A Path Forward for Entrepreneurship in Canada

September 2014
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As Canada’s largest and most influential business association, we are the primary and vital connection between business and the federal government. With our network of over 450 chambers of commerce and boards of trade, representing 200,000 businesses of all sizes, in all sectors of the economy and in all regions, we help shape public policy and decision-making to the benefit of businesses, communities and families across Canada.

Be heard.
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ACKNOWLEDGEMENT

This project was possible because nearly 70 entrepreneurs took several hours away from their businesses to share their perspectives with us. The Canadian Chamber of Commerce is very grateful to them for doing so. We hope the progress we make in improving the environment for them and other entrepreneurs will demonstrate that their time was well-invested.

We also thank the members who came together to form the advisory group that guided our work on this project by providing financial support and/or their knowledge and facilitating skills. The group was chaired by Dr. Peggy Cunningham, Dean of the Faculty of Management, Dalhousie University, and included entrepreneurs who were able to relate to other entrepreneurs’ concerns and provide their firsthand insights. Other advisory group members were:

- Peter Conrod, Vice-President, Client and Business Strategy, RBC
- Merv Gunter, Chairman, Frontiers North
- Barry Lorenzetti, President, CEO and Founder, BFL CANADA
- Robyn Matsumoto, Director, Marketplace Services, Deloitte
- Peter Matutat, Partner, BDO Canada LLP (Vice-Chair)
- Scott Walton, Chief Executive Officer, Enovex Technology Ltd.
- Mike Watson, Principal, Wazuku Advisory Group Inc.

Dr. Elizabeth Cannon, President of the University of Calgary and a new member of our Board of Directors, hosted and facilitated our roundtable in that city. The spring of 2014 was particularly difficult for the University of Calgary, and we are particularly grateful to Dr. Cannon for her, and her university’s, support for this project.

Lastly, we would like to thank the local and provincial chambers that assisted us in reaching out to entrepreneurs in their regions/cities.
Entrepreneurs and entrepreneurial companies represent a sizeable proportion of our membership at all levels. Entrepreneurship is important to Canada’s competitiveness. Our productivity, and the innovation that is so closely linked to it, continues to lag behind our international competitors. Canada needs more entrepreneurs and it needs to help current entrepreneurs not only survive, but thrive.

The Canadian Chamber is committed to supporting a vibrant economy and contributing to growth, trade and prosperity for Canadian businesses. The roundtables summarized in this report were a tool to help identify the issues faced by high-growth entrepreneurs and the areas where the Canadian Chamber can bring value to them.

It is clear from our consultations that there are many ways these remarkable entrepreneurs could be better supported. Some of that support will likely be provided by the Canadian Chamber’s focused advocacy towards the federal government. But there are also many references in this report to services that entrepreneurs could use, whether provided by government, organizations such as the Canadian Chamber of Commerce and its members, or educational institutions. This report provides a basis to examine who can help and how.

What is new and exciting?

The roundtables shed light on new trends as well as previously identified issues in the entrepreneurial space:

- Access to capital has been, and will always be, an issue for entrepreneurs. Several entrepreneurs we spoke with were unaware of how to track down sources of funding provided by governments. However, finding early stage capital is not the only issue. Fast-growing businesses continue to be challenged in finding the specific kinds of funding (like commercialization support) they require. Designing a system of incentives that expand private capital options is an issue the Canadian Chamber of Commerce will be exploring in the near future.

- Connections amongst businesses, universities and colleges to leverage their expertise and facilities have risen to the top of the agenda. Dalhousie University, The University of Calgary and The University of British Columbia (Okanagan) all took a keen interest in the project, demonstrating their commitment to participate in, and their recognition of, the importance of entrepreneurship.
• The isolation of entrepreneurs, once their biggest “taboo”, is now being expressed openly. The value of convening and sharing expertise to build scale and scope is key. Finding mentors to help in expanding businesses internationally or stimulate and assist entrepreneurs’ ability to meet requirements of procurement for large infrastructure and other government initiatives, possibly by encouraging the formation of alliances, consortia or partnerships—rather than sprinkling money here and there—are part of today’s reality.

• The review of the public policy agenda to recognize and take into consideration the specific needs of this very unique group of entrepreneurs—those five per cent of Canada’s high-growth SMEs creating 45 per cent of new jobs.

• And more.

How can the Canadian Chamber of Commerce assist?

Entrepreneurs are a unique group of individuals. They are described as passionate, learners, and leaders. They are eager to work with the Canadian Chamber, their local chambers and other organizations. There is no doubt that the current situation in Canada can be improved for them. The Canadian Chamber will take the information it has just gathered, continue collecting data, and with its powers of research, advocacy and convening, will determine how to use it in a constructive way to enhance the capability for entrepreneurial success in Canada.

I am confident that working together, we can continue to make the Canadian Chamber the go-to organization for all business and government alike.

I wish to thank the members of the advisory group led by its chair Dr. Peggy Cunnigham, Dean, Faculty of Management, Dalhousie University, and its Vice-Chair, Peter Matutat, Partner at BDO Canada LLP, as well as the permanent team of the Canadian Chamber of Commerce for embarking on this crucial initiative to Canada’s economy and entrepreneurs.

Richard Payette, FCPA, FCA
Chair of the Canadian Chamber of Commerce
CEO Americas, BDO International Limited
We want to sincerely thank the entrepreneurs who took half a day away from their thriving businesses to advise us on what Canadian entrepreneurs need to be more successful. While the entrepreneurs we spoke with raised various challenges and opportunities at the different roundtables held across the country, the degree of coalescence, literally from coast-to-coast, around key themes was striking. Perhaps this was as much of a function of the people themselves—indeed, independent, resourceful, driven, unafraid of failure—as the issues and opportunities they raised.

All agreed that Canada needs a strategy for high-growth, entrepreneurial companies. This is not surprising given entrepreneurs’ understanding of how public policy (including taxation, labour programs and financial/technical assistance) affects the two types of capital every business needs to succeed: financial and human. Most acknowledged the value of federal programs for entrepreneurs, but also emphasized the bureaucracy often associated with them as a key concern that diminishes the intended benefits.

The entrepreneurs we met with shared the view that, just as government has an opportunity to get more value from its support programs by streamlining them and better communicating them, the education system (at all levels) must turn away from a sole focus on educating/training students to work for others into inspiring students to seize the opportunities entrepreneurship presents. We also heard that many entrepreneurs are eager to break down domestic trade barriers while simultaneously taking their businesses to international markets. Their fearlessness is remarkable, and they are prepared to “go it alone” if government help is not apparent.

Finally, these business people shared the view—again perhaps because of who they are—that entrepreneurs can help themselves, those they employ and the competitiveness of our economy. One of the two essential elements of the path forward for them is that the federal government put a range of tools in place that meet their varying needs and then let the market decide whether they succeed or fail. The second element is for entrepreneurs to help each other.

It was a pleasure for us to work with other members of the advisory group on this project and inspirational to meet with so many talented, motivated and successful entrepreneurs.

Dr. Peggy Cunningham
Dean, School of Management, Dalhousie University

Peter Matutat
Partner, BDO Canada LLP
EXECUTIVE SUMMARY

The leaders of the high-growth, entrepreneurial firms the Canadian Chamber met with in August 2013 as well as in May and June 2014 outlined a broad range of challenges they face and the key public policies that influence their success. There were several intriguing themes that emerged that warrant action and/or more examination:

• The need for a national strategy for high-growth SMEs that maximizes the return on tax dollars by focusing on companies that will keep jobs and innovation in Canada and on the bridge between innovation and commercialization.

• Providing clearer paths to private and public sources of capital; i.e., the capital is there but finding it can be very difficult/too complex and time-consuming.

• Expanding the capital space with incentives for angel investors who tend to have a longer-term perspective and invest themselves as well as their money.

• A tax system that penalizes success and encourages a “take the cheque” mentality when you reach a certain size.

• The need for mentorship and help in expanding internationally.

• The need for the federal government to punish specific companies that abuse its programs rather than punishing the business community as a whole.

• A comparison of successful versus unsuccessful (as measured by new firms being created) entrepreneurship programs within high schools, colleges and universities across Canada.

Entrepreneurs are our job creators. The government needs to listen to them and assist them to continue to grow/create jobs by making policy tools and programs available to them that address the elements critical to their on-going success.

Streamlining/simplifying federal programs

The federal government needs to examine the multiple, complex programs offered through several departments to:

• Communicate the nature, criteria and benefits of programs more effectively

• Streamline the number and focus of the programs it offers

• Make it easier for entrepreneurs to access, report on and manage them

Access to capital/taxation

While there are a number of support programs focused on early start-ups and innovation, there are very few programs to specifically support companies in commercialization.

The government should direct financial incentives specifically to smaller entrepreneurial firms that are demonstrating success in fast-growing sectors that are likelier to create more jobs more quickly and keep them here.

Crown corporations that provide capital to businesses need to focus on meeting the needs of the entrepreneurs they were created to serve; i.e., those businesses that private financial institutions find too risky. Entrepreneurs often perceive them as competing against private financial institutions.
Regional economic development agencies play a valuable role in providing capital to entrepreneurs, however, the lag time between application and approval is too long (a year in one example) for many entrepreneurs and the review/reporting process they require of entrepreneurs is cumbersome.

Several entrepreneurs feel that the current earnings limit ($500,000) for eligibility for the 11 per cent small business tax rate is too low, penalizes success and should be increased. This is consistent with the Canadian Chamber’s position that the small business limit should increase to $1,000,000.

We also heard that the federal government needs to direct some incentives (tax credits and/or matching funds) towards angel investors as they have a longer-term perspective and invest themselves—as well as their money—in the companies they support.

**Helping entrepreneurs expand into international markets**

The Trade Commissioner Service (TCS) was highly praised, but it is not well known. The federal government needs to be more assertive in reaching out to entrepreneurs. Some entrepreneurs have “gone it alone” in foreign markets due to not knowing about the services offered by the TCS. Entrepreneurs would find more co-ordination of trade missions between the federal and provincial/territorial governments helpful.

**Human capital**

The federal government needs to nuance its responses to punish employers who abuse programs, for example, the Temporary Foreign Worker Program, rather than punishing entire sectors of the economy. The complexity of our immigration system often makes it difficult for entrepreneurs to get international talent into Canada. This can result in businesses hiring sub-optimal talent or re-locating outside of Canada to where the talent is located. Employment Insurance (EI) needs to be less attractive in regions where there is a seasonal economy. Some employers in Atlantic Canada find they are competing against EI to keep employees.

The education system may diminish the entrepreneurial spirit. The focus of some post-secondary education needs to shift away from educating students for big business and government to enabling students to manage risk, build their own ventures and take innovations within universities to commercialization. Employers, universities and colleges need to work together, at the same time, more. Understanding what works and what fails in existing entrepreneurship programs in colleges and universities needs to be supported and successful programs supported and rewarded.

An entrepreneurial apprenticeship concept for business students should be considered. There should be more encouragement for students to try entrepreneurship during co-op work terms. Other essential skills should also be developed such as sales, business development, writing and speaking clearly as well as critical thinking.

The difficulty in finding and retaining skilled trades people is the product of the continued stigma in Canada associated with pursuing a trade rather than an academic-focused post-secondary education. This must change.

**Federal procurement**

Several entrepreneurs that had participated in federal government procurement processes have the perception that too many contracts are awarded to foreign companies. There is a perception that smaller Canadian companies have to be foreign or prove themselves in a foreign market before the federal government will look at them. These entrepreneurs said the federal government needs to be more upfront in communicating the criteria for potential suppliers (e.g., sales volumes, previous contracts, order fulfillments, revenue and customer growth) so smaller companies can “lose early and move on.”
Role of the Canadian Chamber of Commerce

Some of the participating entrepreneurs suggested the Canadian Chamber of Commerce and its allies could play a role in improving the environment in which they operate.

Given that the Canadian Chamber is essentially an advocacy organization focused on the federal government, it is not surprising that entrepreneurs said they would benefit from the Canadian Chamber:

• Acting as a communications channel for businesses regarding government programs/support available to entrepreneurs via a streamlined, simplified process

• Getting in early on consultations regarding issues that affect business (e.g., regulation). “There is an awesome group of people willing to give them a reality check on the impact of government policies.” – Calgary entrepreneur

Several entrepreneurs we spoke with also suggested that growth-oriented businesses could benefit from programs designed to help them in key areas:

• Mentoring and networking opportunities to connect, share ideas and seek/obtain advice, particularly at “pinnacle” moments (While some entrepreneurs felt that a mentorship program need not be formal, others admonished that a mentorship program should be designed carefully, vetting both mentors and protégées and demanding accountability and commitment from both, up to and including the mentor having a vested/financial stake in the protégées’ business.)

• Facilitating connections between entrepreneurs/innovators and established companies that might wish to act as:
  o “living labs” or early adopters of new products, technologies, services
  o advisors to young or new entrepreneurs or those expanding internationally
  o partners or allies in pursuing RFPs, etc.

• Supporting local organizations to develop outreach to schools to encourage students to consider becoming entrepreneurs

• Assisting entrepreneurs to connect with potential sources of capital (in government and private sector) and to “talk the same language” as prospective investors
INTRODUCTION

Canada’s small- and medium-sized enterprises (SMEs) punch above their weight in their contribution to Canada’s economy. According to Industry Canada, more than 98 per cent of the country’s nearly 1.2 million small and medium businesses have less than 100 employees, yet they employ nearly 70 per cent of our workforce. When businesses with 100 to 499 employees are added, SMEs employ just shy of 90 per cent of Canadians.

“Individually, SMEs aren’t sexy but they sure are together. We create most of the jobs in this country.”
Kingston-based entrepreneur

Many people believe SME owners and entrepreneurs are one and the same. Entrepreneurs have distinct common characteristics.

Industry Canada defines entrepreneurship as, “a process that starts with someone—the entrepreneur—recognizing an opportunity to create something new.” The Organisation for Economic Co-operation and Development (OECD) defines entrepreneurial activity as, “enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.”

Less than five per cent of Canada’s SMEs are “high-growth” yet Industry Canada found they created 45 per cent of new jobs in 2012. Another misconception is that high-growth SMEs are restricted to the tech sector. High-growth SMEs are located across all sectors of the economy.

Canada’s 500 fastest growing companies created the equivalent of nearly 34,000 new full-time jobs over the past five years and contributed $18.5 billion to the national economy. Entrepreneurial companies face serious challenges that they must overcome to succeed. Industry Canada data indicates that 80 per cent of SMEs (1-499 employees) that entered the market place from 2007-09 survived one year, while nearly 72 per cent survived two years.

As the Voice of Canadian Business™, the Canadian Chamber of Commerce strives to shape federal public policy and decision-making to the benefit of businesses, communities and families across Canada. In August 2013, the Canadian Chamber held its initial roundtable to explore how it could best support entrepreneurs. In May and June 2014, the Canadian Chamber extended this initiative and undertook discussions across the country with entrepreneurs who lead fast-growth, high-potential SMEs. Its objective was to identify the challenges these businesses face and the opportunities they anticipate to determine if and/or where the Canadian Chamber could make the most effective contribution to assist these firms.

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1 Key Small Business Statistics, August 2013, Industry Canada
3 The Organisation for Economic Co-operation and Development (OECD) defined high-growth firms as those with average annualized growth rates greater than 20 percent per year, over a three-year period, and with 10 or more employees at the beginning of the period. (Key Small Business Statistics, August 2013, Industry Canada)
4 Key Small Business Statistics, July 2012, Industry Canada
5 Ibid.
6 Profit 500: Canada’s Fastest Growing Companies, Canadian Business Magazine, July 2014
7 Key Small Business Statistics, August 2013, Industry Canada
The criteria for the entrepreneurs we sought to meet with included:

- Canadian-owned, privately-held companies
- Annual revenues of >$2 million, or $3-5 million in financing
- An annual revenue growth rate of >25 per cent
- Demonstrating one or more of the following:
  - innovation, including new ways of working
  - product and service development, including introducing new products or enhancing existing ones
  - expansion into new domestic or international markets
  - leadership through reason and instinct to grow the business

We held seven roundtables and obtained the perspectives of 70 entrepreneurs whose businesses spanned many sectors of our economy. We also spoke individually with entrepreneurs who were not able to attend our roundtables but still wished to share their perspectives with us. The business people we met with led companies that are at various stages of the entrepreneurial continuum; i.e., early-stage but growing quickly, mid-stage and mature.

We asked these entrepreneurs to consider:

- What conditions/factors either enabled their business to grow or prevented it from doing so?
- To what extent does government policy influence their business’ ability to expand and grow?
- What challenges does their business face?
- Are there challenges to growth they do not face today, but anticipate facing in the next few years?
- What growth opportunities they saw for their business either regionally, nationally or internationally?
- What needs to change for their organization to grow the way they want it to/believe it has the potential to?
- Keeping in mind the Canadian Chamber of Commerce’s mandate to advocate on behalf of Canadian businesses to shape federal policy, do they believe it can assist entrepreneurs to overcome any of the obstacles they face and/or leverage opportunities on their behalf?

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8 Toronto (August 2013); Vancouver (May 9); Halifax (May 26); Winnipeg (June 5); Calgary (June 9); Montreal (June 16); Toronto (June 25)
Recognizing the importance of SMEs and entrepreneurs as an economic driver, fueling economic growth and prosperity in Canada, the Canadian Chamber of Commerce hosted a roundtable in Toronto that brought together a small group of entrepreneurs from across Canada. The desired outcome for the session was to set the context for a more expansive consultation by identifying challenges and opportunities in the entrepreneurial space that the Canadian Chamber could potentially address through its powers of convening, advocating and researching.

The eight entrepreneurs at this roundtable provided insights into the challenges and opportunities of being an entrepreneur, raising several themes that were repeated by their counterparts at the 2014 roundtables.

The lack of entrepreneurial culture in Canada and an aversion to risk

An entrepreneur needs to be comfortable taking risks, said these entrepreneurs. Canada needs entrepreneurs to drive innovation in order to drive its economy, and businesses need to be led by innovation, job creation and scalability. Businesses also need to continuously respond to the needs of the market.

Participants added that thousands of “bright young minds” are graduating from our schools every year but have “zero” entrepreneurial knowledge or skills to start a business. We are not providing students with the best opportunity to be successful, they said.

These entrepreneurs also said the non-entrepreneurial culture also manifests itself in government bureaucracy where risk aversion and avoidance of public backlash tends to rule the day.

There was significant commentary that entrepreneurialism is not celebrated in Canada. In fact, many participants said they believe a fear of failure (and the reverse—a failure to celebrate success) is a common trait in Canadian culture, which is counter to other jurisdictions where entrepreneurs are expected to fail on the path to achieving success.

There was no quick fix identified for this. However, building entrepreneurial skills in schools and celebrating entrepreneurialism were raised as opportunities.

Access to capital for growth

Most of the comments we received at this roundtable were about access to capital. The entrepreneurs provided specific examples of having successfully gone outside of Canada for capital. This raises the question of whether entrepreneurs are having difficulties accessing financing in Canada due to lack of capital and funders or due to a lack of knowledge on how to access it.

The importance of leadership

Leadership is essential in running a successful business, but these entrepreneurs told us that few leaders have the unique ability to work “around the business, not in the business.” Strong leaders need to build a sense of purpose, recognize their weaknesses and build a strong team around them. In addition, they said, leaders are the ones who need to make the tough decisions in order to move the business forward.

Each of the entrepreneurs had stories of leadership to share. It became evident that entrepreneurial leadership has different attributes from those in other
SMEs. Specifically, entrepreneurial leaders tend to tolerate ambiguity and demonstrate a much higher willingness to seek partnerships to succeed, they said. There was a level of humility within this group that allows them to be comfortable seeking support when they know the challenges facing their businesses fall outside of their skills set.

The challenge of achieving scale and expanding into global markets

Since the recession, competition has become extremely intense in the United States. American companies have made great headway expanding into international markets, these entrepreneurs said, and Canadians need to look beyond our borders and figure out what international markets are suitable and how to break into them. This is especially the case for the tech sector in Canada with its relatively small market.

These entrepreneurs also said achieving scale requires partnerships and collaborations. We heard numerous examples of how incubators were successful in fostering growth for entrepreneurs.

Strengthening management skills to obtain higher level procurement contracts

Entrepreneurs, especially those seeking major procurement contracts, need support to compete with established larger companies. Small businesses and start-ups are often unaware of what skills are needed to seize future opportunities, let alone have the resources to improve them, said these entrepreneurs. It is important to invest in professional development to stay competitive, they said, but doing so is often a huge challenge for growing firms. They said their situation would be improved by reducing red tape and encouraging buying local/supporting small businesses.

The need for mentorship/university/college partnerships

There are many benefits entrepreneurs can gain from relationships with universities, colleges, established business owners and other entrepreneurs. There is an opportunity, these entrepreneurs said, for an organization like the Canadian Chamber to provide these types of connections for start-ups.

Like their counterparts at the other roundtables, these entrepreneurs expressed dismay that Canada’s world-class, publicly-supported, post-secondary education system is not benefiting its economy as it could and should. They said there is a “chasm” between academia and business that needs to be solved by universities, colleges and businesses working more closely together more often.
The entrepreneurs who attended this roundtable led companies in environmental and financial services, real estate/property management, specialty manufacturing and healthcare consulting. They attributed their businesses’ success to their abilities to capitalize on opportunities, learn from failures and be courageous.

**Access to capital**

Not surprisingly, the issue of access to capital was one of the key themes of the discussion, as it was at the other roundtables. Entrepreneurs in Vancouver said they found knowing where to find sources of capital (particularly from the federal government) and how to access them is a continuing problem. While several acknowledged that the federal government has several programs in place to assist entrepreneurs,² business people at all of the roundtables said the excessive bureaucracy/red tape involved with applying for and, if successful, administering them is a burden. For some, it comes down to the choice of risking their businesses’ day-to-day operations to invest the time and effort to access government programs.

Another public policy issue related to financial capital raised by Vancouver entrepreneurs was that our graduated tax system penalizes financial success and innovation. Several entrepreneurs said they felt the innovation that feeds entrepreneurship would flourish if business taxes were lowered and that this could be made possible by increasing consumption taxes (the GST was mentioned).

³This is not about a reward for effort. We want to focus on how we can make successful entrepreneurs more successful and how to elevate the ‘gazelles’ who have the potential to drive growth in our economy.”

**Vancouver entrepreneur**

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² The most frequently mentioned sources of federal government assistance were the Scientific Research & Experimental Development (SR&ED) Tax Credit, Industrial Research Assistance Program (IRAP), Business Development Bank of Canada (BDC), Export Development Canada (EDC) and regional economic development agencies.
Entrepreneurs: “born” or “made”?

While views on whether or not entrepreneurs are the product of “nature” or “nurture” varied, there was agreement that our education system can have a significant impact on the direction young people take when they enter the workforce.

“Our education system can serve both to foster and to kill the entrepreneurial spirit.”

Vancouver entrepreneur

Entrepreneurs in Vancouver (and elsewhere) agreed that by the time a young person reaches post-secondary education, it is often too late to sow the seeds of entrepreneurship. The importance of education, as early as elementary and secondary school, in nurturing entrepreneurship in young people is critical, they said. There is a feeling amongst entrepreneurs that schools are failing students by focusing on career options where they are employees, rather than employers. Young people need to be exposed to entrepreneurs as early as possible so they know that there are other options for them when they complete their education. Vancouver roundtable participants suggested that bringing entrepreneurs into classrooms, building entrepreneurship into elementary and secondary school curricula as well as mentorship programs would go a long way in addressing this issue.

The isolation of entrepreneurs

Entrepreneurs in Vancouver said entrepreneurship has definite personal and financial rewards. However, they added, it can often be lonely particularly at “pinnacle” moments when critical decisions need to be made. They would, they said, find mentors very helpful at these and other times. Entrepreneurs in Vancouver felt they would benefit from the Canadian Chamber and its member chambers connecting entrepreneurs with mentors locally and throughout the country.
Calgary

The entrepreneurs we met with in Calgary included a serial investor, someone who connects entrepreneurs in the energy sector with sources of capital, as well as those leading businesses in life sciences, pipeline drilling, information technology, home construction, business services and fractional ownership of corporate aircraft.

This meeting was one of several where entrepreneurs told us the federal government needs to put time and energy into developing a national strategy for high-growth companies. It was in Calgary that the need was most succinctly and directly articulated; i.e., the government needs to:

- Define the opportunities for Canada’s economy presented by fast-growth companies
- Determine the issues they face
- Outline an action plan for addressing the issues, with a particular focus on human and financial capital
- Look to other jurisdictions where the path from innovation to commercialization is short, for example, Israel and Silicon Valley, for ideas regarding tools to keep fast-growing companies growing

Human Capital

Entrepreneurs at all of the roundtables told us talent is just as important to fast-growth companies as money. While the need is indisputable in the minds of entrepreneurs, how to attract and retain the talent they need varies amongst them. While some entrepreneurs felt they needed to look outside of Canada for the talent they require, others at this roundtable felt homegrown talent would be easier to find if businesses and educators—post-secondary education institutions were mentioned in particular—worked more closely together in research and development and, just as importantly, nurturing the curiosity and open-mindedness often required of entrepreneurs. The level or type of education is not so much an issue as are the attitudes and essential business skills with which graduates enter the work place.

“What I’ve never been able to understand is why our education system – beginning in grade one – doesn’t teach children to buy something for $1, add value to it and sell it for a profit.”

Calgary entrepreneur

“Without the money and right people in place a business isn’t going to grow.”

Calgary entrepreneur

Some entrepreneurs said that sometimes employees with advanced degrees can be a disadvantage to them as they “can come with an attitude” that is not helpful in moving their businesses forward.

Like entrepreneurs elsewhere, the business people we spoke with in Calgary were watching for the changes to the Temporary Foreign Workers Program (TFWP) (which had yet to be announced when we spoke with them) carefully. From scientists to skilled trades people, being able to continue bringing employees in from outside Canada is critical to their ability to stay in business, let alone grow.
Financial capital

An entrepreneur who helps early-stage companies find capital said “conventional banks” will not touch early-stage businesses unless they have cash flow or assets, he said. This leaves companies with two alternatives: private financing or going to the public markets. The latter option, he said, is “the worst choice you could possibly make.” This is because most of these young companies’ timelines are too long to meet the quarterly results targets demanded by public markets. He added that, while there is a lot of private capital available (up to $1 trillion in Canada), the challenge entrepreneurs face is knowing where private funds are in their (usually 10-year) life cycle. This determines how much time the entrepreneur will have to provide a return to the fund before it is sold. It is for this reason that his firm has a permanent fund.

The federal SR&ED and IRAP10 programs were thought of positively and seen as helpful. The entrepreneurs we spoke with in Calgary agreed with those elsewhere that other sources of capital supported by the federal government, including the Business Development Bank of Canada (BDC)11 and regional economic development agencies12, have the potential to fill the gap for early-stage financing that other financial institutions will not touch, particularly for early- and mezzanine-stage financing.

That said, entrepreneurs in Calgary and elsewhere commented that BDC often seems to be competing with private financial institutions13 and is too conservative to invest in tech and life sciences. Entrepreneurs here, and elsewhere, also said there is a blurring between the capital spaces filled by BDC and private sector financial institutions.

“There is a really strong role for BDC as a catalyst for SMEs – if they were structured to do that. They seem to be continually trying to compete with the banks. They seem to have lost their identity a bit.”

Calgary entrepreneur

One Calgary entrepreneur said he had recently seen a demonstration of where BDC can shine when a fast-growth company obtained financing from it and was then able to go to the venture capital market. “This is exactly the role it should be playing,” he said.

10 The Scientific Research and Experimental Development (SR&ED) Investment Tax Credit was introduced in the 1980s and provides an incentive to Canadian businesses to conduct research and development (R&D) in Canada that will lead to new, improved or technologically advanced products or processes. The majority of Canada’s provinces and territories also provide tax incentives.

It is the Canadian Chamber’s view that because the program utilizes tax credits as opposed to subsidies or other expenditures, it provides a simple and effective approach to supporting innovation. Changes made in 2012 to the SR&ED program, including reducing the credit rate to 15 per cent from 20 per cent and removing capital from the base of eligible expenditures, discriminates against capital-intensive research projects and will reduce the amount of R&D spending in Canada significantly. The Canadian Chamber has asked the federal government to reverse the SR&ED Tax Credit to pre-2012 levels (and index it to inflation) and to not alter it without significant consultation with/ accountability to stakeholders and industry at least a year in advance.

IRAP (The National Research Council Industrial Research Assistance Program) has been in place for more than 60 years and its usefulness is seen as a result of its longevity. IRAP aims to provide technology assistance to SMEs (at all stages) to build their innovation capacity.

11 BDC, a Crown corporation, exists to assist (primarily) SMEs (<20 employees on average) with financing, consulting and (through BDC Capital) venture capital. BDC’s client base tends to be businesses with higher-risk profiles. In addition to working directly with entrepreneurs, BDC also works with start-up incubators. BDC’s interest rates are higher than those of private sector financial institutions.

12 The federal government’s regional economic development agencies are the Atlantic Canada Opportunities Agency (ACOA); Canada Economic Development for Quebec Regions; The Federal Economic Development Agency for Southern Ontario (FedDev Ontario); FedNor serving northern Ontario; The Canadian Northern Economic Development Agency (CanNor); and Western Economic Diversification Canada.

13 BDC agrees this can be the case for businesses that have a risk profile that places them on the bottom end of being eligible for private-sector financing.
Some entrepreneurs have experience in seeking and obtaining financial capital from federal regional economic development agencies. The entrepreneur that had worked with Western Economic Diversification (WED) Canada, said the lag time between applying for assistance and approval is too long—up to a year in her case—and the administration was very cumbersome.

**Penalizing financial success**

Like their counterparts in Vancouver, entrepreneurs in Calgary, said they felt our tax system penalizes their financial success and discourages growth. In many instances, this leads to a “take the cheque” mentality, which sees companies sell off when they get to a certain size.

They suggested, in addition to simplifying the tax system, the small business tax threshold be increased.14

**Expanding internationally**

Some Calgary entrepreneurs told us, due to Canada’s small consumer base, they need to expand internationally to continue growing. Not doing so, thought some, is a major barrier to the growth potential of companies and needs to be considered by more companies as an option.

Entrepreneurs told us they often need “a lot of help” in expanding their businesses internationally, and the federal government is seen as a key source of the assistance required. The value provided by the federal government’s Trade Commissioner Service (TCS)15 was mentioned by businesses that had experience with it. However, several entrepreneurs in Calgary and elsewhere were either unaware of the TCS and/or how to connect with it. Many entrepreneurs suggested the federal government needs to be more active in communicating the TCS and how entrepreneurs can access its services. 16

**Regulation**

Aside from the administrative frustrations several entrepreneurs said they experienced in tracking down, applying for and managing the bureaucracy associated with federal financial assistance programs, federal regulatory oversight was also mentioned as an impediment to their growth. One entrepreneur cited how equipment worth millions of dollars—and identical to others pieces he has purchased—remains stranded while he waits for federal regulatory approval, which can take six or more months. “They basically take our existing forms and add one line,” he said. “There needs to be a culture of service in federal regulation.”

14 It is the Canadian Chamber’s position that the federal government should increase the annual amount of active business income eligible for the reduced (11 per cent) small business tax rate to $1,000,000 from $500,000. Companies that earn between $1,000,001 to $2,500,000 should be taxed at 13 per cent, and businesses that earn $2,500,001-plus at 15 per cent, making it easier for businesses to expand and not make a sudden jump from one tax bracket to a much higher one.

15 The Trade Commissioner Service (TCS) is overseen by the Department of Foreign Affairs, International Trade and Development in 160 cities worldwide. The TCS’ objective is to provide Canadian businesses with on-the-ground intelligence and practical advice on doing business in foreign markets including foreign government contacts, key business leaders, potential clients, sources of finance, intermediaries, etc.

16 The Canadian Chamber has recommended that the federal government take the lead in making it possible for companies to access information on the full range of trade promotion services available from federal and provincial/territorial sources through an online window. Industry Canada’s Canada Business Network, which operates CanadaBusiness.ca as well as a network of regional business service centres, could be used as the platform. A key advantage of this platform is its common brand and the fact that businesses—especially small- and medium-sized enterprises that may not yet have considered international expansion—already use it to access a range of other business services. Federal, provincial/territorial departments, agencies and Crown corporations could provide regular updates of their services to this platform, Turning it Around: How to Restore Canada’s Trade Success, Canadian Chamber of Commerce, May 2014.
The entrepreneurs we met with in Winnipeg led businesses in tourism, online consumer engagement/behaviour tracking, geotechnical/engineering services, fire protection construction/services, cold climate construction, satellite IP data transmission, digital advertising, payroll management and business management services.

They each had experienced turning/inflection points that inspired and/or compelled them to take their businesses in new directions to keep their businesses growing. These new directions included moving away from customized/expensive offerings to ones more standardized and easily/quickly adaptable; merging with other companies to improve risk tolerance; adopting new technologies; serving foreign markets only; working with international partners; moving from venture capital financing to “traditional” banks; using foreign talent; slimming management structures to return to profitability; and re-thinking how to manage clients’ funds in the fallout from the 2008 financial crisis.

The barriers these entrepreneurs identified that inhibit their growth included:

- High airport fees (which make it more affordable for people to drive to North Dakota to fly out of the U.S.) and the relatively few direct flights to/from major international centres into Winnipeg International Airport
- The non-tax costs of doing business, for example permits and other fees
- Internal trade barriers that see differing training, licensing, etc. requirements for businesses operating inter-provincially/territorially
- Federal regulations (the Canadian Anti-Spam Law, CASL, was singled out)
- Canada’s relative weakness in commercializing innovation

These entrepreneurs also saw measures to keep Canadian intellectual property (IP) “at home” — a key condition for enabling their growth. 17

### Access to capital

In keeping with the perspectives of entrepreneurs at the other roundtables, the issue of accessing the “right type” of capital was a key theme of the Winnipeg discussion. While discussions up to this point had focused on venture capital, this was the first discussion in which the “void” of angel investors was a key theme. These entrepreneurs agreed the federal government’s focus is on venture capital investors whose interest tends to be in companies that have potential to grow and become profitable quickly so they can be sold. While venture capital investment is very important, it is not the only way to build a company from the ground up, they said. This group of entrepreneurs also said angel investors, who tend to have a longer-term perspective on investing, can be even more critical to certain types of businesses in sectors where the R&D to commercialization timelines are longer, for example life sciences.

The federal government needs to “innovate in this (angel investor) space,” these entrepreneurs said, as well as create incentives for the private sector banks to do so as well. They suggested a multi-stakeholder approach to angel investing that would see entrepreneurs, government and private sector financial institutions as partners.

17 Former Research in Motion co-CEO, Jim Balsillie, shared this view in a Globe and Mail interview earlier this year. “Canadian business people are missing advanced IP protection skills and that the federal government should be working to … understand how the game is played, particularly in the U.S. and Europe and make sure that companies are trained to thrive in the game. Otherwise, they will become lambs for slaughter … they will never grow and Canada will continue to fall behind…”
Talent

Like their counterparts elsewhere, these entrepreneurs said without the right talent their growth potential is limited. “We need to recruit, motivate and retain the right talent to succeed,” said one entrepreneur.

As in other cities, the disconnect between post-secondary institutions and business, when it comes to the graduates the former is producing, is a frustration. We heard again how there is a shortage of people graduating in the skilled trades and how entrepreneurs need to turn to the TPFWP to fill their talent gaps. This is an unattractive option for some employers; for example, in the construction industry where workers tend to be more transient, due to the costs and administration involved.

Another consistency in what we heard from entrepreneurs in Winnipeg and in other cities was their chagrin at the federal government’s inability to nuance its policies. They cited the federal government’s management of the bad behaviour of a few businesses with sweeping changes to the TPFWP affecting entire sectors of the economy as an example. These entrepreneurs agreed with those elsewhere in Canada that the federal government needs to be able to sanction those employers that are breaking the rules, rather than punishing entire industries or regions.

Entrepreneurs in Winnipeg told us, particularly when it comes to skilled tradespeople, they are often competing with the public sector for talent. When the supply of tradespeople is tight, entrepreneurs often cannot compete with government when it comes to wages, let alone benefits and pensions. “The irony is that not only is business losing talent to government, it is paying for the benefits the government offers that talent,” said one entrepreneur.

The seven-career mentality

One of the entrepreneurs in Winnipeg said young people have been indoctrinated with the “seven-career” mentality. The expectation that whatever job they are now in is only for a few years makes investing in talent risky, expensive and impedes growth. “For me it’s about recruitment, retention and engagement,” said one entrepreneur. “I have to be able to show you that you can stay and move to more complex roles without having to change firms.”

The role of the federal government

Like their counterparts elsewhere, entrepreneurs in Winnipeg found federal assistance programs, while often well-intentioned, were too numerous, spread across too many departments and agencies, too inflexible and too bureaucratic to be as effective as they could be. A major redesign of these programs is needed, they said.

“There are dozens programs overseen by dozens of departments. How is an SME supposed to figure it out?”

Winnipeg entrepreneur

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18 The roundtable in Winnipeg was held prior to the federal government’s June 20, 2014 announcement of massive changes to the Temporary Foreign Worker Program that range from increased fees for employers to caps on the numbers of temporary foreign workers per employer.
Entrepreneurs felt with so many programs across such a breadth of government departments and agencies, it is difficult to know if/how many businesses are benefitting. One entrepreneur suggested that federal funding programs be tied to a business number like that used by the Canada Revenue Agency (CRA). All agreed the government has a significant opportunity to take a more strategic approach to the assistance it offers entrepreneurs, while at the same time, doing a better job of streamlining/aligning its programs and communicating them to SMEs.

We also heard, again, that BDC and federal economic development agencies are competing against private sector banks in some of the entrepreneurial capital space. Entrepreneurs felt this was not appropriate. Taxpayers’ dollars, they said, should be used to capitalize businesses that the private sector will not lend to at higher than market interest rates to compensate for the increased risk. “There is a real opportunity for BDC to fill that gap between the owner/operator relying on friends and family for capital and the business that’s starting to turn a profit,” said one entrepreneur.

The Winnipeg discussion was also the first at which we heard about the issue of a perceived bias in federal government procurement against SME suppliers that must meet different requirements (e.g., risk insurance) than larger firms in order to become suppliers. This discussion was the first at which we heard from entrepreneurs that the federal government needs to put more of its procurement focus on Canadian companies. “The government should be helping SMEs, not putting up barriers,” said one entrepreneur. “There should be a single desk for businesses to deal with.”

“It’s very difficult to do business in Canada,” said one entrepreneur. “Our government is very risk averse. I operate in 40 countries, but have nothing in Canada. As Canadians, we want to be here, but it’s very difficult. It’s very embarrassing to try to sell to clients in other countries, and when you’re asked if you have any Canadian clients, you have to say ‘no.’”

Other entrepreneurs echoed this sentiment, particularly when it comes to certifying technology and life sciences products. “In the U.S., you’ve got 10 times the market, yet the regulatory structure there is much simpler.”

The need for a strategy

Winnipeg entrepreneurs also held the view that the federal government would get better value from the tax dollars it invests in assisting entrepreneurial/fast-growing businesses if there was an overall strategy to do so. “It seems to me that it is based on responding to lobbying rather than where we want to build our strong industries. There needs to be an overall strategy on getting a return on the tax dollars our government is spending, rather than sprinkling money here and there and not getting any concrete results,” said one entrepreneur.

Winnipeg entrepreneurs were the first to tell us the government needs to focus more on supporting homegrown businesses that will keep jobs and innovation in Canada.

“The government needs to ask itself what its fundamental role is in allowing business to move forward. Perhaps rather than handing money out here and there, it needs to really work with business to determine what levers would work best. We are one of the worst countries in the developed world at commercialization. What more proof does the government need that something is wrong?” said one entrepreneur.

The role of post-secondary institutions

Entrepreneurs agreed, while colleges and universities can play a very valuable role in R&D and commercialization, the funding for partnerships should be held by business. “We need to move from giving money to universities, which are the lowest risk of environments. In order to get these researchers doing the work business needs, entrepreneurs need to hold the lever,” said one entrepreneur.
The entrepreneurs who attended our Toronto roundtable (and those we spoke with afterwards) led businesses in the technology, video gaming, HR software, psychological assessment tools, transportation and advanced manufacturing sectors. One of the entrepreneurs is also an angel investor.

When asked what public policy areas they identified most as being barriers to/providing opportunities for their businesses’ growth, their responses were:

- Expanding incentives for attracting capital from angel investors
- Talent
- Tools for businesses wishing to expand internationally

**Tax policies**

One entrepreneur, who is also an angel investor, said the federal government needs to provide entrepreneurs with more opportunities to form partnerships in capital formation. An opportunity is being missed, he said, by federal programs and incentives being focused on venture capital. There is a need to broaden incentives to include angel investors who tend to have a longer-term interest in a business and less of a “make it profitable and sell it” focus. This entrepreneur suggested that tax credits and/or matching funds targeted to angel investors would increase this type of investing in new companies. “Often it’s a question of (a fledgling business) needing more runway,” he said. “Any federal support should let the angel investors do the legwork while recognizing the risks they are taking.”

A 2009 Impact Group study of early-stage, R&D focused firms (based on interviews with the CEOs of firms that had failed and some of their investors) found that the characteristics of those firms that did not succeed included being backed by venture capital with “short-term, aggressive, financial objectives.”

The study also noted that early-stage firms need to be aware of appropriate sources of funding, including “enterprise-experienced angels who invest themselves with their funds.” The study goes on to recommend that, “Venture capital and institutional investors need to be more enterprise-skilled and facilitating or firms should avoid them.”

“A angel investment isn’t dumb money; they (angel investors) bring their talents with them,” said one entrepreneur. “Angels can make a difference and are bridging the gap that venture capital investors used to. Any program to let angels stretch their dollars further would be welcome,” added another.

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19 Understanding the Disappearance of Early-stage and Start-up R&D Performing Firms, Impact Group, September 2009.
20 Ibid.
Another Toronto-based entrepreneur, who also runs a start-up accelerator, said he believes what angel investors need is more partners who have experience in the sector or business they invest in. This same entrepreneur said he believes the federal government needs to be more creative in facilitating debt financing for very early-stage start-ups needing $250,000 to $1 million in capital. Federal programs, he said, focus on start-ups in the $1 million-plus range leaving these very young companies that do not have the assets necessary to obtain bank financing out of luck.

**The “pluses and minuses” of SR&ED**

Entrepreneurs in Toronto, and those at other roundtables, discussed the “pluses and minuses” of the SR&ED Tax Credit. Some entrepreneurs see SR&ED as a means of “keeping them innovating,” which is critical, particularly in the manufacturing sector, which has been “crucified in Ontario for the last few years.” These entrepreneurs, like their counterparts elsewhere, said SR&ED is useful but needs a lot of external support and internal resources to manage. Those entrepreneurs who outsourced the application and reporting process often had a more positive experience compared to those who managed it themselves (the timing ranged from two to 12 months to receive their refunds). “I use SR&ED extensively,” said one entrepreneur, “but I lose 15 to 20 per cent of the value from it because I have to pay someone to manage the process for me.

I also have to tie up a lot of my key talent as part of the SR&ED reporting structure. It’s a pretty arduous process.”

One entrepreneur suggested companies with a track record of obtaining the SR&ED tax credit should be “fast tracked.” Another, who is an extensive user of SR&ED, was disappointed with the changes to the program made in 2012 that eliminate a company’s ability to claim capital expenditures. She believes the changes favour companies in the tech sector at the expense of those in manufacturing.

**Talent**

For one entrepreneur, a major barrier to the growth of his and other companies is university and college graduates who, while knowledgeable in business theory, lack the essential commerce skills of being able to write and speak effectively, think critically and sell. “I’m looking for curiosity, coach-ability and persistence,” he said. “Our education system is failing students in this regard,” said another.

The CEO of an advanced manufacturing company said it is very difficult to find and retain the tool makers and machinists he needs. “We are so reliant on immigration to provide the talent we need,” he said. “This year, we put a request in for apprentices with a nearby college and received zero responses. We need to get into high schools to make students aware of the good living that can be made in the skilled trades by demonstrating what a day in the life of a machinist or electrician is like.” This entrepreneur, like others, has had to develop his own training program. He believes his and other entrepreneurs’ difficulties in this area are the product of the continued stigma in Canada associated with pursuing a trade rather than an academic post-secondary education.

Another entrepreneur said the low numbers of students registering for some skilled trades programs result in post-secondary and other training institutions not offering them. This means her company has to either offer the training itself or send (and pay for) people to travel to other cities to obtain it. She would like to see a partnership amongst the federal and provincial/territorial governments and employers that would see the latter having the option to make its contribution by providing training in-house. This idea was taken a bit further by another entrepreneur who said tax credits for employers who invest in training for the most valuable assets they have—their employees—would be very helpful in filling talent gaps.

More than one of the entrepreneurs at this roundtable, and those in other cities, mentioned our immigration system can make it difficult to bring in talent that cannot be found in Canada. This situation, they said, has led to some businesses re-locating outside the country to where the talent they need can be found.
Expanding internationally

At least one entrepreneur mentioned the lack of a coordinated approach between the federal and provincial/territorial governments to commercial diplomacy results in missed opportunities. Another echoed what we heard elsewhere regarding the TCS; he knew it existed but wasn’t sure how to access it and had “gone it alone” when expanding his market into Asia. “It is very difficult to navigate through the quagmire of foreign regulations,” said one entrepreneur. “We have done this all ourselves without riding on the coattails of any government assistance. It would be great if there was some way we could get some help in building contacts, etc. in foreign countries. I’m sure some of the mistakes we made were made by others before us, and it would have been good to have learned from them.”

Crumbling infrastructure

Crumbling/gridlocked infrastructure adds costs to businesses in all sectors. It hits those in transportation particularly hard, but it also affects businesses in getting their people to and from work. Less-than-robust broadband infrastructure is an issue for companies wishing to become more efficient by having staff work remotely.

Also related to infrastructure was the suggestion by one entrepreneur that there needs to be more incentives for SMEs to invest in IT infrastructure. “A lot of companies have old infrastructure in place,” he said. “Investing in IT would help them be more competitive. There needs to be more education and financial incentive programs to encourage them to do so.”

Intellectual Property (IP) Protection

One entrepreneur echoed the concern we heard in other cities about the need for stronger IP protection measures. He said in the advanced manufacturing sector, the patent application process is lengthy and expensive. “Even if you do get a patent after three years or so, it’s hard to police it internationally. As soon as your application is filed, your technology is out there as part of the process,” he said. “If we could better protect IP, it would be better for us and companies like us.”
Montreal

“Entrepreneurs are Canada’s job creators, and the government needs to listen to them.”

Montreal-based entrepreneur

The entrepreneurs who attended our roundtable in Montreal led businesses in commercial insurance, HR outsourcing services, digital design, environmental consulting and design, social data analytics, skin care products, medical software, motion tracking training, wireless telecommunications and online advertising. One participant is a technology entrepreneur.

Canadian entrepreneurs need to prove themselves outside Canada

These entrepreneurs shared the perspective of those we spoke with in other cities that they believe one of the biggest barriers to their continued growth is Canada’s risk-averse culture. In their view, risk aversion in this country not only affects raising capital, but it also impacts their ability to sell their products and services here. Risk-adverse customers will not buy a new product or service until it has been adopted elsewhere. “It was only after we had success in the U.S. that Canadian customers started coming to us,” said one entrepreneur.

This roundtable was the one at which we heard the most about the role of the federal government as a (far too often, non-) customer of Canadian entrepreneurial companies. One of the entrepreneurs we spoke with in Montreal said that, while the U.S. government has specific programs (for example in the defence industry) to support entrepreneurial companies, our federal government is missing a big opportunity to bring the benefits of the innovation homegrown companies offer to public spending in areas such as infrastructure.

“Who are we bidding against? We’re bidding against huge American companies. Our product is just as good, if not better, but they will win because they have huge financial backing and can afford to make a mistake,” said one entrepreneur. “The government will do business with them because they are risk-averse.”

Those entrepreneurs who have participated in the federal procurement process also said they felt the government needs to be upfront regarding the companies with which it will/will not do business. Some said that they were kept waiting too long by the federal government for decisions on whether or not they were successful bidders—time that could have been better spent on building their businesses. “We would prefer to know that we’ve lost early so we can move on,” said one.

Capital assistance from the federal government

As with the other roundtables, entrepreneurs in Montreal discussed federal assistance programs including the SR&ED Tax Credit and BDC financing. One entrepreneur said the SR&ED Tax Credit is sometimes misused and sustains companies that should have died long ago. An example is very large video game production companies that are able to “recycle” their credits because they are constantly in the development stage. The same entrepreneur did say that for start-ups, SR&ED is helpful as it allows them to re-invest in their companies. Another entrepreneur added that SR&ED is an important mechanism for the federal government to encourage entrepreneurial R&D in an environment where there is not an industrial strategy to do so.

Montreal entrepreneurs agreed with those in other cities that the federal government should be re-directing more incentives to Canadian entrepreneurial companies that will create jobs and keep them here. “Why isn’t government taking some of that money to feed successful companies here?” said one entrepreneur.
Another entrepreneur said BDC’s decision to move into financing businesses focused on services, technology and ideas, and not just products and manufacturing, has made a big difference for him and other entrepreneurs. “It was a major turning point for us,” he said. “BDC offers a sub-debt product, which is fantastic. They don’t ask you for any guarantee, but you have to prove yourself to them. It took us a year to develop our business plan and explain ourselves to them. Now they’re investing a million dollars with us.”

In Canada, many of these entrepreneurs agreed the venture capital market is a non-starter as investors are in for a quick profit and then are out. That mentality can be different, they said, citing Sequoia and Bloomberg Beta as examples of U.S. venture capital investors that are in the market for ideas, long-term investment and profit.

“The government likes entrepreneurs, but it doesn’t understand them. Those that can help entrepreneurs need to be educated.”

Montreal-based entrepreneur

Doing business outside Canada

Again, we heard high praise for the TCS from those entrepreneurs that had experience with it. Again, we heard the government needs to do a better job of promoting it to business people. “The TCS is like a secret because not many new entrepreneurs know about it. As a smaller company, we can’t recover from a mistake,” said one entrepreneur. “These people (trade commissioners) are a great source of market intelligence for us. They are fantastic.”

The Montreal-based entrepreneurs also had views on how future international trade agreements could help their businesses grow. The Canada-EU Comprehensive Economic and Trade Agreement (CETA) was mentioned specifically. These entrepreneurs said they believe Canadian business people are not being adequately prepared for the CETA, particularly when it comes to some contentious issues, including intellectual property and patent protection. They said they felt EU countries are better prepared and suggested the federal government needs to better communicate (through a single portal) sector-by-sector impact analyses and regulatory changes resulting from the implementation of the Canada-EU CETA. “We need to be strong at home before we can compete abroad,” said one entrepreneur.

A couple of the Montreal entrepreneurs had found EDC helpful in underwriting their risk in selling into other markets.

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21 Founded in 1972, Sequoia Capital alumni include Apple; Cisco; PayPal; Tumblr, Yahoo and Google. Sequoia says its philosophy is, “We want to find founders and management teams with ideas and companies where there is a chance for us to be shareholders for ten to fifteen years.” Sequoia-backed companies are now collectively worth 20 per cent of the NASDAQ exchange (www.sequoiacap.com)

Bloomberg Beta was launched in June 2013 by Bloomberg LP. It is a $75 million venture capital fund “focused on backing and working alongside exceptional founders.” (www.bloomberg.com)
Finding and rewarding talent

“There is only one entrepreneur in any business and that’s the person that puts in the sweat and starts it up. And then what you do is look for people with the entrepreneurial spirit to help you build it up.”

Montreal-based entrepreneur

Entrepreneurs in Montreal were amongst those who spoke about how critical salespeople are to their companies’ success, how hard it is to find this talent and how the role is often held in low esteem. While entrepreneurs held varying views on how salespeople should be compensated to achieve the best results for companies, all agreed they need to be more highly-valued.

Like their counterparts in other cities, these entrepreneurs believe our education system needs to take the lead early on in giving students the opportunity to think about the option of working for themselves rather than for someone else. “We need to help young people think beyond dollars and a pension,” said one entrepreneur. “It is very depressing that people in their early twenties are focused on getting a job with the government because it means benefits and a pension. It changes the mentality of a generation, to our loss.”

“Nobody talks to business students about entrepreneurship as a career option,” said another entrepreneur. “Nobody ever told me I could be an entrepreneur. In our business schools, becoming an entrepreneur is thought of as opening a corner store.”

Another entrepreneur, who teaches in the science faculty at a Montreal university, said this is the case in all post-secondary lines of study. Post-secondary institutions and governments need to promote entrepreneurship as a career option and create tools for this to occur. One entrepreneur who had just completed an MBA said out of nearly 40 students, only two were entrepreneurs. “These people were not there to be entrepreneurs. They were there to get a promotion,” he said.

One entrepreneur, who leads the largest employee-owned company in Canada, said one of the keys to his business’ success with talent was being flexible about who was given equity/shares in the company. “Far too often, entrepreneurs hold onto shares. As a result, they lose good people,” he said. “The key was to identify those key people that helped us succeed and reward them by giving them a stake in the company.”

The role of business

One of the Montreal-based entrepreneurs said business also has to step up in working with government, post-secondary and financial institutions. “We need to do a better job in the business community. We need to put some money where our mouth is and we need to be serious about it,” he said.
Halifax

“Rebuilding the Nova Scotia economy, particularly in rural regions, may need to begin with an attitude shift on the role of business and entrepreneurial initiative, promoting it more effectively through our educational system and through the contributions of business leaders as role models and mentors in their communities.”


The entrepreneurs we spoke with in Halifax led businesses in the IT, software, catering, arts/dining, business services, broadcasting equipment manufacturing and augmented reality sectors. One of the entrepreneurs is a venture capitalist.

Entrepreneurs at this roundtable agreed that assistance to entrepreneurs, be it from government or private investors, tends to be focused on early-stage innovation/R&D, and that capital (for example the $750,000 maximum set by ACOA) often dwindles before an entrepreneur can take an idea/product/service “all the way” to commercialization. They said there needs to be a “commercialization tax credit,” along the lines of the SR&ED Tax Credit, to assist entrepreneurs in getting their innovations to market. In their view, SR&ED “de-risks” investing in R&D and an equivalent for commercialization would do the same for the second piece of the entrepreneurial puzzle.

“There are two pieces to a successful enterprise: innovation and commercialization. There is support for the first through ACOA, IRAP and SR&ED. How many innovations have been developed at universities and are sitting on the shelf? To me the harder job is commercialization. There seems to be far less support to help entrepreneurs climb that next step – be it going international, establishing a brand, etc.”

Halifax entrepreneur
These entrepreneurs agreed, however, that any program aimed at assisting with commercialization would need filters to distinguish between entrepreneurs who had no revenues versus those who had demonstrated success/growth.

The role of talent—management, manufacturing skills and sales—in successful commercialization was also raised. One entrepreneur said making the decision to bring in management expertise was a positive turning point for his business. The entrepreneur who is a venture capitalist added that he had created his wealth by buying up small companies that had been poorly managed.

One entrepreneur said a more organic relationship amongst businesses, universities and colleges would bring more innovations to market. Businesses work with colleges, he said, and businesses work with universities, but rarely do the three work together. This is starting to change as new entrepreneurship educational initiatives like the Starting Lean programs at Halifax’s Dalhousie University and the “sandboxes” recently funded by the Nova Scotia government are beginning to take hold.

Entrepreneurs in Halifax also said business culture disparages the role of sales and business development people and that this has to change. They agree the best innovation in the world is not worth much if nobody is buying it. “Too many entrepreneurs have a ‘build it and they will come’ attitude,” said one entrepreneur. “The bottom line is who is going to pay me for this?”

These entrepreneurs echoed those at other roundtables in expressing their concern that they, and others, do not know enough about what financial assistance is available for them from public and private sources. They agreed with entrepreneurs elsewhere that, while on the face of it, it is a good problem to have, too many levels of government (that don’t seem to talk to each other) offering too many programs meant that too many entrepreneurs are missing out on the help that is available. This is because they do not have the resources to track down programs let alone apply for them.

**Getting the people you need and keeping them**

These entrepreneurs said that while Atlantic Canada has much going for it, such as an educated workforce, attractive lifestyle and natural resources, it is nearing bankruptcy. They agreed with their counterparts elsewhere in Canada that it is important to expose young people to entrepreneurs as early as possible so they see entrepreneurship as a career option long before they reach post-secondary education. One entrepreneur mentioned Code Kids, a program his company sponsors that is targeted at junior high school students and teaches them computer programming. The program is based on the theory that these skills will help them to be creators and critical thinkers.

Amongst the barriers these entrepreneurs identified as standing between them and the talent they need are labour policies and programs, including immigration and Employment Insurance, that will only be addressed when there is political will to do so. They said Atlantic Canada needs to have its immigration quotas increased and the cost, as well as the bureaucracy, of bringing in foreign talent needs to be addressed.

They also agreed with their counterparts elsewhere that the federal government needs to be able to nuance its reactions to employers who abuse programs, for example the TFWP and SR&ED Tax Credit, rather than punish entire sectors of the economy. “There’s no need to change good programs because there are a few who abuse them,” he said. “Fix the abusers.”

A couple of the Halifax-based entrepreneurs said they feel like they are competing against EI to keep employees. They said EI needs to be less attractive in regions where there is a seasonal economy. One entrepreneur had to close some of his retail outlets because employees would work only as long as needed to collect EI and then asked to be laid off.
Atlantic Canadian businesses are also particularly hard hit by the lure of “big money” in other regions of the country. This can make it very hard to retain talent and technical skills. It is also costly to employers as they have invested time and money in developing employees. Some entrepreneurs said, as a result, they felt their future growth could only be assured by outsourcing from other countries.

We also heard from Halifax entrepreneurs a variation on the perception that Canadian entrepreneurs are inferior to those operating in foreign markets. Moreover, these entrepreneurs said that, while unjustified, many entrepreneurs in Atlantic Canada feel they are inferior to business people elsewhere in the country. “We can operate a world-class business out of Atlantic Canada,” said one entrepreneur. “We didn’t realize this at first, but once we connected with mentors who convinced us we could, it was a turning point for us.”

Several entrepreneurs at this roundtable agreed that mentorship has, and continues to be, key to their success and continued growth. While they found regional mentorship programs helpful, they said they could benefit from the opportunity to connect with entrepreneurs elsewhere in Canada that have successfully navigated challenges similar to those they are facing, such as expanding internationally. Some businesspeople said they felt the Canadian Chamber has the pan-Canadian connections with mature companies required to match earlier-stage entrepreneurs with them. The idea would be to take the innovation partnership concept described earlier by the New Brunswick-based entrepreneur to a national scale. “The larger companies look at this as an interesting way for them to innovate without having to do it themselves,” he said. “It’s a way to create a ‘living lab’ environment improve the competitiveness of larger companies and provide opportunities to smaller entrepreneurs.”

The matchmaking/mentorship boost

One entrepreneur said a turning point for his business, which had been moving in a different direction, was finding an innovation partner through the New Brunswick Business Council’s Early Adopters Team program that matches entrepreneurs with large, established companies. Through this program, his company (which is in the IT sector) was able to review the IT operations of a large food processing company to determine if there was a gap it could fill. There was. As a result, the larger company is more efficient and his company has an IT application it can market to prospective customers.
Four of the recurring public policy issues raised by the entrepreneurs we spoke with—human capital, infrastructure, internal trade barriers and expanding into international markets—are central to the Canadian Chamber’s ongoing work and mandate. They are included in our Top 10 Barriers to Competitiveness in 2014 and will remain priorities in 2015. The issues have significant advocacy resources dedicated to them, and government at all levels has reacted positively to our work and recommendations. We anticipate that we will continue to make significant progress on these issues on our members’ behalf.

We will be addressing the issue of access to capital for fast-growing firms very actively in 2015, and it will become a new item in the Top 10 Barriers to Competitiveness in 2015. We will detail the challenge of raising funds, particularly from angel investors, and will recommend measures to alleviate this significant deficiency.

We will develop advocacy plans for streamlining/simplifying federal programs and procurement that will include briefing the Ministers of Small Business and Science and Technology.

We will also review and report on the federal government’s use of procurement strategies to benefit specific to smaller Canadian suppliers. This is an extremely interesting area of public policy and the subject of much debate in Ottawa. We are in a position to explore the issue with all the different groups within our large membership

Our leadership will examine the suggestions for ongoing support to entrepreneurs that some participants offered. Mindful of the fact that these entrepreneurs represent an elite, and relatively small, community of Canada’s entrepreneurs, we will consult with our members (local, provincial/territorial chambers and corporate) to determine if they would find value in such programs and would want to participate as well as invest in them.
PARTICIPANT ENTREPRENEURS

Hamed Abbasi, Co-Founder & Chief Executive Officer, Vast Vast Studios
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