The Future of Entrepreneurship in Canada 2021

Taking the pulse of Canada’s current and aspiring small business owners
What’s inside

• What the state of entrepreneurship looks like in Canada

• The impact of COVID-19 on small business owners

• Motivations and barriers to entrepreneurship

• How entrepreneurs are embracing e-commerce and digital tools

• What opportunities entrepreneurs see to better support their success

About the survey

The study, conducted leveraging the Angus Reid panel on behalf of Intuit QuickBooks Canada, was completed by 2,006 Canadians, nationally representative of the Canadian population. Among the total sample, 589 Canadians identified as entrepreneurs, defined as having undertaken one or more entrepreneurship initiatives (i.e., starting a business, whether formally incorporated or not, as a primary means of income or supplementary means of income, and as started alone or with others), and 247 identified as aspiring entrepreneurs, defined as not yet having undertaken an entrepreneurship initiative, but considering it in the next 2 years. The estimated margin of error for the total sample is +/- 3% at a 95% confidence level. The study took place online from April 14 -19, 2021.
The future of entrepreneurship in Canada is bright

Small businesses are the backbone of the Canadian economy, which means entrepreneurship is an important factor that shapes the economic growth of the country. Powering prosperity for Canadian small businesses is at the heart of what we do at Intuit QuickBooks, and although COVID-19 has undoubtedly disrupted the lives of Canadians, with disruption often comes opportunity.

To better understand how Canadians are adapting to this new world, we wanted to get a sense of the state of entrepreneurship in Canada as we look towards economic recovery.

It's exciting to see that the entrepreneurial spirit in Canada is alive and well. As our survey reveals, entrepreneurship has continued to grow since the beginning of COVID-19, both because of and in spite of the challenges it presented. Among Canadian entrepreneurs, one in five (21%) started their business within the past year. To put that in perspective, that represents close to two million Canadians - more than the population of Calgary.

Many of these entrepreneurs are embracing digital, from selling online to using digital marketing tools to take their businesses to the next level. You have probably witnessed firsthand as neighbourhood businesses have pivoted to survive, from restaurants pivoting to meal kit delivery to small brick-and-mortar retailers diving into e-commerce.

As you’ll see in this report, Canadian entrepreneurs are optimistic about the future and at QuickBooks, we are too. Not only is running one’s own business personally rewarding, but a culture of growing entrepreneurship has a positive impact on our economy and society.

Of course, we can’t ignore the challenges that remain. While money is a major motivator for entrepreneurs, it’s also a point of concern, especially among Gen Zs and Millennials. Beyond financial challenges, being an entrepreneur is stressful. It can de-prioritize work-life balance and be mentally and emotionally draining. From funding and financial management resources to better support for mental health, entrepreneurs need our support. There’s a clear opportunity for the private sector, government and even non-profits to partner with Canada’s entrepreneurs and drive our economic recovery forward, together.

David Marquis
VP & Country Manager of Intuit Canada
The state of entrepreneurship in Canada

Canada has an entrepreneurial spirit. In fact, 98% of businesses in Canada are small businesses. Our survey reveals that a third of Canadians are currently entrepreneurs or have undertaken an entrepreneurial endeavor in their lifetime. COVID-19 sparked even more entrepreneurship in Canada, with new businesses emerging in the wake of an extraordinary disruption.

That’s close to 9 million entrepreneurs in Canada, with 2 million starting their business during COVID-19.

COVID-19 created both challenges and opportunities for entrepreneurship in Canada. Stay-at-home orders and rolling closures affected many small businesses and created financial pressures. At the same time, a boost in spare time and the need to find new sources of income also prompted some Canadians to start their own businesses on the side or full time.
Why businesses started up in the last year

- 39% had more spare time due to COVID-19.
- 23% faced financial pressures from COVID-19 (19% from being laid off).
- 15% saw an unmet need in the market.

Many of Canada’s entrepreneurs, especially those who started up in the past year, consider their endeavors to be side businesses.

Canadian entrepreneurs consider their entrepreneurship initiative to be a side business.

72% who started in the last year say theirs is a side business.

Who started up?

Gender, generation, and geography all play a role in Canada’s entrepreneurial makeup. Men have been more likely than women to have taken on starting a new business in their lifetime.

- 34% of Canadian men have taken on an entrepreneurial endeavor.
- 25% of Canadian women have taken on an entrepreneurial endeavor.

It’s not a surprise that older Canadians - Gen Xers and Baby Boomers - are more likely to have been entrepreneurs in their lifetime. However, Gen Zs and Millennials are more likely to have started their business within the past year.

- 44% Gen Z and Millennials
- 25% Gen X
- 7% Baby Boomers
“Before COVID-19 hit, our game store operated as brick and mortar only. Flash forward to today, we’ve jumped feet first into digital and our online store has redefined our business model and how we approach selling.”

- ANDREA ROBERTSON, Rain City Games
The future of entrepreneurship is digital

Current and aspiring entrepreneurs are putting more effort into e-commerce. Along with brick-and-mortar businesses pivoting to selling their products online, we’re also seeing more entrepreneurs emerge as online sellers.

Overall, Canadian entrepreneurs are more oriented towards selling services over products, and lean towards consumers as their customers, rather than other businesses, though some do sell to both.

72% of entrepreneurs sell services and 43% sell products. 79% sell to consumers, while 44% sell to other businesses.

While 41% of Canadian entrepreneurs sell exclusively offline, more sell online, and 22% sell through both channels. Among the businesses started up over the past year, 3 in 4 sell online, and over half sell exclusively online.

59% of entrepreneurs sell online. 37% sell online only.
Aspiring entrepreneurs are also more likely to focus their attention online.

4 in 5 aspiring entrepreneurs plan to sell their products or services online.

Female entrepreneurs are the most likely to sell exclusively online, while younger generations are also most likely to sell online.

**Who’s selling online only?**

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<td>42% female entrepreneurs online vs. 34% of males.</td>
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49% of Gen Z and Millennial entrepreneurs vs. 38% of Gen X and 31% of Baby Boomers.

Along with selling online, entrepreneurs are also generally comfortable using digital tools to manage and build their businesses.

**What digital tools are entrepreneurs comfortable using?**

- 67% say digital marketing
- 64% say digital banking tools
- 62% say digital communication solutions
However, entrepreneurs are generally less comfortable when it comes to financial management software.

Only a third report using an accounting service or professional. With the desire to handle finances independently, but a gap in comfort, there’s an opportunity for entrepreneurs to build their knowledge of digital financial management tools.

While Canadian entrepreneurs are proving to be savvy with digital marketing and communications, they have an opportunity to modernize how they use digital tools for financial management. Many entrepreneurs are leaning on desktop tools and offline processes, instead of cloud-based services, which are often more streamlined, saving time and money.

At QuickBooks, we use our AI-powered platform and deep customer insight to build product innovations that empower our small business owners. Ultimately, our vision is for QuickBooks to be the source of truth for your business. A single integrated platform to address your needs.
“Being a restaurant owner has been an uphill battle over the past year. Because of COVID-19, we’ve had to find new ways to pivot and get in front of our customers - through food delivery and social media marketing. Now, the community I’ve created through channels like Instagram are my support system.”

- JENNIFER FOSTER, CW Coops Angus
COVID-19’s impact on entrepreneurs

While COVID-19 has prompted new businesses to emerge, it undoubtedly had an impact on existing business owners - although in some cases, it led to positive growth. Half of entrepreneurs over 55 reported that COVID-19 did not affect their business, compared to just a third of Gen Z and Millennials and 36% of Gen X entrepreneurs.

- 50% of entrepreneurs over 55 reported that COVID-19 did not affect their business.
- 1/3 of Gen Z and Millennials reported that COVID-19 did not affect their business.
- 36% of Gen X entrepreneurs reported that COVID-19 did not affect their business.

3 in 5 entrepreneurs say that COVID-19 has affected their business in some way.
How COVID-19 affected businesses

- 25% paused or closed their business.
- 16% grew their business.
- 18% scaled back their business.
- 13% pivoted their business.

As a result of COVID-19, business owners have had to adjust financially and in their personal lives.

How all entrepreneurs* are making sacrifices

- 1 in 4 have been working longer hours.
- 1 in 5 have taken on more debt.
- 1 in 5 have foregone a personal salary.
- 61% of entrepreneurs say they have had to make sacrifices.

Despite the challenges, COVID-19 has also influenced how entrepreneurs are thinking about work.

How entrepreneurs are rethinking work

- 64% have a greater desire for multiple income streams.
- 59% want more work-life balance.
- 55% want to positively contribute to society.
- 53% are motivated to find new ways to grow their business.
- 56% want more job security.
- 53% have a greater desire to work for themselves.

Among entrepreneurs over 55, 16% have even delayed retirement. However, younger entrepreneurs are more likely generally to have made sacrifices like working longer hours, spending less time with family and taking on debt.

*These stats include entrepreneurs overall, not Gen Z or Millennials specifically.
“This past year has been a challenge. Running a company, being a mom and being a teacher to my two girls leaves no room for work-life balance. But, everything I do is for them – they are my motivation.”

- KIM WEST, Kids Swag Co
What’s driving entrepreneurs now?  
While money is the number one driving force for entrepreneurship, freedom and flexibility also push entrepreneurs.

What’s motivating entrepreneurs?  
- 68% say earning money  
- 56% say setting their own hours  
- 58% say being their own boss  
- 50% say doing something meaningful

Money is also the top motivator across generations, but younger entrepreneurs are more likely to seek out creative freedom and the chance to have a positive impact on the world around them.
What different generations want

- Money
- Creative freedom
- Making a difference

Gen Z and Millennial
- Setting their own hours: 75% (Female), 50% (Male)
- Doing something meaningful: 61% (Female), 58% (Male)
- Creative freedom: 49% (Female), 43% (Male)
- Taking a vacation whenever they want: 36% (Female), 39% (Male)

Generation X
- Setting their own hours: 74% (Female), 50% (Male)
- Doing something meaningful: 54% (Female), 43% (Male)
- Creative freedom: 39% (Female), 36% (Male)
- Taking a vacation whenever they want: 34% (Female), 32% (Male)

Baby Boomers
- Setting their own hours: 60% (Female), 50% (Male)
- Doing something meaningful: 58% (Female), 43% (Male)
- Creative freedom: 39% (Female), 36% (Male)
- Taking a vacation whenever they want: 34% (Female), 23% (Male)

Female entrepreneurs are also more likely than their male counterparts to crave freedom, meaning and flexibility. Some of that sentiment may be driven by women often being the primary caregivers in their households and as a result, wanting greater flexibility in how they use their time.
“My employees are my biggest asset. Being deemed essential, we need to be in the workplace, so my ultimate goal is keeping us all safe and sane, and our mental health is a top priority.”

- KAREN LAI, KPM Power
While definitely a motivator behind entrepreneurship across generations, money is also a key area of concern among small business owners. 46% of entrepreneurs report worrying about finances. Beyond financial challenges alone, 1 in 2 entrepreneurs are also worried about failing and are concerned with both wider business challenges beyond finances and their work-life balance.

At QuickBooks, we’re always supporting the entrepreneurs that keep our economy running – and when COVID-19 hit, QuickBooks put all hands on deck to help harness millions of dollars through GoFundMe to support small businesses all around the world.

Beyond financial challenges alone, 1 in 2 entrepreneurs are also worried about failing and are concerned with both wider business challenges beyond finances and their work-life balance.
Canadian entrepreneurs need support to succeed

QuickBooks’ Ask the Expert segments share tangible advice from experts and thought leaders on topics important to small business owners and entrepreneurs. From navigating mental burnout to building a social media strategy, this series aims to arm small businesses with the knowledge they need to thrive. Segments are hosted monthly on our social channels on Facebook and Instagram.

Learn more

What’s keeping entrepreneurs up at night?

39% say COVID-19’s impact on the economy
35% say growing their customer base
28% say succeeding in a competitive market

Close to 1 in 4 also say time management and working long hours are a concern.

Uncertainty around finances and failure are also having an impact on an entrepreneur’s mental health. Overall, the majority of entrepreneurs (76%) say running their own business is stressful and 1 in 2 also say there are not enough mental health resources for entrepreneurs.
What’s affecting mental health?

1 in 2 don’t have the financial resources to compete with other businesses.

1 in 2 are worried about failure.

1 in 2 are worried about burnout.

3 in 5 are worried about money.

Compared to older entrepreneurs, Gen X entrepreneurs are also most likely to report feeling stress, worry - including about finances - and burnout.

Gen X is stressed

81% of Gen Xers find entrepreneurship stressful.

63% are worried about failure.

68% are worried about money.

63% are worried about burnout.

Financial uncertainty

Financial uncertainty may also have implications for future entrepreneurship in Canada. Among aspiring entrepreneurs, even more are concerned about their finances.

3 in 4 aspiring entrepreneurs are worried about money.

2 in 3 worry they won’t have the financial resources to compete.
“With growing recognition of physical and mental health issues in our society, and the implications COVID-19 has had on entrepreneurs and their employees, government policies aimed at helping small business should prioritize physical and mental wellness for business owners and their teams.”

- KRISTI HEROLD, CEO, JAM - powered by Sport & Social Group
What entrepreneurs need for the future

Despite the challenges arising out of COVID-19, established and aspiring Canadian entrepreneurs alike are optimistic about the future.

73% of entrepreneurs are optimistic for the future.

76% of aspiring entrepreneurs are optimistic for the future.

At the same time, they need support to succeed in a post-COVID world.

2 in 5 entrepreneurs feel more government funding would be helpful.

2 in 5 say the same about easier access to funding.

1 in 2 aspiring entrepreneurs also think more government funding would help.

Entrepreneurs helping entrepreneurs

Through the Intuit Prosperity Accelerator, we worked with tech startups to solve challenges consumers and small businesses are facing as a result of COVID-19.

Learn more
Along with financial support, entrepreneurs also think access to free informational training would help them succeed post COVID-19. Younger generations – Gen Z and Millennial entrepreneurs – and women are most likely to see value in these kinds of resources.

Resources or courses entrepreneurs want

- 34% say marketing
- 33% say taxes
- 31% say accounting
- 26% say mental health management
- 25% say building capital

Soon-to-be business owners want similar educational resources as their more established counterparts but are also more likely to think other programs connecting them to experienced business owners would be helpful.

What aspiring entrepreneurs want

- 44% say mentorship programs
- 35% say networking opportunities with other entrepreneurs
- 28% say informational webinars with other entrepreneurs
How Canada can support the future of entrepreneurship

Canada’s entrepreneurs and emerging business owners are optimistic - a good sign for the country’s post-COVID-19 recovery and the year to follow. While money is still the primary motivational driver for entrepreneurs, the potential for creative freedom and flexibility is inspiring people across the country to be their own boss.

However, these economic engines need support. For Canada to ensure current business owners are thriving and we have a healthy pipeline of emerging business owners, supporting entrepreneurs now is essential.
What small business are looking for

Greater financial support for entrepreneurs

Clearly, money is a motivating factor for entrepreneurs, but it’s also a source of concern. Young and aspiring entrepreneurs especially - Canada’s future small business owners - are concerned about debt levels, access to capital and having the resources to compete. Governments and the private sector alike can step up to help these businesses secure financing and embrace better financial management tools to maximize their success.

Post-COVID-19 recovery resources

Tools and resources to help support small business recovery:

- **Small Business Help**: Find the help you need to prepare your business, communicate with customers, and support your employees during COVID-19.

- **Canadian Federation of Independent Business**: CFIB offers resources and support to help small businesses grow and navigate COVID-19 crisis.

- **Government of Canada**: COVID-19 benefits and services to help Canadians and businesses facing hardship as a result of the global COVID-19 outbreak.

More mental health resources and programs to support work-life balance

Being an entrepreneur is rewarding but also stressful. Female entrepreneurs and Gen Xers in particular are the most likely to be feeling the pressure of COVID-19, which has affected their work-life balance. However, the majority of entrepreneurs surveyed say running their own business is stressful. Programs that support mental health and well-being may help more entrepreneurs to thrive. Embracing digital tools to help save time and money when managing the day-to-day can also have a positive impact.

**Mental health resources**

Resources offering a range of services and support on mental health and well-being:

- **CAMH resources**
- **Business Link resources**
- **Business Development Bank of Canada resources**

Stronger educational resources and networking opportunities

From tax training to insights on marketing, entrepreneurs are after resources to help them not only manage their business day-to-day but grow. Aspiring entrepreneurs especially are also looking for more networking and mentorship opportunities, which can potentially play a key role in their future success - and as a result, the success of Canada’s small business community. The private sector and non-profits especially can play an important role in providing these resources and opportunities.

**Resources for running your business**

QuickBooks is committed to providing resources for Canada’s growing businesses. Here is some of what we offer:

- **Free Resources for Running Your Business**: Find free resources and expert opinions on the financial management topics most relevant to you, as a small business owner.

- **Video Tutorials on QuickBooks Online**: Watch step-by-step videos to learn your way around QuickBooks.

- **Business Builder Webinars**: Learn how to improve the way you do business from industry experts.