no matter how many employees they have. However, we see that current and future financial obstacles are systematically more important for entrepreneurs with four to ten employees (34.4% and 27.2% respectively).

- We also see that a lack of interest in business growth declines with an increasing number of employees (from 17.2% for the 1-3 employees category to 3.1% for the more-than-10 employees category). In short, the desire to grow increases with growth!
- The perception that there are no obstacles to business growth declines with the number of employees (from 21.1% for the 1-3 employees category to 11.5% for the more-than-10 employees category). Thus, entrepreneurs hiring more human resources recognize the complex nature of growth. As the number of employees increases, the possible failure of the business also appears less and less as an obstacle to growth.

Table 15: Main obstacles to business growth according to the owner (2010)

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>% of owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty finding the time to do the necessary work (impact on home life)</td>
<td>30.3</td>
</tr>
<tr>
<td>Current financial obstacles</td>
<td>28.1</td>
</tr>
<tr>
<td>Age</td>
<td>25.3</td>
</tr>
<tr>
<td>Future financial obstacles (fear of going into debt, of losing a regular income, etc.)</td>
<td>21.6</td>
</tr>
<tr>
<td>No interest in growing the business</td>
<td>17.3</td>
</tr>
<tr>
<td>Administrative, legal or tax complexity</td>
<td>10.1</td>
</tr>
<tr>
<td>Possible failure of the business</td>
<td>7.6</td>
</tr>
<tr>
<td>Lack of expertise, know-how</td>
<td>5.3</td>
</tr>
<tr>
<td>Lack of support from peers</td>
<td>5.1</td>
</tr>
<tr>
<td>No obstacles</td>
<td>13.7</td>
</tr>
<tr>
<td>Lack of human resources, succession</td>
<td>0.0</td>
</tr>
</tbody>
</table>

29 Multiple choice question allowing respondents to indicate more than one reason, which explains why the total exceeds 100.0%.
Table 16: Main obstacles\(^{30}\) to business growth according to the owner by number of employees (2010)

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>% with 1-3 employees</th>
<th>% with 4-10 employees</th>
<th>% with more than 10 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty finding the time to do the necessary work (impact on home life)</td>
<td>24.1</td>
<td>26.8</td>
<td>24.4</td>
</tr>
<tr>
<td>Current financial obstacles</td>
<td>28.6</td>
<td>34.4</td>
<td>22.3</td>
</tr>
<tr>
<td>Age</td>
<td>27.8</td>
<td>13.7</td>
<td>27.6</td>
</tr>
<tr>
<td>Future financial obstacles</td>
<td>23.1</td>
<td>27.2</td>
<td>20.7</td>
</tr>
<tr>
<td>(fear of going into debt, of losing a regular income, etc.)</td>
<td>17.2</td>
<td>9.4</td>
<td>3.1</td>
</tr>
<tr>
<td>No interest in growing the business</td>
<td>10.8</td>
<td>8.5</td>
<td>16.2</td>
</tr>
<tr>
<td>Administrative, legal or tax complexity</td>
<td>9.3</td>
<td>8.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Possible failure of the business</td>
<td>4.6</td>
<td>1.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Lack of expertise, know-how</td>
<td>8.0</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Lack of support from peers</td>
<td>21.1</td>
<td>13.2</td>
<td>11.5</td>
</tr>
<tr>
<td>No obstacles</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Lack of human resources, succession</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

\(^{30}\) Multiple choice question allowing respondents to indicate more than one reason, which explains why the total exceeds 100.0%.
CONCLUSION

This profile of Canadian entrepreneurship in 2010 contains some good news about entrepreneurial activity in Canada. We found an increase in entrepreneurial intentions and active ventures in the past year, both indicative of a brighter entrepreneurial future. And we believe that the economic crisis in 2009 played a positive role. The Canadian regions most affected by the difficult economic situation (western Canada and Ontario) now show the most activity in terms of entrepreneurial intentions and venture efforts. While the difficulties experienced in these regions resulted in more closures, these changes in the economy in turn stimulated plans for entrepreneurship, especially opportunity entrepreneurship. As yet, however, we cannot determine the real impact on current business owners, actual entrepreneurs. We should note that Canadian entrepreneurship was last measured in 2009 (see Appendix 3) and a year is very little time to start a business and get it operational, since it must first be planned, developed, etc. Nevertheless, it seems clear that Canadian entrepreneurship is more active from west to east.

This profile also enabled us to quantify and characterize serial entrepreneurs, who are a powerful lever for Canadian economic development. Serial entrepreneurs are actively involved in more than one phase of the entrepreneurial process (venture, ownership, closure) and have moved beyond the phase of intending to start a business. Serial entrepreneurs are mainly between 18 and 54 years old and are primarily men. About one in seven entrepreneurs in Canada meets this definition, showing that some entrepreneurs have a more highly developed profile that goes beyond the basic requirements for managing a business. They enjoy adapting to a changing environment, responding to new needs, developing new ideas; in short, they are creative, a fundamental characteristic of entrepreneurship.

Another aim of the analysis was to provide a new source of information to further examine aspects essential to burgeoning entrepreneurship: innovation and growth. We can now state that the desire to grow (in terms of number of employees, external growth, etc.) is present in many Canadian entrepreneurs, and more prevalent than the desire to invest in innovation. Men are more motivated by these aspects than women. While young entrepreneurs focus their efforts on growth, older entrepreneurs are more driven to innovate. Younger ones also express a greater need for financial resources, while older ones consider human resources more important. In this sense, financial resources will be even more important in the future, since youth is synonymous with entrepreneurial renewal and younger entrepreneurs are mainly responsible for the desire to grow, the most important motivation in Canada.

Lastly, since our analysis considered socio-demographic factors, we can say that men are still very much in the majority among Canadian entrepreneurs, and that there are more entrepreneurs in the 35-54 year-old age group. The analysis also shows that Canadian entrepreneurs are more educated than the general population, and that entrepreneurship generates more personal income than that typical of the general population.
LIMITATIONS OF THE ANALYSIS

First we should note that the primary data for this analysis came from a survey on Canadian entrepreneurship in 2010, which enabled us to quantify each phase of the process (intention, venture, ownership, closure) on a regional basis. In order to maintain the excellent margins of error in the overall analysis, we were unable to drill down to do a regional analysis. Nevertheless, we believe that we have identified the main entrepreneurship trends in Canada and the different regions.

Furthermore, we believe that entrepreneurship is first and foremost a personal matter, which is why we surveyed current and future entrepreneurs rather than businesses. This obviously results in disparities with other entrepreneurship studies that focused on businesses. For example, our data would count co-owners of a business as two entrepreneurs, while an approach based on organizations would count only one business in such a case.

Lastly, we decided to exclude the self-employed from this analysis. Naturally, including them could change the ranking of the Canadian regions, since some regions have larger percentages of self-employed workers than elsewhere in Canada.

In conclusion, while this report presents a very optimistic profile of Canadian entrepreneurship, some regions of Canada (Alberta/British Columbia, Ontario) are quite different from others (e.g. Quebec, Atlantic provinces and Manitoba/Saskatchewan). It would be useful to repeat the analysis dealing with each of these regions separately rather than combining them as we were obliged to do for this report. Lastly, the figures for Alberta are particularly interesting, even though we had to combine them with the figures for British Columbia to be within the margins of error.
REFERENCES


APPENDIX 1: METHODOLOGY

The study entitled Canadian Entrepreneurship Status 2010, presented by the Business Development Bank of Canada, was based on an Internet survey of a sample of English- and French-speaking Canadians aged 18 and over. The respondents came from a Léger Marketing panel of Internet users from across Canada.

Data collection was from March 2 to 25 2010. The questionnaire took 16 minutes to complete on average.

Using Statistics Canada data, the results were weighted by province, gender, age, education and language spoken at home to make the sample representative of the entire adult population of Canada.

To reach the 2,077 respondents involved in the entrepreneurial process, Léger Marketing surveyed 10,605 respondents (not including self-employed workers31). From these 10,605 respondents we were able to determine the four main study indicators (entrepreneurial intention, venture, ownership and closure), expressed as a percentage of the population. For a probabilistic sample of 10,605 respondents, the maximum margin of error would have been ±0.95%, 19 times out of 20.

The survey was conducted with 2,077 respondents (not including self-employed workers). For a probabilistic sample of 2,077 respondents, the maximum margin of error would have been ±2.15%, 19 times out of 20.

Léger Marketing is a Gold seal Certified Member of the Marketing Research and Intelligence Association (MRIA) of Canada, and the survey was conducted in full compliance with all the quality standards and ethical guidelines of MRIA and ESOMAR (European Society for Opinion and Marketing Research). Compliance with an International Code, jointly issued by ESOMAR and the International Chamber of Commerce, guarantees a high level of professionalism on the part of all members of the Association.

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31 For the purpose of this survey and study, a self-employed worker is defined as one person working for him/herself for one client.
APPENDIX 2: CANADIAN ENTREPRENEURIAL ACTIVITY: DIFFERENT ANGLES TO THE ANALYSIS

To expand and improve on the picture of Canadian entrepreneurial activity, in this section we look more closely at different aspects of Canadian entrepreneurship. Using certain socio-demographic parameters, our analysis points up factors that provide additional explanations for the various findings arising out of the data analysis.

Entrepreneurship still predominantly male

We see that entrepreneurship in Canada was still predominantly male in 2009. However, there is less of a gap in 2010.

- As shown in Figure A1, women still have a way to go for their weight in the entrepreneurial process to correspond to their share of the Canadian population. However, they worked on it in the past year!

In 2009-2010 the gap between men and women narrowed, especially in entrepreneurial intentions and venture efforts. Nevertheless, Canadian entrepreneurship remains very much the province of men.

Entrepreneurship strongest among the 35-and-over age group

Apart from women, there is another important client group for Canadian entrepreneurial development: young people! In 2009 a majority of individuals intending to start a business were aged 18 to 34, while those aged 35 and over were more active in business. Can we count on an active succession in 2010 (Figure A2)?

- 35-54 year-olds now account for nearly 40% of entrepreneurial intentions, not the under-35s (16.3%). It was also surprising to find the 55-and-over age group accounting for 44.0% of entrepreneurial intentions.

- Venture efforts are mainly the initiative of the 35-54 age group (60.1%). The proportion of ventures initiated by younger people declined substantially, while those initiated by the 55-and-over age group increased slightly.

- Many owners in Canada are between 35 and 54 (47.2% of the owners), while 44.2% are 55 and over.

- 58.0% of business closures were experienced by entrepreneurs now aged 55 or over, which is a larger proportion than last year.

- Youth entrepreneurship in Canada slowed between 2009 and 2010, with fewer young people intending to start a business and fewer being active in ventures and ownership. This is therefore not the client group that the crisis stimulated; on the contrary, the figures tend to show that the crisis stifled it.
• The 35-54 age group continues to be well represented in each phase of the entrepreneurial process. In fact its members were better represented in entrepreneurial intentions and ventures, and their record improved in closures. In short, Canadian entrepreneurship, today and tomorrow, is very much in their hands.

• Entrepreneurial intentions expressed by the 55-and-over age group increased substantially during the year, which leads us to believe that this client group was the most affected by the difficult economic situation (job losses). However, the move from intention to action remains to be seen, contrary to closures, more and more of which occurred in the 55-and-over group – which again raises the issue of entrepreneurial succession.

Majority of first entrepreneurial experiences occur between the ages of 25 and 44

We were also interested in how old Canadian business owners were when they started their first business.

• Table A1 shows that 28.4% of first business start-ups were done by people between the ages of 25 and 34, closely followed by the 35-44 age group (26.0%). Given these statistics, we wonder about the financing available for the 35-44 age group, since it is very active in starting a first business. The same could be said of the 45-54 age group, since 19.7% of the first experiences in starting a business occurred in that age group.

• 9.3% of the entrepreneurs started their first business between the ages of 55 and 64, while 2.4% did so at over 65 years of age, which means that 11.7% of first start-ups were done by people over 55. Clearly, not all Canadians aged 55 years and over want to retire, and this age group should not be ignored! Its members often have more savings than younger entrepreneurs and a lot more experience in their target industry or sector.

Entrepreneurs well off financially

Next we looked at the financial situation of Canadian current and future entrepreneurs. Is entrepreneurship a career valued by the better or worse off? Are entrepreneurs richer than the average population? The figures presented in Table A2 are based on gross personal income.

• Table A2 indicates that fewer people involved in the entrepreneurial process earn less than $20K/year (between 9.3% and 15.0%) than among the general population (19.5%).

• There are systematically more business owners who earn more than $80K/year compared to people involved in the other phases of the entrepreneurial process and the general population. In short, entrepreneurship is a good way to get richer in Canada. Moreover, the number of people earning less than $80K/year declines as they get further ahead in the entrepreneurial process.
Table A2: Canadian entrepreneurial process by gross personal income (2010)\(^{32}\)

<table>
<thead>
<tr>
<th>Personal income</th>
<th>Intention (%)</th>
<th>Venture (%)</th>
<th>Ownership (%)</th>
<th>Closure (%)</th>
<th>All respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20K</td>
<td>15.0</td>
<td>16.4</td>
<td>9.8</td>
<td>9.3</td>
<td>19.5</td>
</tr>
<tr>
<td>20K – 39.9K</td>
<td>21.5</td>
<td>15.5</td>
<td>14.5</td>
<td>23.4</td>
<td>18.9</td>
</tr>
<tr>
<td>40K – 59.9K</td>
<td>16.0</td>
<td>16.2</td>
<td>14.2</td>
<td>20.0</td>
<td>14.6</td>
</tr>
<tr>
<td>60K – 79.9K</td>
<td>13.8</td>
<td>14.0</td>
<td>12.5</td>
<td>15.4</td>
<td>11.6</td>
</tr>
<tr>
<td>80K – 99.9K</td>
<td>7.5</td>
<td>6.6</td>
<td>8.4</td>
<td>5.6</td>
<td>6.9</td>
</tr>
<tr>
<td>100K – 150K</td>
<td>8.8</td>
<td>10.5</td>
<td>10.8</td>
<td>3.1</td>
<td>5.1</td>
</tr>
<tr>
<td>150K and over</td>
<td>3.5</td>
<td>8.6</td>
<td>9.4</td>
<td>4.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Refused to answer</td>
<td>13.9</td>
<td>12.2</td>
<td>20.4</td>
<td>18.6</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Educated entrepreneurs

Figure A3 shows the education level of Canadian entrepreneurs in 2010.

- In 2010, people involved in the entrepreneurial process are more educated than the respondents as a whole, since more have a university degree.
- More business owners have a university degree (53.7%) than the respondents as a whole (39.8%) and than others involved in the entrepreneurial process.
- Starting at the post-secondary level, the ratio of closures/owners drops off. This indicates that the more education business owners have, the less likely they are to have to close a business.

\(^{32}\) Some respondents refused to answer this question, which explains why the figures do not always add up to 100.0%.
## Appendix 3: Entrepreneurial Process in Canada in 2009 at a Glance

### Figure A4: Population involved in the entrepreneurial process across Canada (2009)

**Intend to start a business in:**
- Less than 1 year: 1.1%
- 1-5 years: 4.8%
- 6-10 years: 0.9%
- More than 10 years: 0.0%
- Don't know: 0.2%

**Have been involved in creating or taking over a business for:**
- Less than 1 year: 0.8%
- 1 year: 1.1%
- 2 years: 0.4%
- 3 years: 0.4%
- 4 years: 0.1%
- 5 years: 0.4%

**Have owned a business for:**
- Less than 1 year: 0.6%
- 1-5 years: 2.7%
- 6-10 years: 1.9%
- More than 10 years: 3.4%
- Don't know: 0.1%

**Closed a business that lasted:**
- Less than 1 year: 0.4%
- 1-3 years: 1.5%
- 4-5 years: 0.8%
- 6-10 years: 1.1%
- More than 10 years: 1.4%
- Don't know: 0.2%
<table>
<thead>
<tr>
<th>Duration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
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<tr>
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<tr>
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<td>More than 10 years</td>
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<tr>
<td>Don't know</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Canada