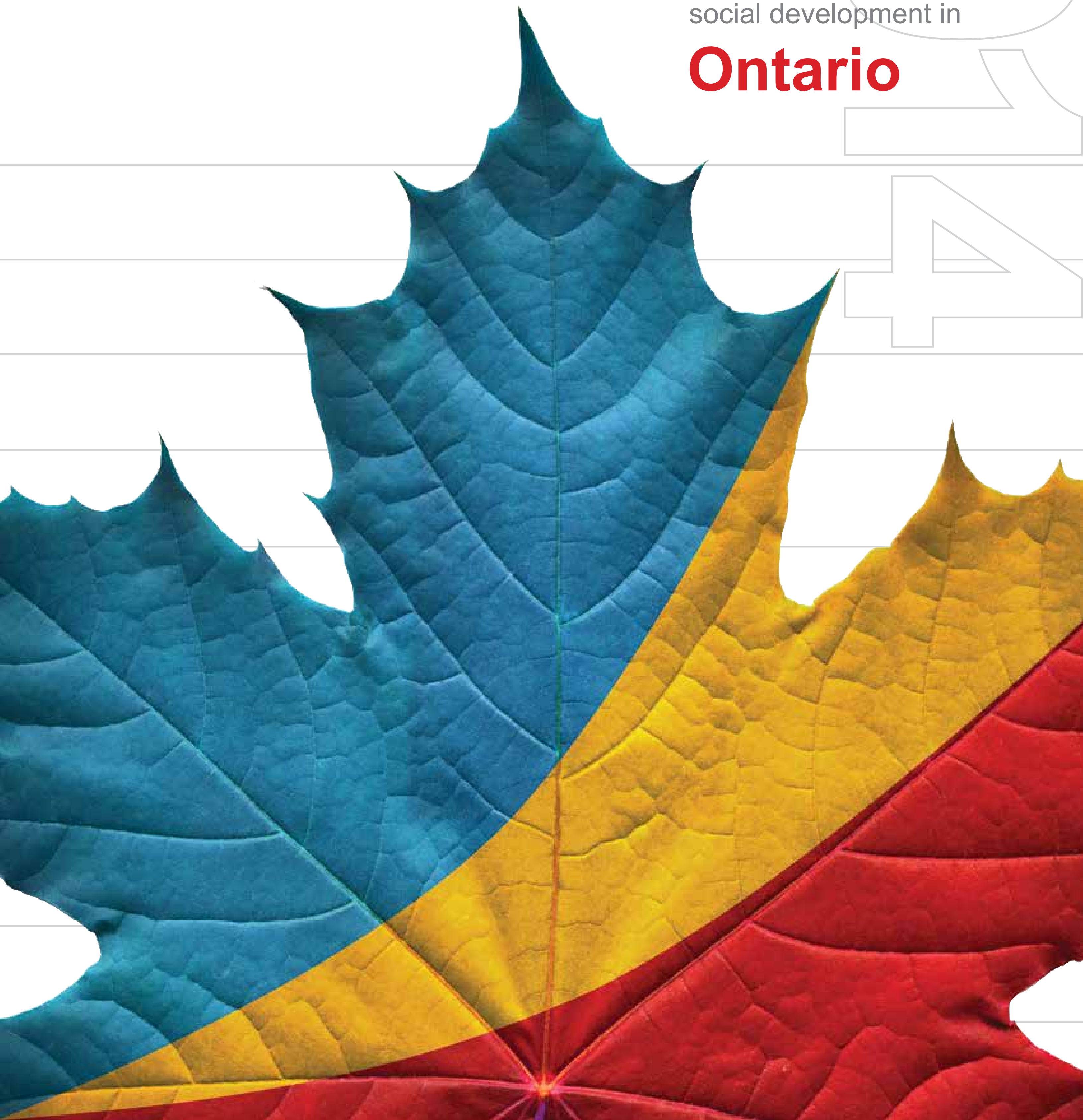
Global Entrepreneurship Monitor

Driving wealth creation & social development in

Ontario

2014



2014 GEM ONTARIO REPORT

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EXECUTIVE SUMMARY

The 2014 Global Entrepreneurship Monitor (GEM) survey of Ontario confirms that Ontario has many remarkable strengths in entrepreneurship, but also certain weaknesses that need to be addressed. The GEM Ontario survey included responses from 759 individuals as well as interviews with 36 provincial experts. Survey results show that Ontario's level of total early-stage entrepreneurial activity (TEA) is the same as the Canadian average and higher than the average among comparable countries such as the G7. Ontario's rate of opportunity-motivated entrepreneurship ranks among the developed world's highest, possibly reflecting the tough economic situation facing Ontario's manufacturing industries at the beginning of 2014.

The survey results also show that Ontarians believe opportunities for entrepreneurship are good in the province and that conditions to start a business in the near future are good. Almost half of all adult Ontarians believe they have the knowledge and skills to create a business. However, a larger proportion of Ontarians report that fear of failure will prevent them from starting a business, compared to other Canadians.

Ontario's entrepreneurs, both early stage and in established businesses, are committed to growing jobs. For the most part Ontario TEA activity job creation goals are slightly lower than rest of Canada and Ontario established business job creation goals are higher than the rest of Canada. However, Ontario's entrepreneurs lag in the use of advanced technology to drive growth depending more on finding new market opportunities. Experts believe that the cost of technology, cost of professional services, and bottlenecks in the transfer of knowledge and technology from institutions of higher education and public research centres are barriers to technology-based entrepreneurship in the province.

Ontario has a relatively high concentration of early-stage entrepreneurial activity among young adults in the 25-34 age range. Experts believe that policies and programs targeting this demographic should be stronger. More males than females are involved in early stage entrepreneurship in Ontario. There is evidence to suggest more

attention needs to be paid to encouraging female entrepreneurship to tap into an underutilized resource.

Ontario's entrepreneurial framework conditions exhibit both strengths and weaknesses. Ontario's strengths are in its physical and commercial infrastructure and its cultural and social norms. Its weaknesses are in R&D transfer, market openness, and education. For example, the experts believe that Ontario does not have a deep talent pool of individuals who know how to create and grow vigorous companies. They assess financing, government policies, and government programs to be of average quality.

The implications of the 2014 Ontario GEM report are that, while the province is well-positioned in many respects, more can be done to build entrepreneurial culture, skills and capacity and to strengthen the focus on the commercialization and adoption of new technologies and processes to drive innovation.

The Report recommends the following:

1. **Continue to promote the culture of innovation, to build awareness of entrepreneurship as a career choice and to celebrate diverse successful entrepreneurs.** Continuing to build legitimacy for entrepreneurship as a good career choice and to mitigate fear of failure requires an integrated and comprehensive strategy focusing on education, awareness and media. Ontarians need to see entrepreneurship as a good choice to advance personal and economic growth and we need to continue to build entrepreneurial intentions and early stage activity to fuel the pipeline.
2. **Develop mentorship to encourage more ambitious goals.** We know that not all startups create jobs and that, in fact, a relatively small proportion of startups account for most jobs. The results of the GEM survey reinforced this with about 20% of early-stage entrepreneurs in Ontario expecting significant job creation. Fewer than one in five have a strong international orientation suggesting another opportunity to promote growth.

3. **Focus more attention on defining intrapreneurship and programs to promote it.** The report shows that Ontario has a lower level of intrapreneurship than the rest of Canada and the US, UK and Australia. For an export driven manufacturing economy continued productivity growth is important to maintain international competitiveness. Intrapreneurship can be seen as a proxy measure for productivity so enhancing intrapreneurship is important to maintain international competitiveness.
4. **Enhance entrepreneurship education.** Given public sector investments in entrepreneurship education and incubation, it is surprising to see the relatively low rates of entrepreneurship among youth (18-24) in Ontario compared to the rest of Canada. This clearly is an area which requires attention and reinforces the importance the experts have placed on entrepreneurship education and government programs. It is clear that youth see entrepreneurship as a good choice and perceive opportunities but fear of failure seems to dwarf their confidence in their abilities. This is something which needs to be tackled systematically particularly with those with post-secondary education and advanced degrees.
5. **Provide mentorship to encourage women's entrepreneurship.** Gender is another dimension that requires attention – the gap between male and female respondents in Ontario is higher than across Canada, and may be tied to the intensity of technology enabled entrepreneurship in the province. More males than females are involved in early-stage entrepreneurship in Ontario. This represents a major failing in the entrepreneurial system although some framework conditions (cultural, government programs, and policies) to promote greater gender equity in matters of entrepreneurship suggest that there conditions for improvement are relatively favourable as a means of increasing the number of entrepreneurs. Females are less likely to see entrepreneurship as a good career opportunity, to see

opportunities or their capabilities and are more likely to fear failure. Addressing these perceptions with an integrated strategy and targeted programs is critical to level the playing field and fuel growth.

6. **Strengthen the entrepreneurial ecosystem.** In general, the expert responses reinforced the general perceptions reported in the larger GEM Ontario survey. They maintained that Ontario's physical and commercial infrastructure and its cultural and social norms are strong. They indicated that financing, government policies, and government programs were moderate. However, they identified R&D transfer, market openness, and education as weaknesses needing attention. More research is needed to empirically assess these factors and, more importantly, to develop evidence based strategies and programs to address them.

1. INTRODUCTION

1.1 GEM and Ontario

The Global Entrepreneurship Monitor (GEM) is the largest study of entrepreneurship in the world. For the past sixteen years, GEM has assessed individual entrepreneurial attitudes, activities, and aspirations in a wide range of countries on an annual basis. In 2014, nearly 200,000 individuals and around 4,000 experts were surveyed in seventy countries around the world. Collectively, these countries represent about 75% of the world's population and about 90% of the world's GDP.

GEM allows reliable comparisons of early-stage entrepreneurial activities among participating countries. The GEM approach produces reliable results through its rigorous conceptual framework and accurate sampling of the adult population by age range and gender.

The GEM Canada 2014 report was released on May 28, 2015. The present GEM Ontario 2014 report is designed to be read in conjunction with the GEM Canada 2014, report and the GEM 2014 Global Report. Entrepreneurship is a key factor in economic growth and job creation. The GEM survey provides valuable insights into the status and drivers of early-stage entrepreneurial activity.

1.2 The Importance of Entrepreneurship

GEM defines entrepreneurship as any attempt at new business or new venture creation, such as self-employment, the creation of a new business organization, or the expansion of an existing business by an individual, a team of individuals, or an established business. Although GEM's definition of entrepreneurship is intended to be inclusive, it deliberately emphasizes entrepreneurship that aims primarily at economic value creation. Although social entrepreneurship has not been addressed in detail by GEM, data are being collected with a view to future studies. This report investigates entrepreneurial activities in the early-stages of starting and growing a firm. For 2014, GEM also collected data to enable discussion of entrepreneurship in established businesses (intrapreneurship).

1. INTRODUCTION

Entrepreneurs and existing small businesses are key sources of job creation. Small businesses in Canada created on average about 100,000 jobs annually in the decade between 2002 and 2012, representing about 78% of private jobs created. These figures do not take into account the large numbers of self-employed individuals who are registered as a business and who do not have employees.

GEM distinguishes between two different motives for enterprise: **economic necessity** and **pursuit of opportunity**. In less-developed countries or in times of economic downturn in the developed world, people tend to start businesses out of economic necessity because less favourable or no other income opportunities are available. Opportunity entrepreneurship is predominant in healthy economies and it has much stronger prospects for growth and job creation.

Using information from the World Economic Forum (WEF) regarding phase of economic development (as measured by GDP per capita and share of primary goods in the export mix), GEM classifies participating economies into three groups:

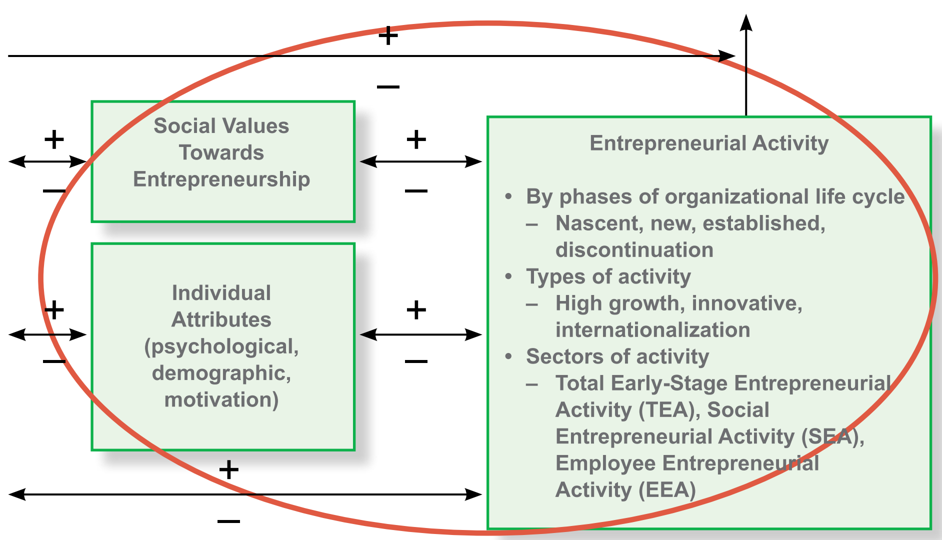
- **Factor-driven economies** have low GDP per capita and export mainly natural resources.
- **Efficiency-driven economies** are in the middle range of GDP per capita, and their export mix includes more value-added products.
- **Innovation-driven economies** (IDEs) have a predominant service sector and businesses that are relatively knowledge-intensive. Canada (and Ontario) are considered to be innovation-driven economies.

1. INTRODUCTION

GEM focuses on individual entrepreneurs and their contributions to economic growth and development in the context of an ecosystem with interacting components, providing unique measures of the economic growth ambitions of early-stage entrepreneurs. GEM's Adult Population Survey (APS) produces an entrepreneurship profile based on measures of entrepreneurial attitudes, activities, and aspirations, as shown in Figure 1:

- Attitudes: perceived opportunities and capabilities, fear of failure, and the social status of entrepreneurship.
- Activities: motivation for entrepreneurship, level of early-stage entrepreneurship, inclusiveness, sectoral distribution of entrepreneurial activities, and rate of exits.
- Aspirations: growth, innovation, international orientation, and social value creation. These yield entrepreneurial outputs (new jobs and new value added) which have socioeconomic development outcomes and impacts.

Figure 1 – GEM Model



GEM also measures effectiveness of framework conditions through its National and Provincial Expert Surveys (NES/PES). Nine Entrepreneurial Framework Conditions are regularly assessed: adequacy of entrepreneurial finance, government policy, government entrepreneurship programs, entrepreneurship education, R&D transfer, internal market openness, physical infrastructure for entrepreneurship, commercial and legal infrastructure for entrepreneurship, and cultural and social norms. These framework conditions influence the rate and quality of total early-stage entrepreneurial activity (TEA) in a given economic and social setting.

1.3 Research Methodology and Scope

For the **Adult Population Survey (APS)**, the GEM-Canada team contracted an independent polling firm to contact randomly selected adults between the ages of 18 and 99 by telephone. The sampling was stratified to ensure accuracy by age range, gender, and province. 2479 adults were surveyed in Canada, of which 759 were located in Ontario. They were asked the same series of detailed questions used in all other GEM APS surveys. The questions assessed entrepreneurial attitudes, aspirations, and activities.

Although the Canada and Ontario surveys included adult respondents in the 65-99 age bracket, for reasons of comparison with results of GEM surveys in other countries, we provide an analysis only of adults between the ages of 18-64.

In many respects it is useful to compare Ontario with other provinces, yet there is a lack of surveys of comparable subnational economies currently available against which to measure Ontario. Very few GEM-participating countries conduct the survey at the subnational level. To produce accurate results at the subnational level often requires additional sampling, as was the case in Canada.

In order not to duplicate material in the GEM Canada 2014 report, we consistently compare the GEM survey results for Ontario with the rest of Canada (excluding Ontario), and with other developed nations: the United States, United Kingdom, Germany,Australia, Japan, China and Mexico.

In this report we refer to these comparators as “reference countries” or “reference groups”. We include occasionally one or more other countries, for purposes of comparison, when they are leaders in a particular aspect of entrepreneurship.

1. INTRODUCTION

The **Provincial Expert Survey (PES)** is a questionnaire survey of 36 expert individuals in Ontario, using the same instrument as the global GEM project. These experts have diverse professional backgrounds relevant to entrepreneurship in the province. They were selected for their expertise in one or more of the nine Framework Condition areas, and were asked to estimate the degree to which statements regarding conditions supporting entrepreneurship hold true for Ontario. We compare the results with those obtained in the GEM Canada National Expert Survey (NES) of 42 experts from across Canada.

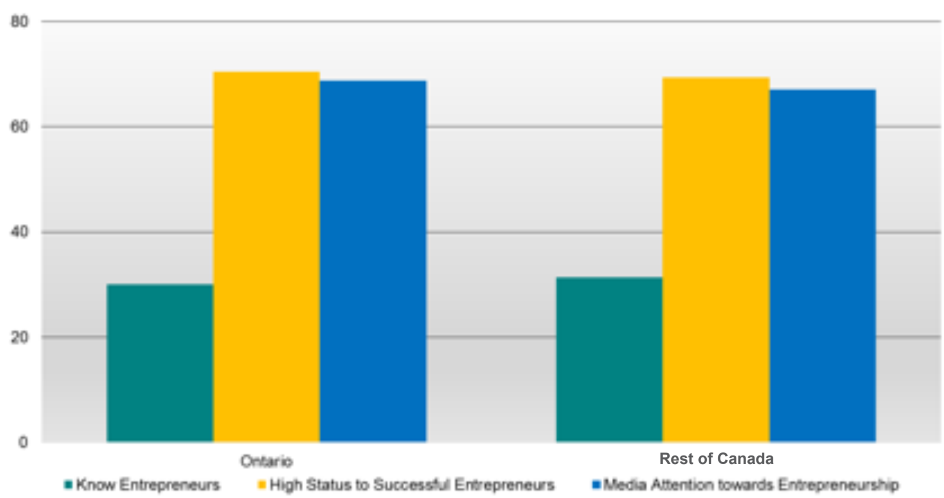
2.1 Attitudes

GEM provides unique metrics regarding attitudes toward entrepreneurship in the adult population.

A "culture of entrepreneurship" implies that people generally see entrepreneurship as a good career choice. They admire entrepreneurs, are informed about entrepreneurship in the popular media, and they personally know people who are entrepreneurs.

Figure 2 shows that public attitudes toward entrepreneurship in Ontario are quite positive and comparable to the Canadian data. Approximately two-thirds (70%) of adult Ontarians agree that people attach high status to entrepreneurs. 69% agree that entrepreneurship attracts lots of media attention. 30% of Ontario adults know someone who has started a business in the past two years. The Ontario results are similar to the rest of Canada.

Figure 2 – General Public Attitudes towards Entrepreneurship (Ontario vs. the rest of Canada)



More than half (54.3%) of the Ontario population perceived that there was a good opportunity to start a business in the next 6 months, which is slightly lower than the rest of Canada at 56.3% (Figure 3). Ontarians (56.4%) believe they have the required skills and knowledge to start a business, which is the highest among all of the comparator groups in

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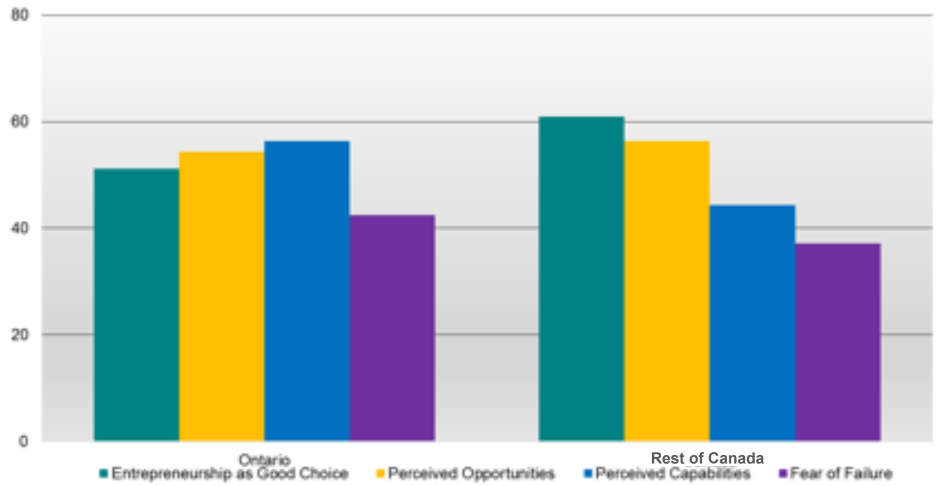
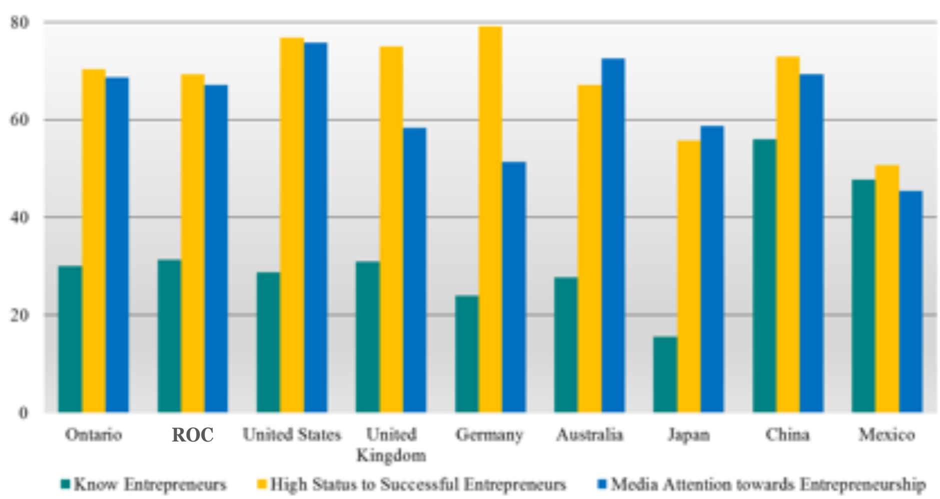
the study. In Ontario (42.5%) report that fear of failure would prevent them from stating a business, which is slightly higher than the rest of Canada (37.2%).

Figure 3 – Perceptions of Opportunity and Capability (Ontario vs. the rest of Canada)



These attitudes towards entrepreneurship compare favourably with attitudes in the international reference groups (Figure 4) although other countries such as the US, United Kingdom, Germany and China reported higher levels of perceived status and the US, Australia and China reported better media attention towards entrepreneurship.

Figure 4 – General Public Attitudes towards Entrepreneurship (Ontario and the rest of Canada vs. Major Trading Partners)



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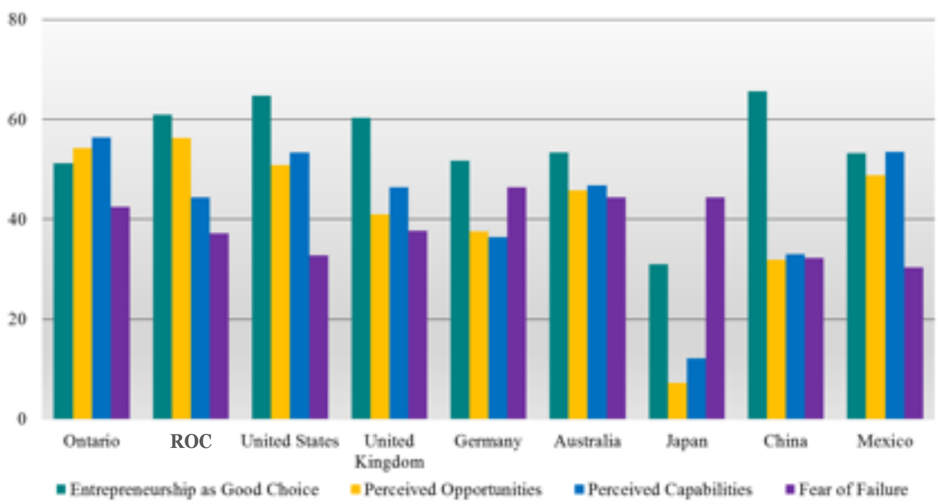
Ontario scored lower than the rest of Canada and the US, UK and China in the perceptions of entrepreneurship as a good career choice. However the perception that there are good opportunities to start a business in the next 6 months in Ontario, and in Canada, are higher than in other countries, even though the fear of failure was higher than in the rest of Canada. (Figure 5).

Figure 5 – General Public Attitudes towards Entrepreneurship (Ontario and the rest of Canada vs. Major Trading Partners)



2.2 Motives

The GEM study includes questions regarding the motivations of entrepreneurs. Ontarians rank independence comparatively low as a motive for entrepreneurial activity (41.2%) compared to the rest of Canada (49.1%) and rate maintenance of income relatively higher as a motive for entrepreneurial activity (15.3%) as compared to the rest of Canada (6.5%).

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Figure 6 – Comparison of Motives (Ontario vs. the rest of Canada)

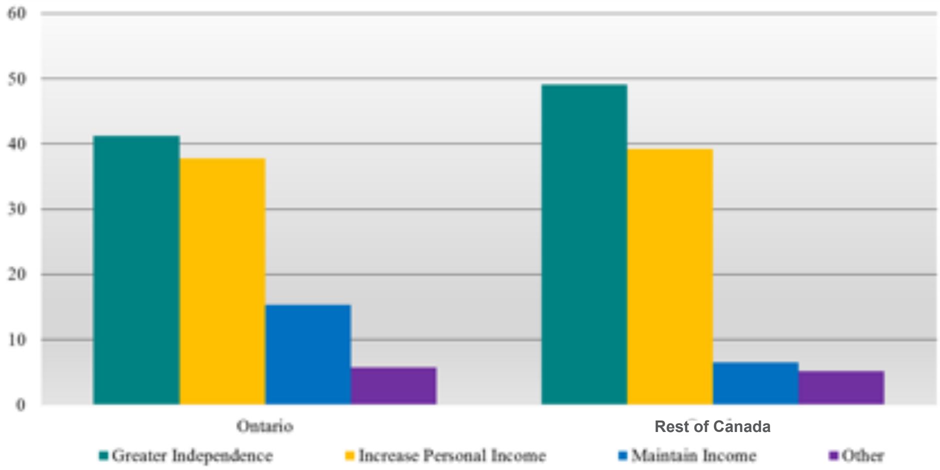
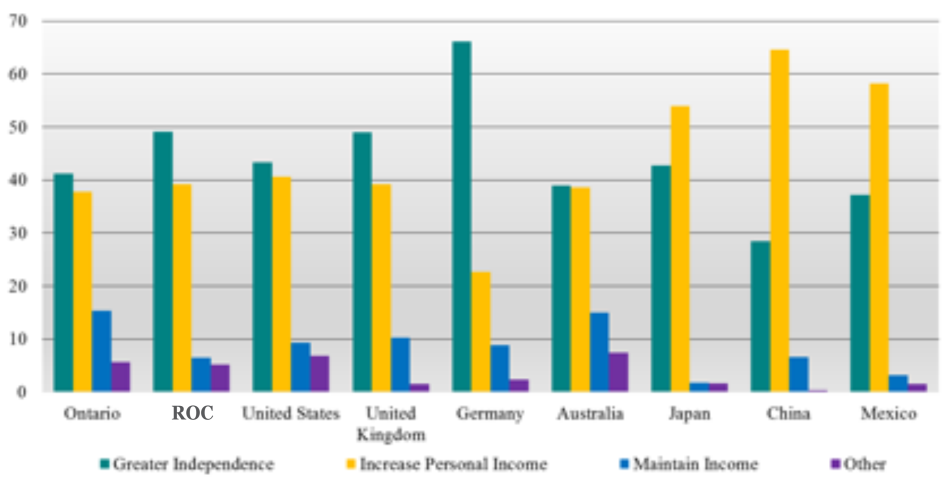


Figure 7 illustrates that this pattern was comparable to other trading partners such as the US and the UK. However, in Germany, almost two thirds of respondents reported increased independence as the principal motive while more than half of the respondents in Mexico, Japan and China indicated increasing personal income as the highest ranked motive for entrepreneurial activity.

Figure 7 – Comparison of Motives (Ontario and the rest of Canada vs. Major Trading Partners)

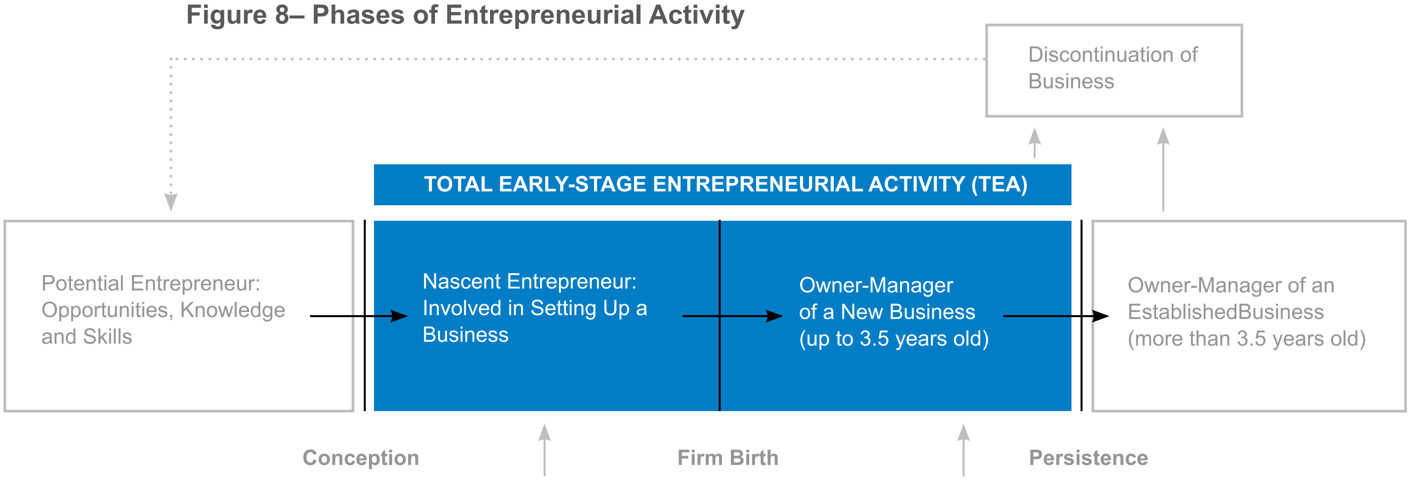


2.3 Activities (Stages)

The GEM model approaches new business formation as a process with five specific phases: intent, nascent or start-up, new business, established business, and discontinuance (Figure 8).

- **Intent** to start a business measures the percentage of the adult population who plan to start a business within three years.
- **Nascent** business creation measures the percentage of the 18-64 population who are actively involved in setting up a new business they will own or co-own. The business has not paid any salaries, wages, or any other payments to the owners for more than three months.
- **New business** ownership measures the percentage of the adult population who act as the owner-manager of a business that has made payments to the owner for more than three months and less than 42 months.
- **Established business** ownership measures the percentage of the adult population who act as the owner-manager of a business that has made payments to the owner for more than 42 months.
- **Discontinuance** measures the exit rate for two types of exits: entrepreneurs who wind up a business and cease operations, and entrepreneurs who transfer ownership of an established business to a new owner.

Figure 8– Phases of Entrepreneurial Activity

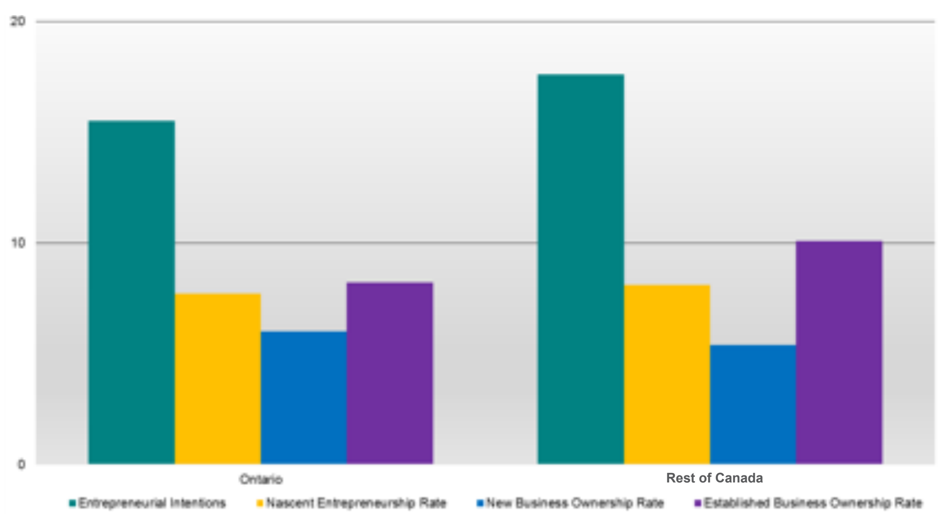


2. THE PRACTICE OF ENTREPRENEURSHIP IN ONTARIO

The combination of nascent entrepreneurs and new firms represents total early-stage entrepreneurial activity (TEA), a key GEM metric that against measures the entrepreneurial intensity in economies around the world. The TEA measure is comparable across countries, provides an effective global benchmark with which to gauge Ontario's entrepreneurial activity. A higher TEA rate does not necessarily indicate greater ability to create more economic value. Many entrepreneurs, especially in developing countries, are so-called "necessity entrepreneurs" who engage in entrepreneurial activities because they have no other options for economic survival. This is why some developing countries have very high TEA rates. Furthermore, in highly developed economies, many self-employed individuals do not necessarily harbour entrepreneurial ambitions, and even if they did, they may not have the resources or skills to realize their ambitions. Factors affecting the economic impact of entrepreneurial activities are discussed in the next section. The overall TEA rate is comprised of the rate of nascent entrepreneurial activity and the rate of new business ownership.

Figure 9 shows that Ontario has generally lower levels at most pipeline stages than the rest of Canada. For instance, adult Ontarians report having fewer intentions to start a business in the next 3 years (15.5% vs. 17.6%) and fewer report nascent activities (7.7% vs. 8.1%). However, Ontario's rate of new businesses (6%) is higher than the rest of Canada (5.4%).

Figure 9 – TEA-Related Indicators (Ontario vs. the rest of Canada)



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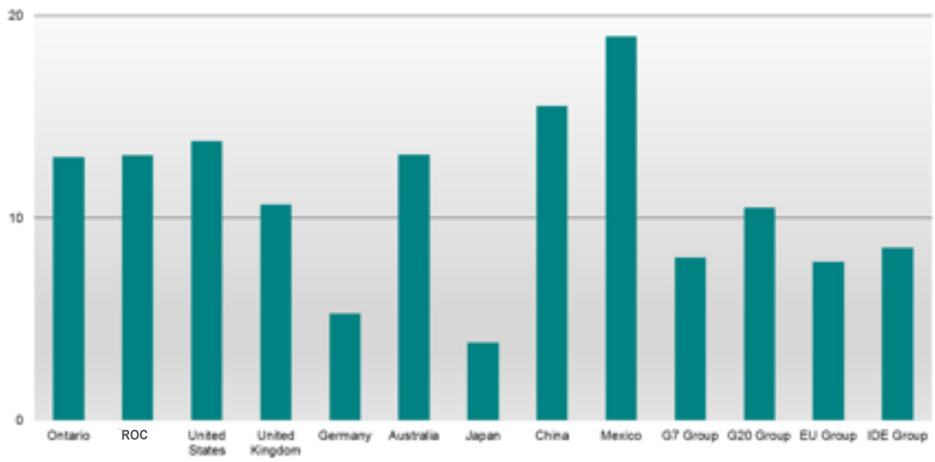
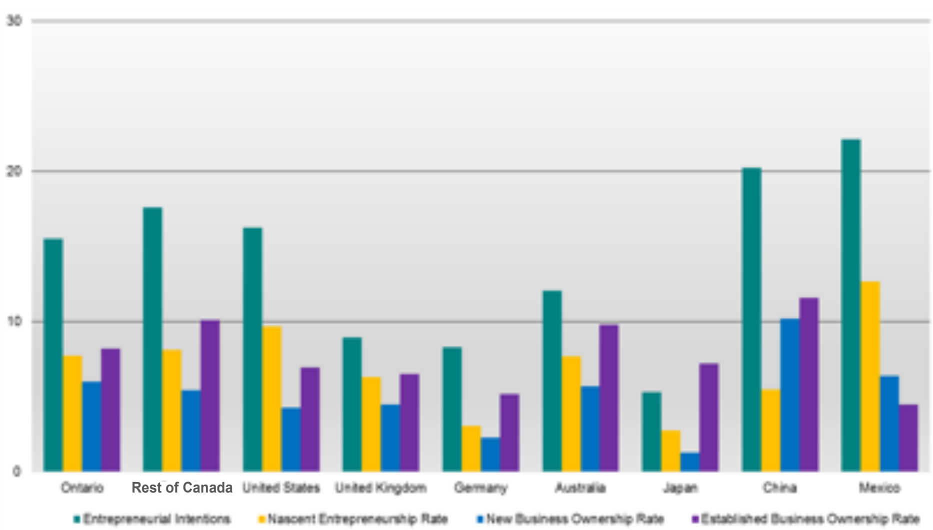
Ontario and the rest of Canada's 2014 TEA rates (both 13%) are comparable to the United States , and Australia and lower than China and Mexico (Figure 10).

Figure 10 – TEA Values
(Ontario and the rest of Canada vs. Major Trading Partners)



Ontario and the rest of Canada have rates of entrepreneurial intentions comparable to the USA and higher than most other trading partners except for China and Mexico and higher rates of new business ownership and established business ownership than most countries except for China.

Figure 11 – TEA-Related Indicators
(Ontario and the rest of Canada vs. Major Trading Partners)



3. ENTREPRENEURSHIP IN THE ONTARIO ECONOMY

3.1 Entrepreneurship and Job Creation

While it is generally asserted that entrepreneurship is the key to job creation and economic growth, a more nuanced analysis is needed. Most Canadian start-ups (74%) do not survive past five years[1] and a small proportion of firms account for the majority of new job creation. As the Business Development Bank of Canada recently noted[2],

"There are a million firms in Canada, from small to large. All firms don't make the same journey. Many remain small for many years. However, some firms invest more, innovate constantly and expand into international markets. These firms play a disproportionately large role in the Canadian economy in terms of both job creation and GDP growth. Consequently, these "high-impact" firms deserve special consideration when it comes to enhancing Canadian competitiveness."

A small proportion of SMEs drives job growth – for example one study showed that 5% of SMEs accounted for 43% of job growth, companies which have been labelled "gazelles"[3]. But SMEs also drive job loss – the same study showed 3.1% of firms accounted for 38% of job loss[4]. High growth firms can include young and small firms as well as older established businesses. More empirical research has refined the analysis. For example a US study measured business birth rates and patterns of economic growth in 394 Labour Market Areas (LMAs)—a major city and the surrounding counties—in the United States from 1991 to 1998 concluding that "higher rates of entrepreneurial activity [birth rates] were strongly associated with faster growth of local economies"[5]. A similar study in Canada, showed that most business creation occurs among the smallest businesses—those with 1-9 employees. Within Canada, Alberta and British Columbia recorded both the highest birth rates and the highest net business creation. On average, Canadian provinces performed moderately well compared to

[1] Baldwin, John, Lin Bian, Richard Dupuy, and Guy Gellatly, Failure Rates for New Canadian Firms: New Perspectives on Entry and Exit. Statistics Canada.2000.

[2] BDC, High Impact Firms Accelerating Canadian Competitiveness, 2015. https://www.bdc.ca/EN/Documents/analysis_research/high-impact-firms-accelerating-canadian-competitiveness.pdf

[3] Birch, David, The Job Generation Process. MIT Programme on Neighborhood and Regional Change. 1979.

[4] Picot, G., J. Baldwin, and R. Dupuy, Have Small Firms Created a Disproportionate Share of New Jobs in Canada? A Reassessment of the Facts. Statistics Canada, Micro-Economic Studies and Analysis Division No. 71., 1994.

[5] Zoltan, Acs, "Start-ups and Entry Barriers: Small and Medium-Sized Firms Population Dynamics." In M. Casson, B. Yeung, A. Basu, and N. Wadeson (eds.), The Oxford Handbook of Entrepreneurship. Oxford University Press, 2006 194-224.

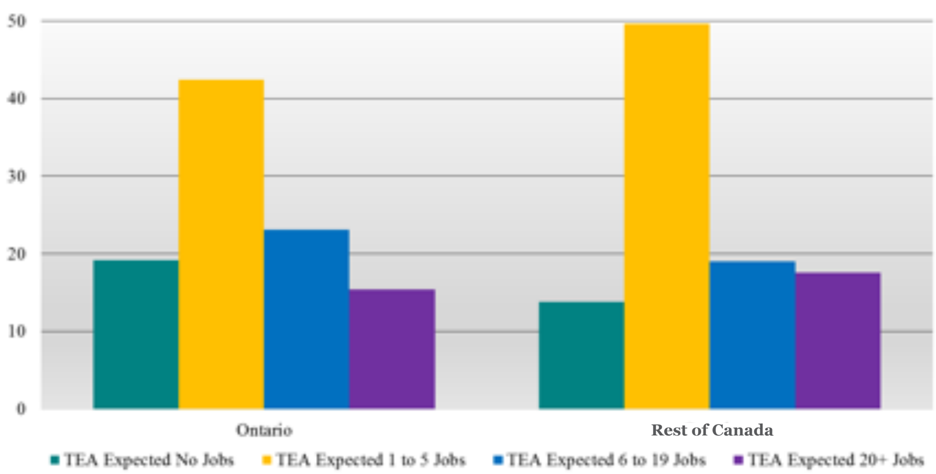
US states in terms of business births. However, Canadian provinces had significantly lower rates of net business creation than US states (births minus deaths)[6].

To the extent that government policy objectives are focused on job creation, evidence based approaches are needed to target resources towards entrepreneurs with the propensity for growth and helping entrepreneurs set their sights higher.

Also linked to job growth are the strategies entrepreneurs employ to grow, including plans for innovation and for international expansion. The aspirations and ambitions of the entrepreneurial venture are therefore important factors in their success.

Figure 12 shows a higher proportion of TEA businesses in Ontario (19%) expect no job growth compared to the rest of Canada (14%). The majority of TEA businesses in Ontario (42%) and the rest of Canada (50%) plan on creating 1 to 5 jobs. 23% of TEA businesses in Ontario aspire to create at least 6 to 19 jobs in comparison to the rest of Canada (19%). A smaller proportion of TEA businesses in Ontario (15%) have goals to create 20 plus jobs in comparison to the rest of Canada (18%).

Figure 12 – Job Creation: TEA (Ontario vs the rest of Canada)



[6] Godin, Keith & Jason Clemens, "Measuring Business Creation in Canada and the United States", Studies in Entrepreneurship & Markets, Number 5, December 2007.

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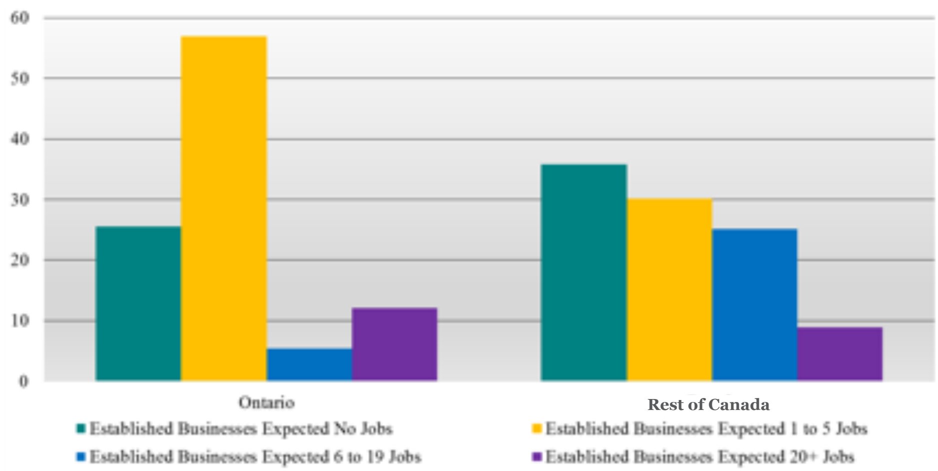
In Ontario, more than 50% of established businesses plan to grow 1-5 jobs compared to 30% in the rest of Canada. But substantially fewer Ontario established businesses expect to grow 6-19 jobs in comparison to the rest of Canada (5% versus 25%). There are slightly more established businesses in Ontario (12.1%) that are planning to create 20 plus jobs in comparison to the rest of Canada (9%). (see Figure 13).

Figure 13 – Job Creation: Established Businesses (Ontario vs. the rest of Canada)



While TEA businesses expecting high job growth in Ontario and the rest of Canada were comparable to the UK and Australia but lower than in the USA, established businesses with high expected growth rates were among the highest in Ontario and the rest of Canada compared to the others.

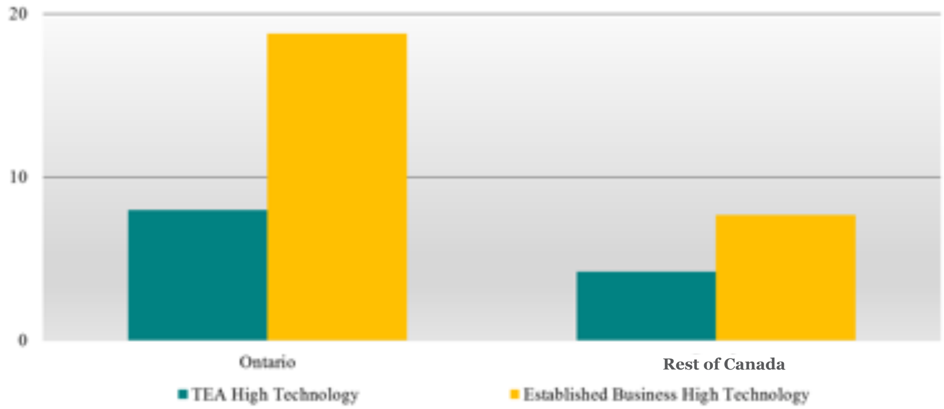
Figure 14 – Job Creation
(Ontario and the rest of Canada vs. Major Trading Partners)

3.1 Innovation

Ontario TEA ventures resemble those of the world leading innovation economies (such as the rest of Canada and the US) in addressing new combinations of products and markets, and in aiming for markets in which few or no businesses offer the same product. To complement the variables that measure aspirations of early-stage entrepreneurs, GEM collects information on variables that measure the potential competitiveness of these initiatives. They are: currency of technology in use, and the share of TEA addressed to markets with few or no competitors.

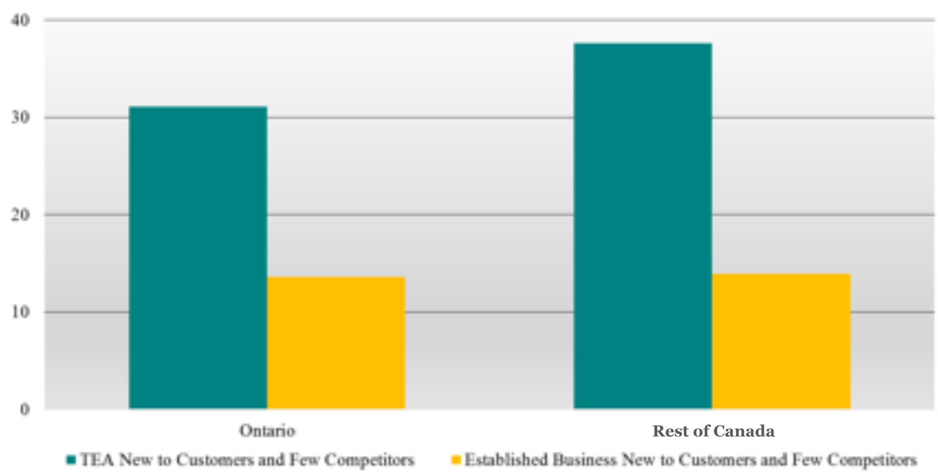
Figure15 indicates that Ontario's TEA and established businesses have more high-tech ventures than the rest of Canada (Ontario TEA: 8% and EB: 19%; rest of Canada TEA: 4% and EB: 8%), reflecting the difference in economic structure between Ontario and the rest of Canada.

Figure 15 – Innovation: High Technology (Ontario vs. the rest of Canada)



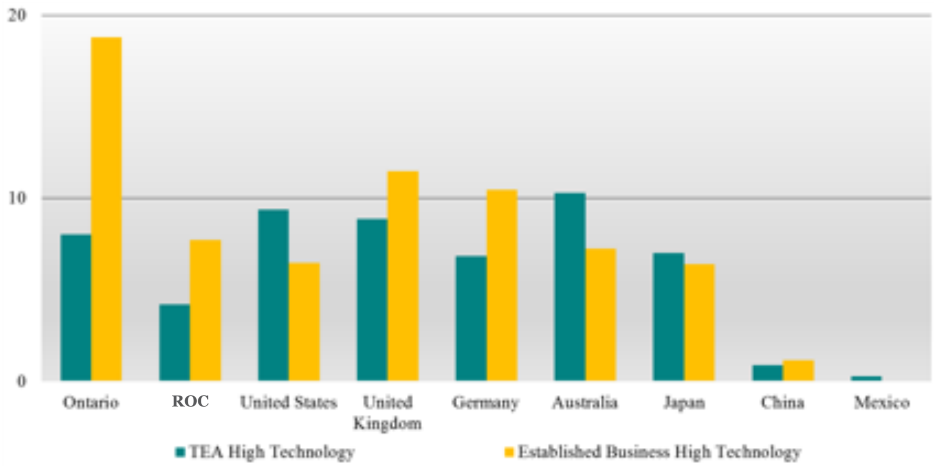
Introducing an original or unique product into a new market is an important indicator of innovation and competitiveness. About 31% of Ontario TEA initiatives are based on new products and limited competitors compared to the rest of Canada (38%).

Figure 16 – Innovation: New to Customers (Ontario vs. the rest of Canada)



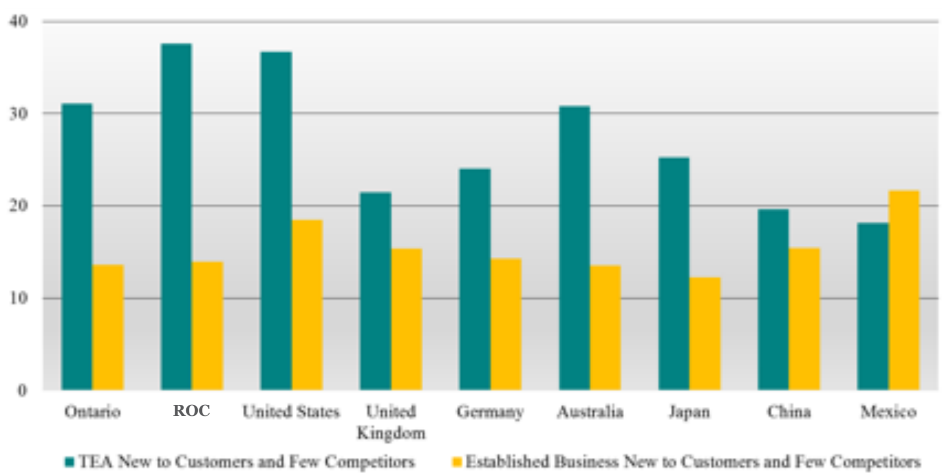
While Ontario's early stage businesses have rates of high tech ventures comparable to those in other jurisdictions, Ontario's established businesses have a much greater rate high-tech ventures (19%) than all comparator groups. UK-established businesses reported the second highest rate of high-tech ventures at 11% (Figure 17).

Figure 17 – Innovation: High Technology (Ontario and the rest of Canada vs. Major Trading Partners)



The proportion (31%) of Ontario TEA initiatives that are based on new products and limited competitors is higher than other jurisdictions except for the rest of Canada and the USA.

Figure 18 – Innovation: New to Customers (Ontario and the rest of Canada vs. Major Trading Partners)



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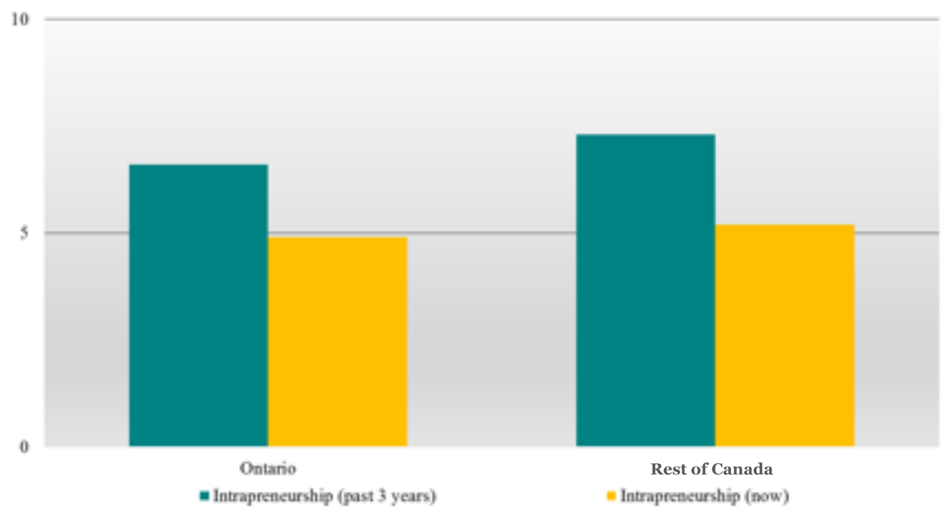
3.3 Intrapreneurship

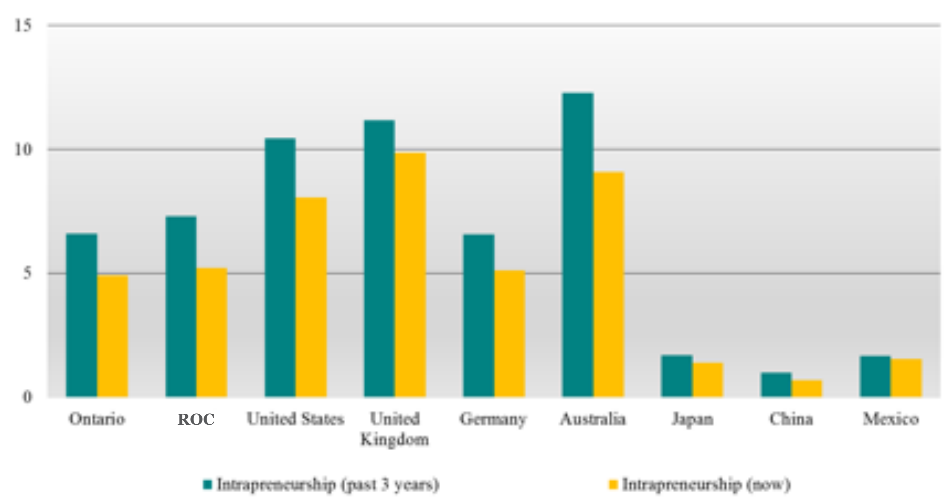
GEM has recently introduced measurement of "intrapreneurship" which is entrepreneurial activity within existing organizations including new ventures created by employees for their principal employer. Figure 19 illustrates that Ontario respondents report slightly lower rates of intrapreneurship than the rest of Canada, both in the past three years (6.6% vs. 7.3%) and now (4.9% vs. 5.2%).

Figure 19 – Intrapreneurship (Ontario vs. the rest of Canada)



Ontario also ranks lower than the rest of Canada, the United States, United Kingdom, and Australia in reported levels of intrapreneurship.

Figure 20 – Intrapreneurship
(Ontario and the rest of Canada vs. Major Trading Partners)



4.1. Age

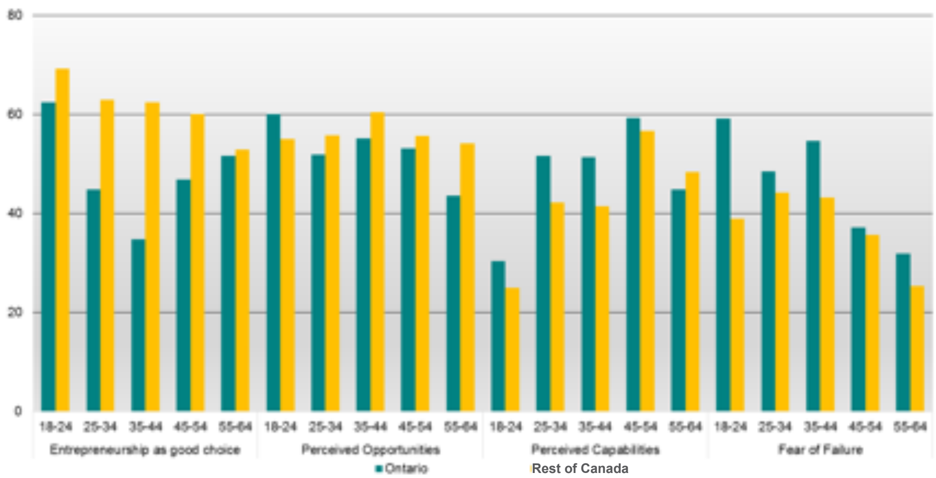
Age is an important demographic variable affecting rates of entrepreneurship. Broadly, the rate of entrepreneurship is highest in young and mid-adulthood and declines with age.

In Ontario, the 25-34 age group reported the highest overall TEA rate (15%) compared to the other age cohorts in Ontario. The 18-24 year old age cohort had the lowest TEA rate (4%) in Ontario. With the exception of the 25-34 year old cohort Ontario had lower TEA rates for all other age cohorts in comparison to the rest of Canada (see Figure 21).

Figure 21 – TEA rates by Age (Ontario vs. the rest of Canada)

Figure 22 illustrates the attitudes towards entrepreneurship distributed across age cohorts. In Ontario, the 18-24 age cohort was most likely to favourably perceive entrepreneurship opportunities (60%), whereas the 55-64 age cohort perceived entrepreneurial opportunities least favourably (44%). The same table indicates that perceived entrepreneurial capabilities increase with age and peak in the 45-54 age cohort for both Ontario (59%) and the rest of Canada (57%). Interestingly, fear of failure diminishes with age in Ontario and the rest of Canada, with the 55-64 age cohort having the lowest number of respondents who report fear of failure (Ontario: 32% and the rest of Canada: 25%). Youth (18-24) in Ontario (63%) and the rest of Canada (69%) are most likely to perceive entrepreneurship as a good career choice. However, surveyed individuals that fall within the 35-44 cohort (35%) have the lowest number of respondents who perceive entrepreneurship as a good career choice in both Ontario and the rest of Canada.

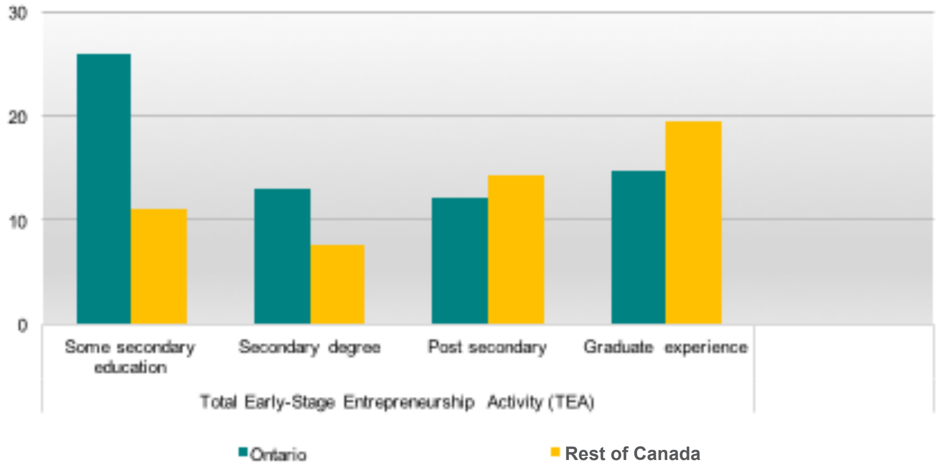
Figure 22 – General Public Attitudes towards Entrepreneurship by Age (Ontario vs. the rest of Canada)



4.2 Education

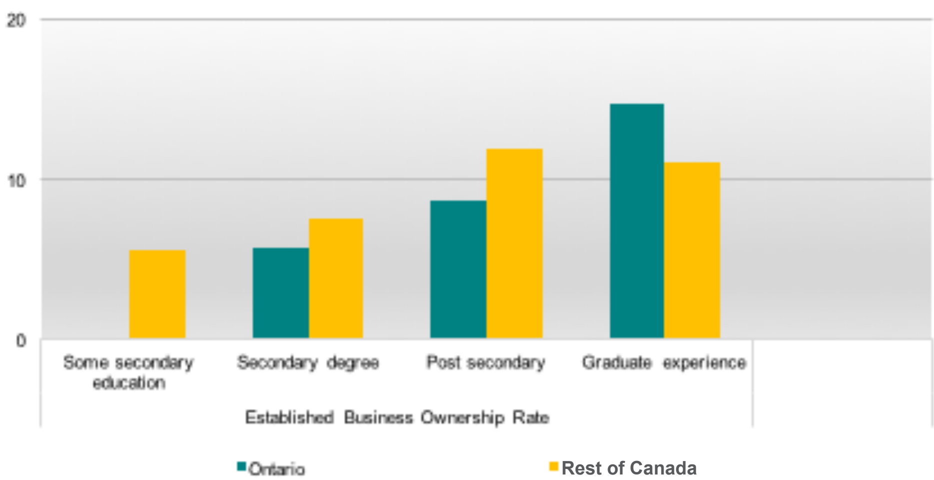
TEA is highest among the less educated (some secondary education 26%) in Ontario and among the most educated across the rest of Canada (graduate experience 19%; Figure 23). This pattern holds for both opportunity and necessity TEA rates. For example, the necessity TEA rate is highest among less educated adults with some secondary education in Ontario (7%). Across all TEA measures, the proportion of respondents in Ontario with some secondary education was twice as large compared to respondents from the rest of Canada.

Figure 23 – TEA Values by Education (Ontario vs. the rest of Canada)



Among established businesses, 15% of respondents had some graduate education in Ontario compared to 11% in the rest of Canada (Figure 24), possibly reflecting the higher numbers of technology-related and knowledge intensive businesses.

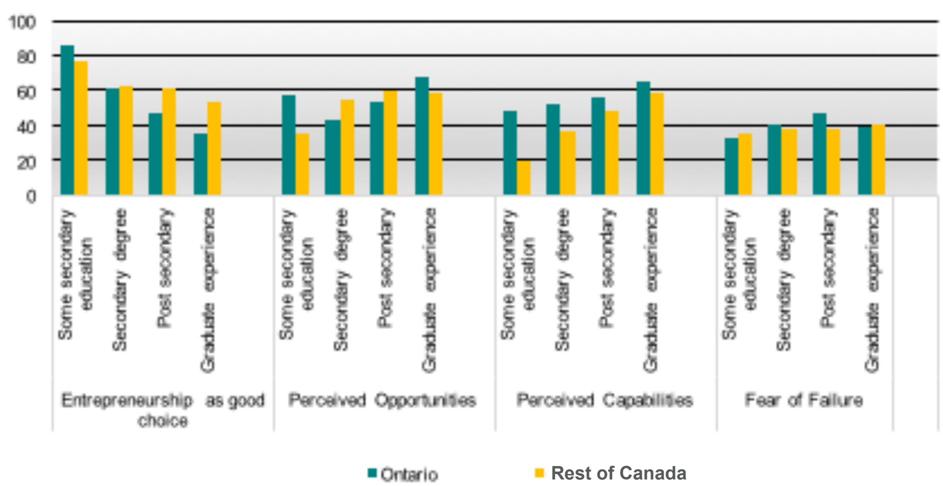
Figure 24 – Established Business Ownership Rate by Education (Ontario vs. the rest of Canada)



4. ENTREPRENEURSHIP DEMOGRAPHICS

Less education appears to be linked to the perception that entrepreneurship is a good career choice in Ontario and the rest of Canada. Respondents with graduate experience were less likely to see entrepreneurship as a good career choice in Ontario (35%) and the rest of Canada (54%) compared to participants from other education categories. Participants with some secondary education were the most likely to see entrepreneurship as a good career choice in both Ontario (86%) and the rest of Canada (77%). However, the proportion of respondents with graduate experience in the rest of Canada who see entrepreneurship as a good career choice was much higher than the number of those from Ontario. More education is also found to have an effect on perceived capabilities, with respondents who possess graduate experience having the highest perceived capabilities in Ontario (65%) and the rest of Canada (59.6%) (see Figure 25).

Figure 25 General Public Attitudes towards Entrepreneurship by Education (Ontario vs. the rest of Canada)

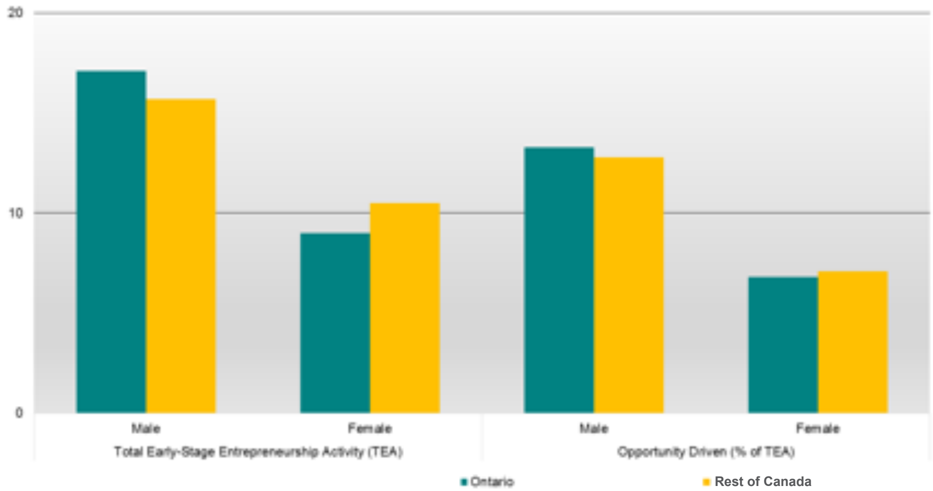


4.3 Gender

In Ontario, 17.1% of male adults and 9% of female adults between 18 and 64 are engaged in early-stage entrepreneurial activities. The female rate is slightly lower than for the rest of Canada (Figure 26) .

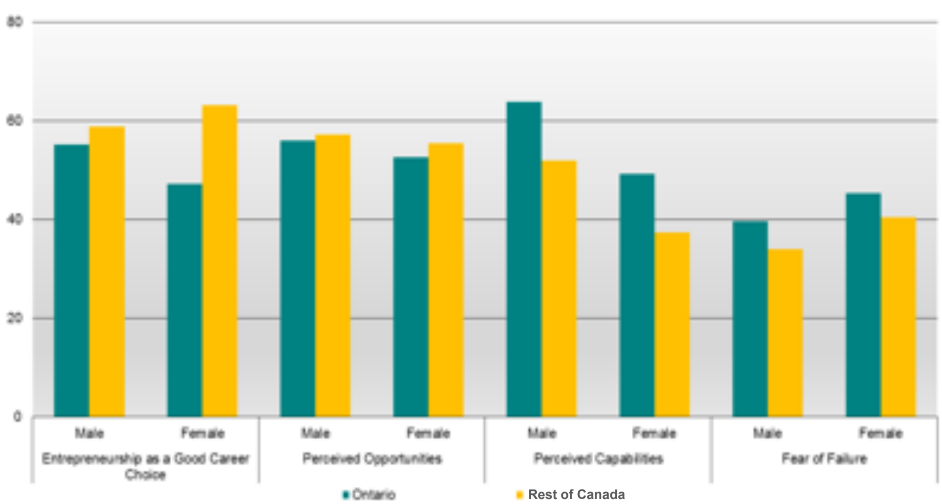
[1] Interestingly, only BC shows parity between male and female TEA (16% and 17%).

Figure 26 – TEA-Related Values by Gender (Ontario vs. the rest of Canada)



In Ontario females are less likely to see entrepreneurship as a good career choice, compared to males which is not the case in the rest of Canada. Females are less likely to see opportunities or capabilities than males in Ontario. However, both Ontario based males and female report higher levels of perceived capability than in the rest of Canada. Females in Ontario are more likely to fear failure than males in Ontario and than females in the rest of Canada (Figure 27).

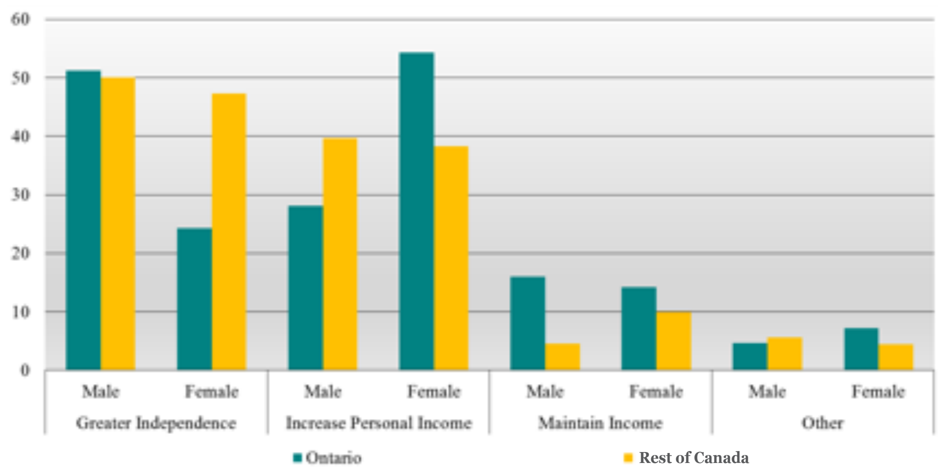
Figure 27 – General Public Attitudes towards Entrepreneurship by Gender (Ontario vs. the rest of Canada)



4. ENTREPRENEURSHIP DEMOGRAPHICS

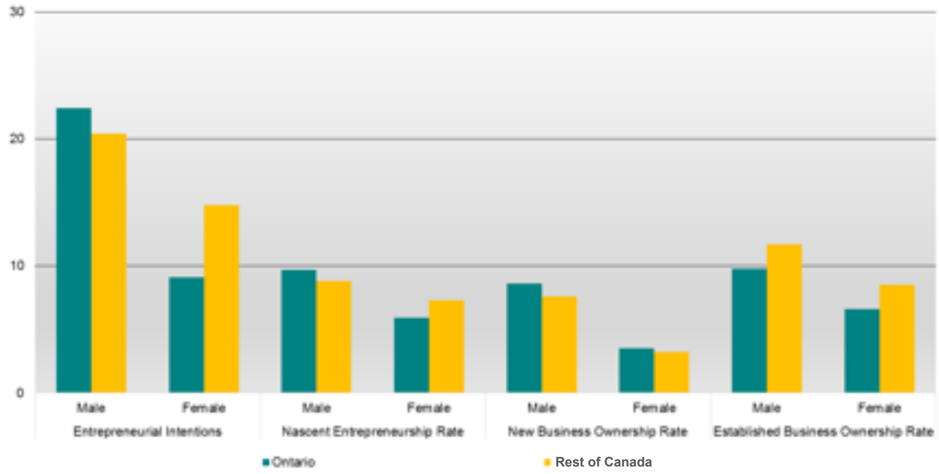
In Ontario female entrepreneurs place greater emphasis on personal income growth (54%) rather than greater independence (24%). By contrast, female entrepreneurs in the rest of Canada place more emphasis on greater independence (47%) over personal income growth (38%). Within both Ontario and the rest of Canada, males place greater emphasis on greater independence than increasing personal income as drivers of entrepreneurial engagement (Figure 28).

Figure 28 – Comparison of Motives by Gender (Ontario vs. the rest of Canada)



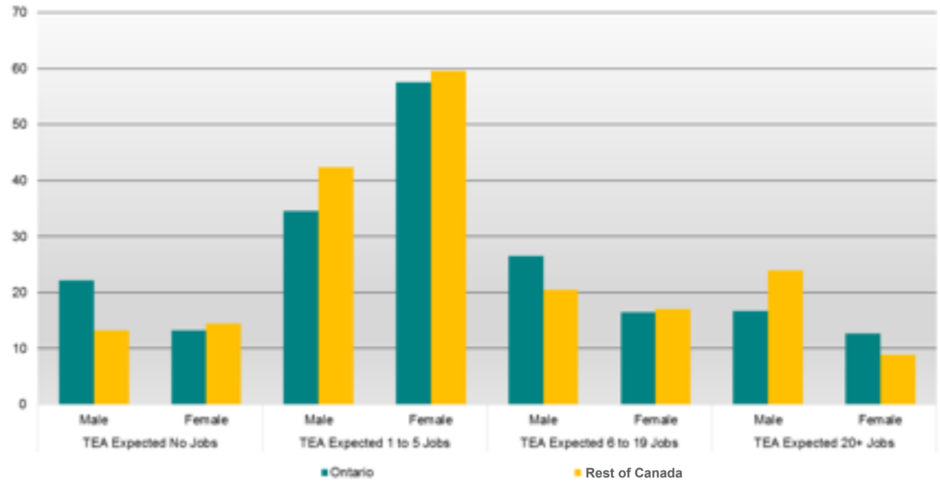
There is a significant gap between male and female entrepreneurship at every stage and in general the gender gap in Ontario is larger at each stage than we see in the rest of Canada. For example males in Ontario are more than twice as likely to express entrepreneurial intentions than females (22% vs. 9%) compared to 20% and 15% in the rest of Canada (Figure 29).

Figure 29 – The Stages of Entrepreneurship by Gender (Ontario vs. the rest of Canada)



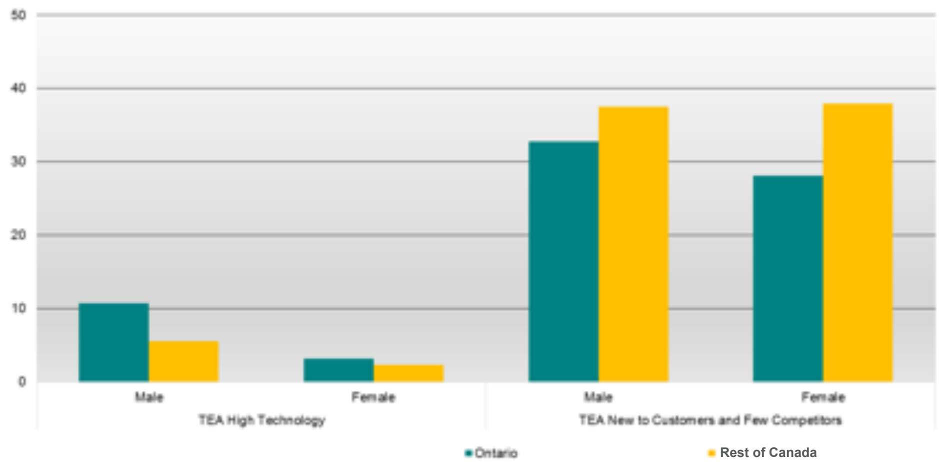
In every category a smaller percentage of females expect to create jobs compared to men except in the 1-5 job creation range. A higher percentage of women in Ontario expect 20 plus high job growth than in the rest of Canada (13% versus 9%).

Figure 30 – Job Creation: TEA by Gender (Ontario vs. the rest of Canada)



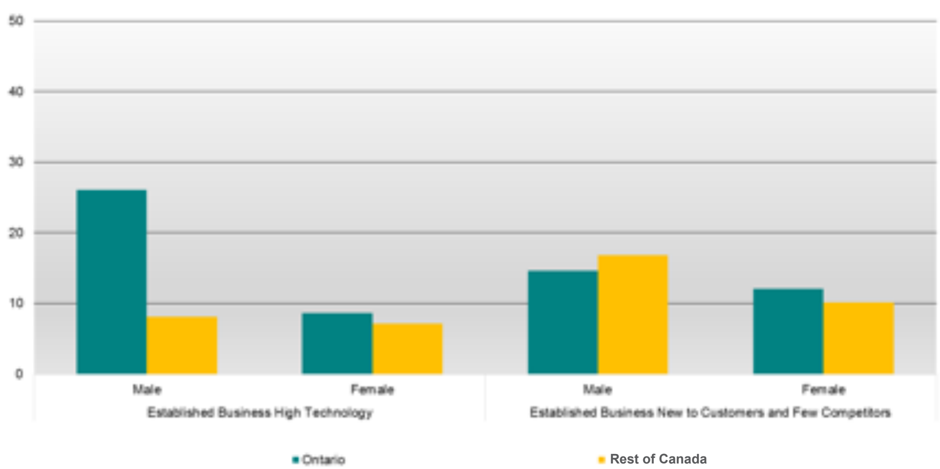
There is an enormous gap between male and female respondents reporting technologically based innovation in Ontario and in the rest of Canada, while the gap in reporting market based growth is much smaller in both Ontario and the rest of Canada (Figure 31).

Figure 31 – Innovation: TEA by Gender (Ontario vs. the rest of Canada)



This is also true in established businesses where only 9% of women compared to 26% of men in Ontario report using technology-based innovation.

Figure 32 – Innovation: Established Businesses by Gender (Ontario vs. the rest of Canada)



5. ENTREPRENEURIAL FRAMEWORK CONDITIONS

5.1. Overview

The GEM survey protocols provide expert assessments of nine sets of socio-economic conditions by nationals that affect entrepreneurship in any economy. These conditions, based on framework conditions outlined by the World Economic Forum are:

- Availability of finance
- Government policies
- Government programs
- Entrepreneurship education
- R&D transfer
- Commercial and services infrastructure
- Market openness
- Physical infrastructure
- Cultural and social norms

The panel of experts was drawn from areas of expertise that correspond to the nine framework conditions. In Canada, entrepreneurial framework conditions are assessed at the national level and at the level of participating provinces. In 2014, 42 experts with professional perspectives at the national level were survey as part of the National Experts Survey (NES). These results were compared to the responses of 36 individuals, equally drawn from across the spectrum of framework conditions who responded to Ontario's Provincial Expert Survey (PES). Experts rated the truth of a series of statements about entrepreneurial framework conditions in Ontario on a five-point scale from 1 (completely false) to 5 (completely true), with a mid-range score of three indicating neither true nor false. Below, we provide the average (mean) scores as well as the mode (the most frequently given value), which helps to interpret the direction of majority opinion[1].

GEM Canada, as part of its participation in the GEM Consortium carried out a national survey, the NES, the results of which are shown below in comparison with the results from Ontario. The NES sample was again drawn from across the nine framework conditions, and in addition was drawn to reflect the relative sizes of the provinces, based

[1] Strictly speaking, Likert scale responses should only be analyzed using the mode responses. In 2014 mean values were included for provincial and national comparisons. In 2015 a 1 to 9 scale will be used, allowing a much more robust analysis of the modal data.

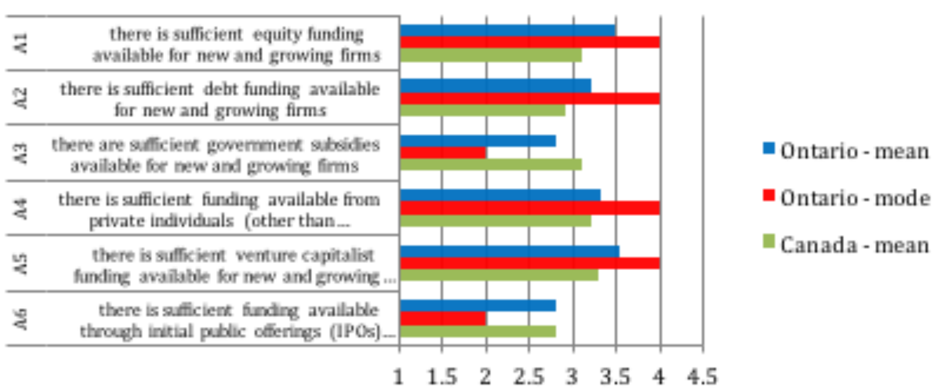
5. ENTREPRENEURIAL FRAMEWORK CONDITIONS

on population. Thus the largest single component in the NES was the sample from Ontario, but these were not the same individuals as appear in the Ontario sample.[2] For purposes of comparison we provide the mean scores, by framework condition, for Canada in 2014, and the mean scores for Ontario in 2014.

5.2. Finance

The PES assessed the adequacy of six types of finance for the needs of Ontario entrepreneurs: equity, debt, government subsidies, funding from private individuals other than funders, venture capital, and initial public offerings (IPOs). Of these, experts considered IPOs and government subsidies appear to be inadequate; the other sources of funding are fairly adequate or better (see Figure 33). The startup funding situation in Ontario seems to be comparable to that of Canada as a whole. Experts' assessment of the adequacy of finance in Ontario in 2014 shows considerable improvement over 2013, with the exception of government subsidies and IPOs.

Figure 33: Assessment of Finance for Entrepreneurs in Ontario

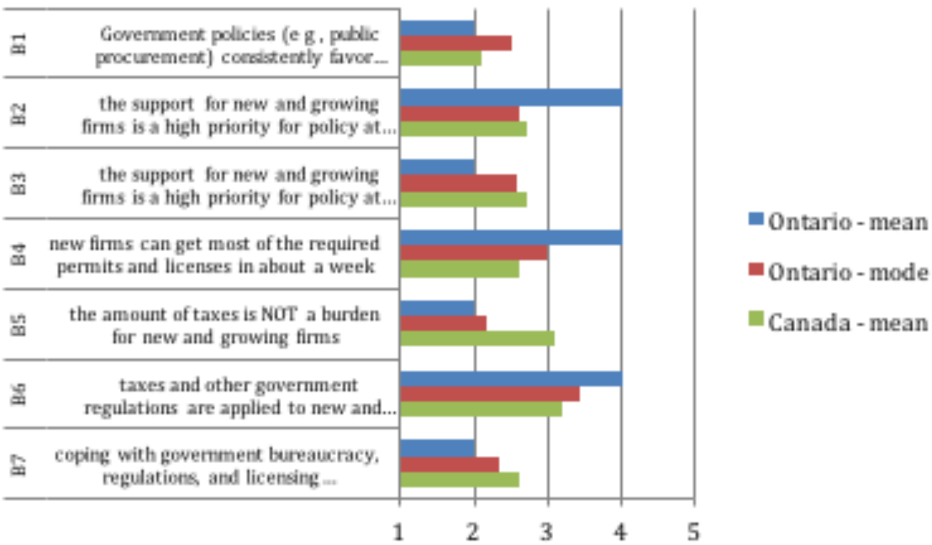


[2] In 2014 Newfoundland, Quebec, Alberta and BC also carried out PES surveys.

5.3 Government Policy

Experts assessed the adequacy of government policy by evaluating the truth of seven statements. The general assessment is that government policies do not consistently favour new firms, that the amount of taxes is a burden, and that coping with bureaucratic requirements is unduly difficult. However, experts disagreed among themselves about whether support for new and growing firms is a high priority for policy at the provincial government level, and whether new firms can complete the permitting and licensing process in about a week. The situation in Ontario regarding adequacy of government policies resembles that of Canada as a whole, except that taxes are considered more of a burden at the provincial level than at the national level.

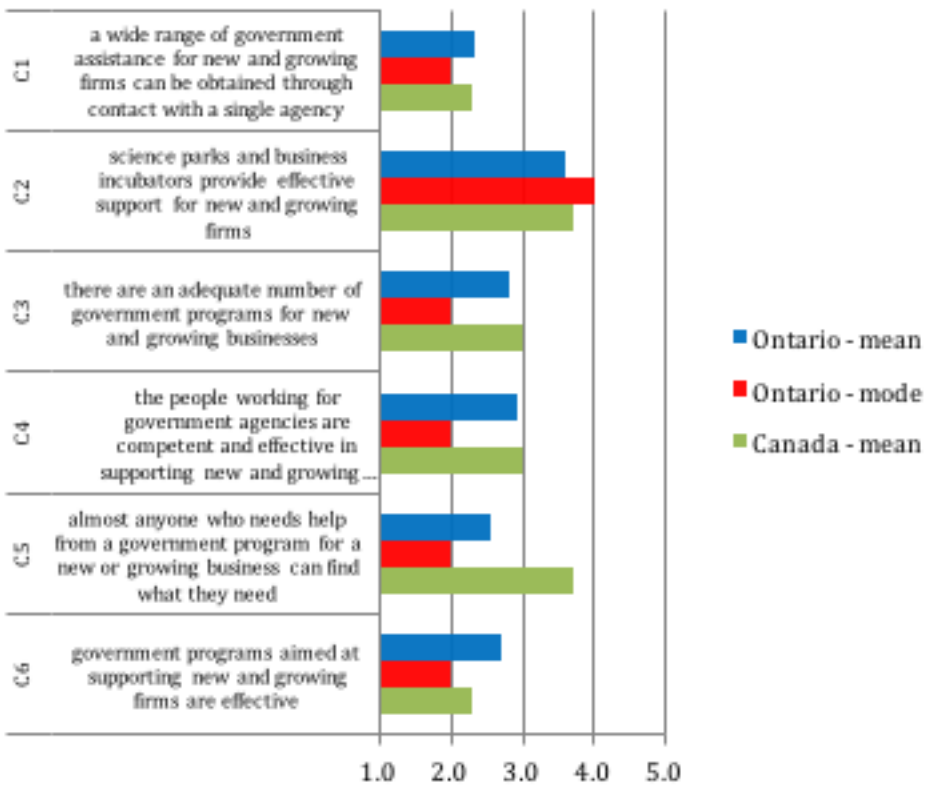
Figure 34: Assessment of Government Policies for Entrepreneurship in Ontario



5.4. Government Programs

Experts assessed the adequacy of government programs in Ontario by evaluating the truth of six statements. Results indicate that only in the area of business incubators do experts consider government programs in Ontario to have relative strengths. However, some large differences between means and modes show that experts themselves disagree on the assessment of adequacy of government programs in Ontario. It is interesting that Canada has a better reputation than Ontario for providing information and assistance to new and growing businesses.

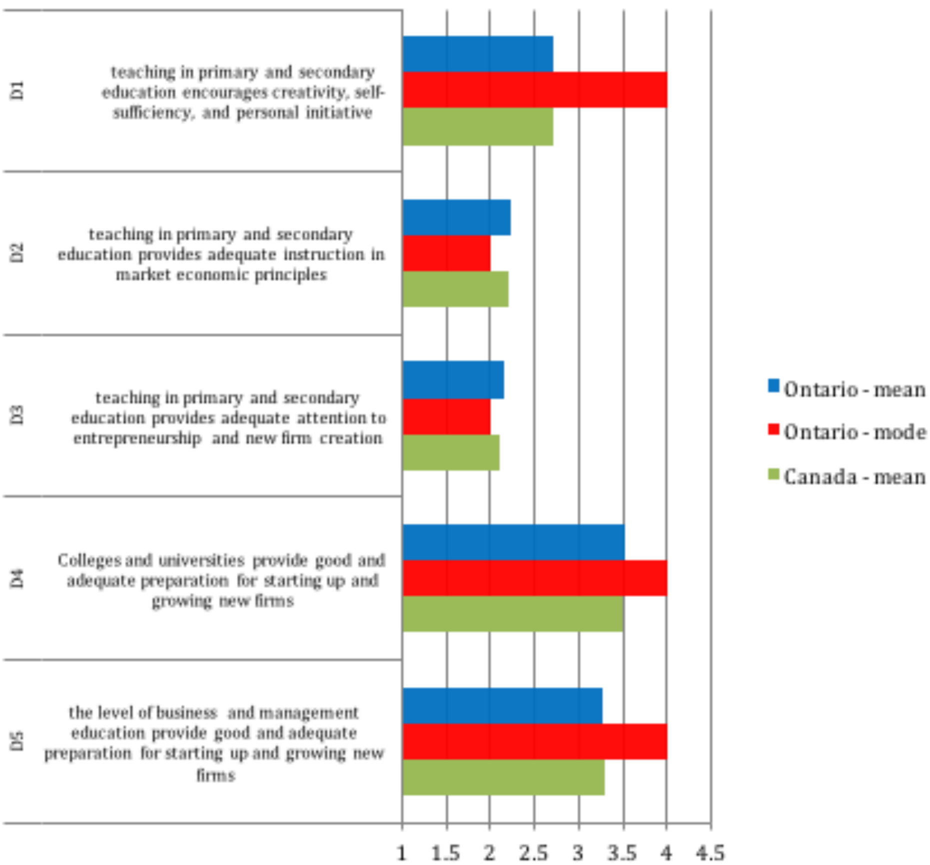
Figure 35: Assessment of Government Programs for Entrepreneurship in Ontario



5.5. Entrepreneurship Education

Entrepreneurship education was flagged as one of the weakest of Ontario's entrepreneurial framework conditions in 2013. In 2014 it remains weak, but results show that experts consider the situation to be much more favourable in colleges, universities, and in business management education than in primary or secondary education, where considerable scope for improvement is found.

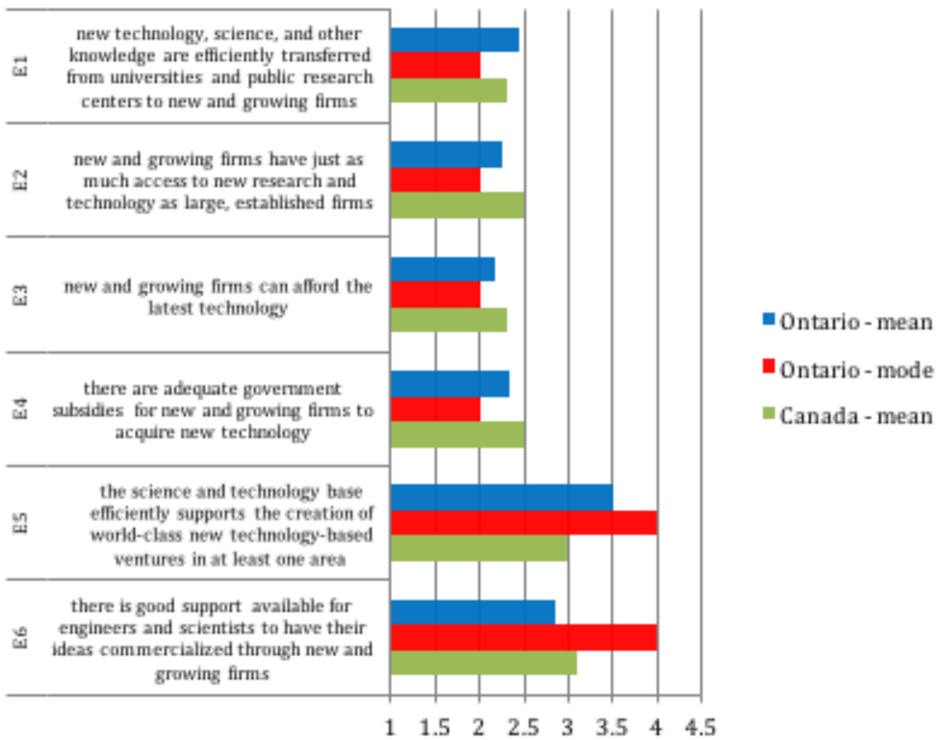
Figure 36: Assessment of Entrepreneurship Education in Ontario



5.6. R&D Transfer

R&D commercialization is another relatively weak link in Ontario's entrepreneurial framework conditions. Although the experts consider the S&T base to be relatively strong in Ontario, experts see weaknesses in the efficiency of the transfer process, access to S&T by new and growing firms, affordability of the latest technology, and adequacy of subsidies.

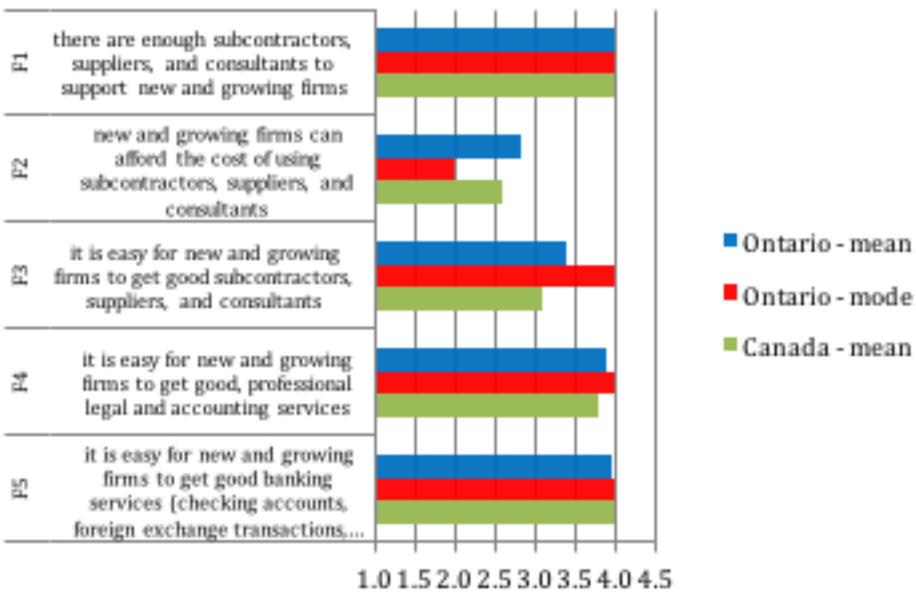
Figure 37: Assessment of R&D Transfer in Ontario



5.7. Commercial and Service Infrastructure

Ontario's commercial infrastructure is one of the strongest factors among the entrepreneurial framework conditions. Contractors, suppliers, consultants, banking services, and legal services are available to new and growing firms in adequate quantity and quality. The only shortcoming in this area, according to the experts, is the ability of new and growing firms to afford these professional services.

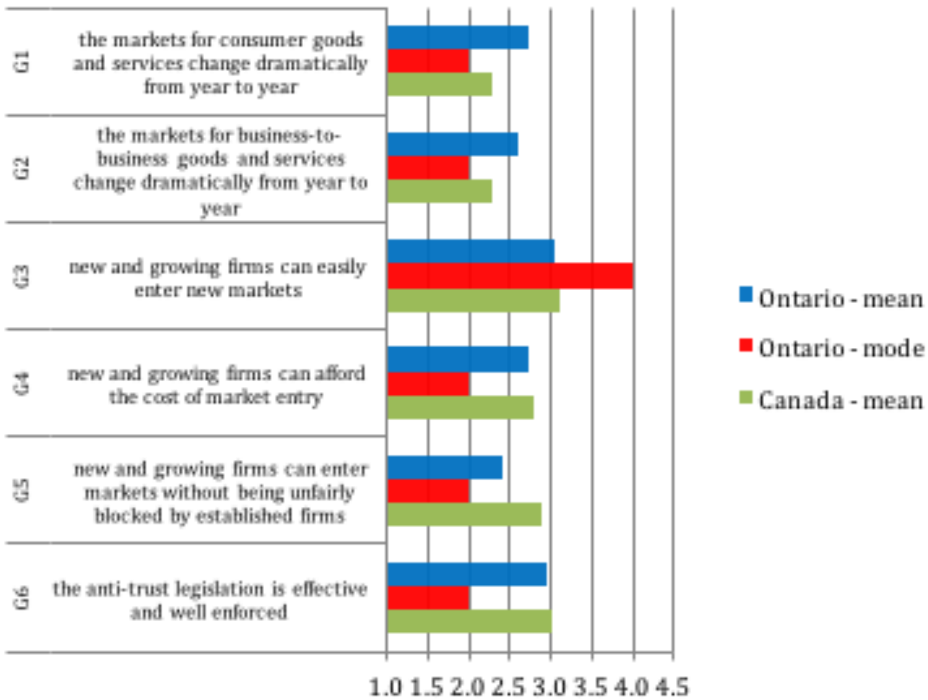
Figure 38: Assessment of Commercial and Service Infrastructure in Ontario



5.8. Market Openness

Experts are lukewarm and somewhat divided about market openness in Ontario. Consumer and business markets are considered to be relatively stationary and, while new and growing firms can easily enter new markets, affordability of market entry, blocking by incumbents, and adequacy of anti-trust legislation are considered to be problematic.

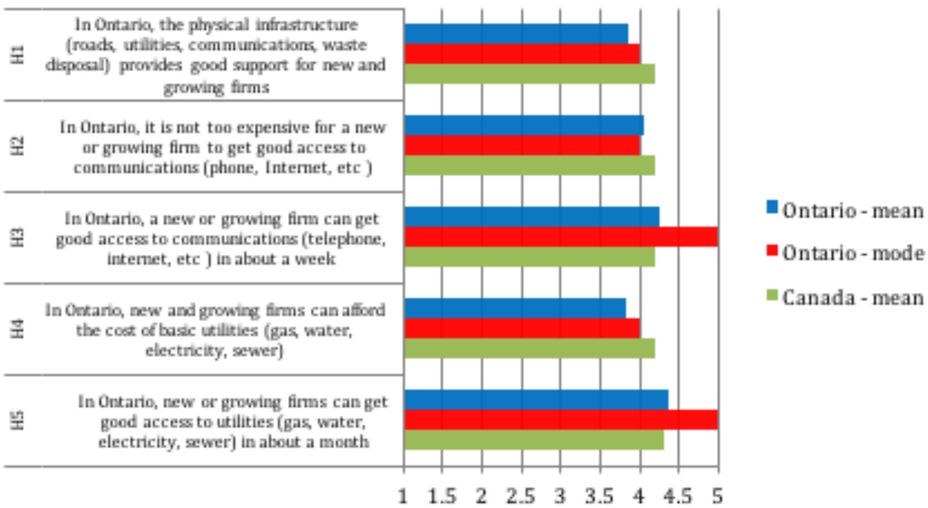
Figure 39: Assessment of Market Operations in Ontario



5.9. Physical Infrastructure

As with the rest of Canada, Ontario's physical infrastructure is one of its strongest of the nine entrepreneurial framework conditions. Roads, utilities, communications are widely available, affordable, and readily obtained for new and growing firms.

Figure 40: Assessment of Physical Infrastructure in Ontario

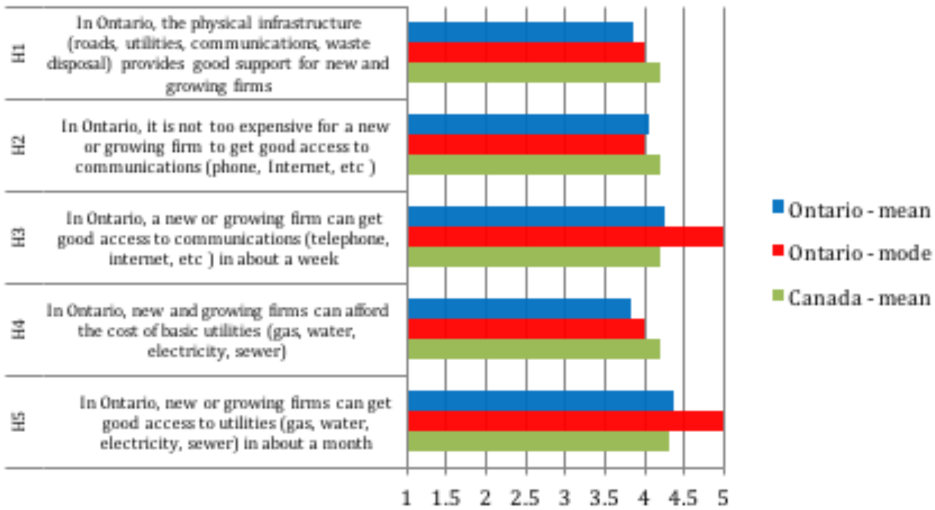


5. ENTREPRENEURIAL FRAMEWORK CONDITIONS

5.10 Cultural and Social Norms

Experts assessed the adequacy of Ontario's cultural and social norms for new and growing firms. On all dimensions they rated it higher than the Canadian average.

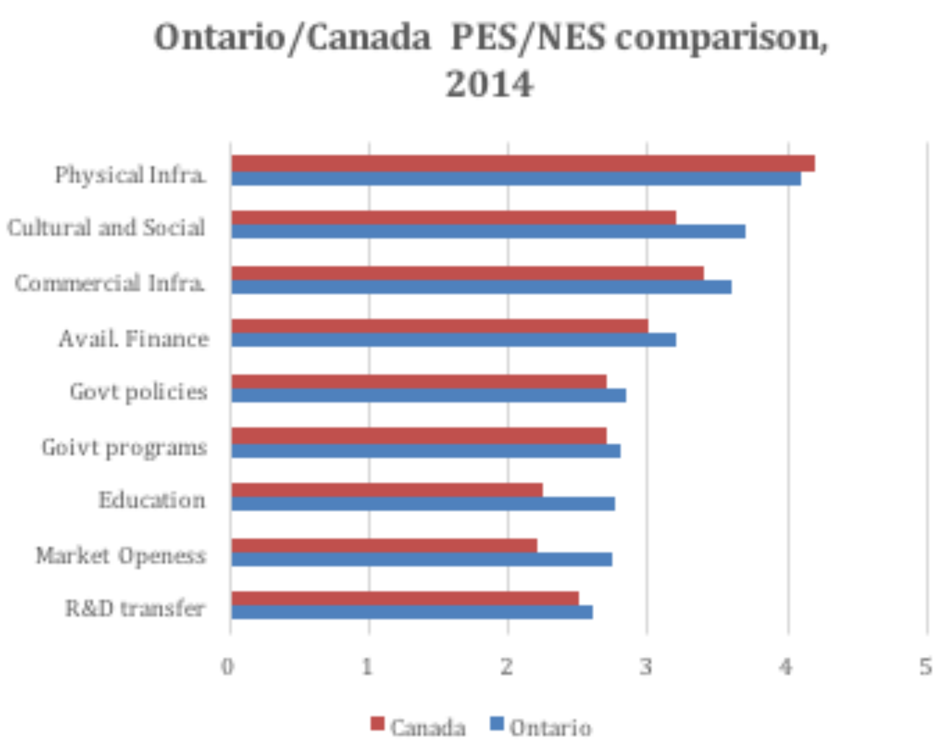
Figure 41: Assessment of Culture and Social Norms



5.11 Framework Conditions Summary

Figure 42 summarizes, experts' assessments of entrepreneurial framework conditions in Ontario and Canada. For the most part, Canada's and Ontario's strengths are in its physical and commercial infrastructure and its cultural and social norms. Ontario's Weaknesses compared to Canada appear to occur in market openness and education.

Figure 42: Overall Assessment of Ontario's Framework Conditions (mean values)



5. ENTREPRENEURIAL FRAMEWORK CONDITIONS

6. CONCLUSIONS AND IMPLICATIONS

Our findings indicate that Ontario's performance in matters of advancing entrepreneurship is outstanding in some respects, but that in other areas improvements are needed in the conditions that foster new and young firms in Ontario.

Ontario's rate of opportunity-motivated entrepreneurship ranks among the developed world's highest, representing a tremendous asset for the province. In matters of intensity of early-stage entrepreneurship, Ontario resembles some very vigorous entrepreneurial countries such as the US. Ontario's level of early-stage entrepreneurial activity is higher than many other high growth economies.

Ontarians are quite aware of entrepreneurship thanks to the media. They have a positive attitude toward entrepreneurship and entrepreneurs, similar to what is found in most other innovation-driven economies. More than one in four Ontarians knows someone who started a business in the past two years. Entrepreneurial opportunities are believed to be abundant, and Ontarians see quite good conditions to start a business in the near future. This is stronger confidence than among the reference groups of countries. However, in the national context, it is among the lowest level of confidence in any province.

Almost half of all adult Ontarians believe they have the knowledge and skills to create a business, and they express a relatively low degree of fear of failure. However, experts consider that Ontario does not have a deep talent pool of individuals who know how to create and grow vigorous companies. About one in five early-stage entrepreneurs in Ontario expects significant job creation, and fewer than one in five have a strong international orientation.

We find some evidence of a lag in the use of advanced technology by Ontario entrepreneurs, and this is corroborated by experts' assessments of various barriers to technology-based innovation in Ontario, including cost of technology, cost of professional services, and bottlenecks in the transfer of knowledge and technology from institutions of higher education and public research centres. Ontario is also distinguished by a relatively high concentration of

6. CONCLUSIONS AND IMPLICATIONS

early-stage entrepreneurial activity among young adults in the 25-34 age range. Experts believe that policies and programs targeting this demographic should be stronger.

Early-stage entrepreneurs in Ontario are more highly educated than owners of established businesses, and Ontario has a relatively high rate of early-stage entrepreneurship among persons with an undergraduate degree. Almost 14% of Ontario adults with this level of education are engaged in early-stage entrepreneurial activities - a reflection, probably, of the high level of engagement among 25-34 year-olds In the labour force.

While further investigation is warranted to explore how empirical data supports the perceptions in the GEM surveys, the Report has several recommendations:

1. **Continue to promote the culture of innovation, to build awareness of entrepreneurship as a career choice and to celebrate diverse successful entrepreneurs.** Continuing to build legitimacy for entrepreneurship as a good career choice and to mitigate fear of failure requires an integrated and comprehensive strategy focusing on education, awareness and media. Ontarians need to see entrepreneurship as a good choice to advance personal and economic growth and we need to continue to build entrepreneurial intentions and early stage activity to fuel the pipeline.

2. **Develop mentorship to encourage more ambitious goals**. We know that not all startups create jobs and that, in fact, a relatively small proportion of startups account for most jobs. The results of the GEM survey reinforced this with about 20% of early-stage entrepreneurs in Ontario expecting significant job creation. Fewer than one in five have a strong international orientation suggesting another opportunity to promote growth.

3. **Focus more attention on defining intrapreneurship and programs to promote it.** The report shows that Ontario has a lower level of intrapreneurship than the rest of Canada and the US, UK and Australia. For an export driven manufacturing economy continued productivity growth is important to maintain

international competitiveness. Intrapreneurship can be seen as a proxy measure for productivity so enhancing intrapreneurship is important to maintain international competitiveness.

4. **Enhance entrepreneurship education.** Given public sector investments in entrepreneurship education and incubation, it is surprising to see the relatively low rates of entrepreneurship among youth (18-24) in Ontario compared to the rest of Canada. This clearly is an area which requires attention and reinforces the importance the experts have placed on entrepreneurship education and government programs. It is clear that youth see entrepreneurship as a good choice and perceive opportunities but fear of failure seems to dwarf their confidence in their abilities. This is something which needs to be tackled systematically particularly with those with post-secondary education and advanced degrees.

5. **Provide mentorship to encourage women's entrepreneurship.** Gender is another dimension that requires attention – the gap between male and female respondents in Ontario is higher than across Canada, and may be tied to the intensity of technology enabled entrepreneurship in the province. More males than females are involved in early-stage entrepreneurship in Ontario. This represents a major failing in the entrepreneurial system although some framework conditions (cultural, government programs, and policies) to promote greater gender equity in matters of entrepreneurship suggest that there conditions for improvement are relatively favourable as a means of increasing the number of entrepreneurs. Females are less likely to see entrepreneurship as a good career opportunity, to see opportunities or their capabilities and are more likely to fear failure. Addressing these perceptions with an integrated strategy and targeted programs is critical to level the playing field and fuel growth.

6. **Strengthen the entrepreneurial ecosystem.** In general, the expert responses reinforced the general perceptions reported in the larger GEM Ontario survey. They maintained that Ontario's physical and commercial infrastructure and its cultural and social norms are strong. They indicated that financing, government policies, and government programs were moderate. However, they identified R&D transfer, market openness, and education as weaknesses needing attention. More research is needed to empirically assess these factors and, more importantly, to develop evidence based strategies and programs to address them.

SPONSOR RECOGNITION

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The 2014 GEM Canada report is available at www.gemcanada.org

The 2014 GEM Global report is available at www.gemconsortium.org

Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors.

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