

Action

entrepreneurship

GROWING YOUNG ENTERPRISE
FAIRE GRANDIR LA JEUNE ENTREPRISE



Action Entrepreneurship: Growing Young Enterprise

Pre-read for Action Entrepreneurship Canadian Summit 2015 Participants

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INTRODUCTION

There is an urgent need for Canada to expand youth entrepreneurship. Youth unemployment is more than double that of older age groups, and half of the entrepreneurs who head small and medium-size enterprises – which make up 98% of Canadian businesses and create almost half of all jobs – are retiring in the next decade.

Last year, Futurpreneur Canada launched Action Entrepreneurship and brought together more than 1,000 young entrepreneurs and leaders from sectors that support them, via in-person and virtual roundtables and a national summit. Their shared insights, ideas and experience were captured in “[*Unlocking the Power of Youth Entrepreneurship: An Action Plan for Canada*](#).” This action plan contains targeted recommendations for all parts of society that have a role to play in fostering youth entrepreneurship: governments, businesses and business associations, non-profits, academia, entrepreneurs themselves and their families and communities.

Action Entrepreneurship 2015 is building on that work and focusing on business growth because growing entrepreneurial businesses contribute disproportionately to innovation, job creation and the health of the economy. We held 12 roundtable discussions across Canada from January through April about how to help young entrepreneurs maximize the growth potential of their businesses. On May 14th in Toronto, you and other participants in the second annual **Action Entrepreneurship Canadian Summit** will build on what we heard. This pre-read summarizes our learning from the roundtables and describes how the Summit will unfold.

INSIGHTS FROM THE ROUNDTABLE DISCUSSIONS

Futurpreneur Canada recently hosted roundtable discussions with 650 young entrepreneurs and other leaders in 12 cities across Canada from St. John’s to Iqaluit. Over 20 individuals also participated in a virtual forum: “*Have Your Say*.”ⁱ Participants were asked to consider three questions:

1. Why is it important for **young entrepreneurs** to aspire to grow their businesses?
2. What are the biggest challenges that **young entrepreneurs** face in pursuing business growth opportunities in their local markets, other provinces and internationally?
3. What needs to change to make it easier for **young entrepreneurs** to grow their businesses successfully in their local markets, other provinces and internationally?

The conversations across Canada were remarkably similar with some notable differences, particularly between large and small centres. We summarize them below.

ⁱ *Have Your Say* can be found at: <http://www.futurpreneur.ca/en/microsites/actionentrepreneurship/story-showcase/>

1. Why is it important for young entrepreneurs to aspire to grow their businesses?

The majority of roundtable participants identified many benefits to business growth for them as individuals, for their businesses and for their communities and country.

Personal benefits included pursuing their passion and realizing their dreams, keeping them engaged and interested, providing opportunities for personal and professional development and learning, building motivation and confidence, achieving financial success, being a role model for others, and leaving a legacy.

Business benefits included survival, staying relevant and adaptable to changing markets and economic and business climates, keeping ahead of competition in meeting customer needs, attracting and keeping strong employees, and being attractive to funders, investors, and buyers of businesses.

Benefits to communities and country included strengthening and diversifying the economy, stimulating innovation, growing exports and, above all, creating jobs for themselves and others. The latter was particularly important to participants from smaller centres who saw creating jobs as essential to providing meaningful employment, keeping youth and money in their local communities, and improving quality of life.

Some roundtable participants took issue with the premise that business growth is essential or even important. They felt that growth is a complex concept that goes beyond increasing revenues and profits. They said they want to decide for themselves whether they want to grow their businesses beyond what they need to maintain their lifestyles and what form growth should take. In Vancouver in particular, participants discussed the increasing interest in social enterprises that value changing communities and the world for the better over growth for its own sake.

Common challenges:

“The biggest challenge young entrepreneurs face is themselves. We have limits in terms of energy - how do we find time to run the business and do the research and work to take it to the next level?”

“Managing the ‘valley of death’ is a big challenge – accessing cash flow during high growth periods when you are trying to enter new markets.”

“We need an ‘easy button’ resource tab – it takes more time to understand taxes and regulations than it does to get product to our customers.”

“The small town mentality can be a barrier – need to have the mindset to look beyond where your business is based.”

2. What are the biggest challenges that young entrepreneurs face in pursuing business growth opportunities in their local markets, other provinces and internationally?

Every roundtable identified **fear** as a major challenge. Participants talked about fear of failure, fear of debt and fear of the unknown, and how these fears sap their self-confidence and make them risk averse. This issue seemed to be most prevalent pre-start-up and early in the life of the business.

Participants shared numerous challenges that become more prevalent as businesses grow, including:

Lack of time. Many talked about spending all of their time working ‘in the business’ and not having time to work ‘on the business’ - to plan ahead and make the organizational changes needed to accommodate growth.

Difficulty financing growth. Participants believed that there are many more programs to finance start-ups than there are for businesses seeking to grow. Many spoke of difficulty obtaining bank financing, especially lines of credit to help with cash flow management, because they lack credibility due to their youth and inexperience.

Others with greater financing needs talked about the ‘\$700,000 threshold’ above which money becomes scarce. Several had experienced problems finding angel investors willing to provide financing on reasonable terms or to keep their money in the business long enough.

Lack of critical knowledge and skills, particularly HR management. Many questions were raised on the HR topic such as: how do you know when you need to add people; how do you identify the skills you need; how do you find, hire and keep talent; and how do you learn to delegate when you are used to doing everything yourself?

Contrasting views on growth:

“Without the drive to grow you lose momentum, ambition and enthusiasm. It is like a shark – it can’t stop or go backwards.”

“Nunavut needs a more diversified economy to bring up employment – we are losing our youth.”

“Growth isn’t important to all young entrepreneurs. Many are aspiring to create an impact – to make the world a better place – not to run a profit.”

Other important skill gaps included business planning, marketing and selling. It is difficult to identify new target markets, develop strong value propositions, and sell into them.

Hard to know where to go for help. There are many services and programs and other resources, both on and off-line, but it is really hard to find what is most useful for specific business situations. Governments, chambers of commerce and associations could do a better job targeting and communicating with young entrepreneurs.

Finding ‘qualified’ mentors. Young entrepreneurs want mentors who have first-hand experience growing businesses and, ideally, who understand their industry and have useful functional knowledge. They also want mentors to help them access networks and find partners in new markets. Participants recognized that these qualifications won’t necessarily be found in one person and that those who possess them will likely be in high demand and have limited time.

High costs of professional services, particularly for legal, accounting and market research. The latter was of particular concern to those interested in finding new markets. **High cost of space** was also an issue for many.

Government-imposed challenges. Those who want to sell in other provinces or export had issues with: costs and time imposed by government regulations and red tape; inter-provincial trade barriers; weak intellectual property protection (copyrights, trademarks, patents, and trade secrets), posing risks when entering international markets; and lack of support to help with new market entry.

The roundtable participants from **smaller and more remote communities** shared additional issues, namely:

- **Financing and other resources** being less accessible than in large centres
- Difficulty **building scale** in their local markets
- Higher **travel and shipping costs**

3. What needs to change to make it easier for young entrepreneurs to grow their businesses successfully in their local markets, other provinces and internationally?

Roundtable participants had many ideas for addressing the challenges they face in growing their businesses, including:

Overcoming fear and lack of confidence. Participants agreed that this is best done through earlier and continuing education at all levels to make students aware that entrepreneurship is a viable career option and to teach them important skills like financial literacy, soft skills and business skills. Students should be encouraged to learn from failure and not fear it. More telling of success stories, and stories of recoveries from failure, in classrooms and in the media would help.

Making time to work ‘on the business.’ This was considered to be very difficult but necessary for those who want to grow their business and have a personal life. Other ideas below for making resources more easily accessible, improving access to mentors, and reducing regulation and red tape would also help free up precious time.

Improving access to growth financing could involve a number of different stakeholders;

- Governments, NGOs and non-profits like Futurpreneur Canada could do more ‘step-up’ as opposed to ‘start-up’ financing. They could also develop targeted programs such as loans or grants for market research, and financing and travel funds to help young entrepreneurs in remote markets expand their businesses. Some participants also suggested funding programs for specific demographics such as women and First Nations.
- Financial institutions could be encouraged to develop financial products for young entrepreneurs seeking to grow businesses. Governments could incentivize them by helping to finance loan forgiveness for businesses that fail.

- Corporations could be encouraged to create venture funds to help finance promising entrepreneurial businesses that might complement theirs, e.g. by giving them access to new technologies or new market segments. This appears to be much more common in the U.S. than in Canada.
- Governments could encourage more angel investment through tax credits for investing in growing businesses.
- Young entrepreneurs need to understand more about non-traditional financing sources such as crowdfunding and how they might work in Canada.
- Finally, governments and other institutions need to simplify and speed up application processes for loans and grants.

Improving critical knowledge and skills like HR management could involve a combination of formal education, better self-help resources and access to qualified mentors. In addition, more training opportunities could be created for young entrepreneurs by governments, organizations that support entrepreneurs, educational institutions, and possibly by groups of young entrepreneurs working in collaboration to meet shared needs and close skill gaps.

Making it easier and faster to find useful information about services, programs and other resources. Young entrepreneurs believe that the information they need is available but is really difficult and time-consuming to find. They would like to see coordination between different levels of government to organize information better, use consistent terminology that is relevant to entrepreneurs, and reduce duplication.

There was a lot of discussion about ways to provide one or a few points of entry to search for particular types of information such as portals for financing options or for market intelligence on international trade opportunities. Participants talked about ‘one-stop shops’ and ‘road maps of the resource eco-system’ and a ‘311’ number for young entrepreneurs. Several suggested that governments provide a ‘road map package’ when businesses register that would provide useful information and sources of additional resources and support.

Making connections with networks and mentors. Participants highly value mentorship by entrepreneurs who have successfully grown businesses but recognize that qualified mentors are in short supply and have limited time. They suggested alternative ways to obtain mentorship support such as:

Opportunities to overcome challenges:

“Need to break the isolation of young entrepreneurs from society by reaching out to each other – maybe by forming an association.”

“We need information brokers to navigate information for specific types of services (e.g. how to ship to another market) – an additional layer that provides actual support like a consultant.”

“Mature entrepreneurs have the responsibility to nurture and encourage young entrepreneurs – it’s about embodying the spirit of entrepreneurship and serving as role models.”

“The Canadian Technology Accelerator is government-backed and helps companies sell into new markets – we need this beyond technology in less flashy industries.”

- Mentoring boards to bring a range of qualifications and work with groups of young entrepreneurs, reducing the time commitment of individual mentors.
- Peer-to-peer mentoring by groups of young entrepreneurs at similar stages in building their businesses, for the purpose of sharing experiences and learning.
- Young entrepreneur associations or young entrepreneur branches of chambers of commerce or boards of trade which would have their own services and events as well as joint networking events with established entrepreneurs.
- Create a 'dating service' for prospective mentors and mentees to find each other. This could also take the form of something like volleyworks.comⁱⁱ where the interactions are problem-specific as opposed to ongoing.

Several participants also suggested that mentoring education would be useful for prospective mentors and mentees and that organizations that offer mentorship and mentorship education, like Futurpreneur Canada, consider developing a formal mentorship certification.

Reducing the costs of professional services and space could be done in a number of ways:

- Organizations that support young entrepreneurs could offer services such as legal and accounting at reduced cost.
- Young entrepreneurs with businesses in the same industry could pool resources to obtain professional services, including market research, more cost effectivelyⁱⁱⁱ.
- Young entrepreneurs in markets with expensive real estate could co-locate to reduce space costs.
- Governments and educational institutions could create more spaces for accelerating business growth (as opposed to start-up).

Suggested actions governments could take to reduce the costs they create and help young entrepreneurs grow businesses included:

- Continuing to relax and simplify regulations (zoning, permits, etc.) and reduce red tape.
- Reducing inter-provincial trade barriers.

ⁱⁱ Volley is a Toronto-based tech startup that is building a private community of designers, developers and entrepreneurs, and facilitating introductions between members looking for advice and members with relevant expertise.

ⁱⁱⁱ In Italy, company networks called *rete d'impresa* help small firms reach new customers by pooling resources on such things as market research, training and purchasing. Since 2009, firms have been able to formalize these relationships under contract. According to The Economist, firms which have entered such agreements perform better than those that haven't. (From The Economist, January 3rd 2015, *Italy's small food-makers – Export or die*, accessed at: <http://www.economist.com/news/business/21637397-businesses-are-looking-abroad-customers-and-saviours-export-or-die>)

- Improving protection of intellectual property rights.
- Increasing government procurement from young entrepreneurs' businesses as part of programs that support government purchasing from SMEs. These programs are perceived to be much more pervasive in the U.S. at all levels of government.
- Improving access to export assistance including encouraging young entrepreneurs to participate in trade missions and making market intelligence accessible.
- Developing or encouraging development of more soft landing programs such as those offered in Silicon Valley that help companies obtain the support and resources to enter new markets, and find international partners and customers.

ACTION ENTREPRENEURSHIP CANADIAN SUMMIT: HOW WILL IT WORK?

Many of the opportunities identified in the roundtables are already included in the action plan developed at last year's Action Entrepreneurship Summit. This reinforces the importance of taking action, or communicating what actions have been taken and are underway. This year's Summit will take a deep dive into two areas of opportunity for action: making useful connections and finding talent and specialized services.

Participants should come prepared to participate in facilitated discussions of these two topics on the morning of the Summit. Some questions that you will be asked to consider are set out below. Because we will have a mix of young entrepreneurs from traditional businesses and social enterprises participating in the discussion, we expect that some will think about growth in terms of sales, profits and jobs while others may focus on growth in terms of making an impact while sustaining the enterprise.

Topics and Questions for Discussion

Topic 1. Making Useful Connections – Using mentors, advisors, peers and other organizations to facilitate growth. The many solutions that were identified across the country are listed below.

- Mentoring boards to bring a range of qualifications and work with groups of young entrepreneurs, reducing the time commitment of individual mentors.
- Peer-to-peer mentoring by groups of young entrepreneurs at similar stages in building their businesses for the purpose of sharing experiences and learning.
- Young entrepreneur associations or young entrepreneur branches of chambers of commerce or boards of trade which would have their own services and events as well as joint networking events with established entrepreneurs.
- Creating formal company networks for collaborating among young entrepreneur-led businesses to achieve scale economies through shared purchasing of services such as legal, accounting and market research.

- Create a ‘dating service’ for prospective mentors and mentees to find each other. This could also take the form of something like volleyworks.com where the interactions are problem-specific as opposed to ongoing.

Please review the list and discuss the following questions:

- Is this list right?
- What, if anything, is missing?
- What do you think should be done first and by whom?

Topic 2. Finding talent and specialized services – Challenges related to this topic came up across the country but there were not enough solutions identified. Please discuss questions below and develop a list of specific action items.

- What kind of HR advice do young entrepreneurs need and how could they get it? What is the number one action item and who should take the lead?
- What is needed to help young entrepreneurs assess their own skills gaps and fill them? What is the number one action item and who should take the lead?
- What is needed to help young entrepreneurs determine the best way to build their teams? How should they decide what roles to contract for or hire for and who should fill them? How and what to delegate? What is the number one action item and who should take the lead?
- How could professional services like legal, accounting, and training be more accessible? What is the number one action item and who should take the lead?

Following the Summit, all of the day’s work will be assembled in to a *Guide to Growth* – a set of recommendations to supplement the action plan that was developed last year. We will share it with you and other Summit participants so that we can all promote it, take action, and encourage others to play their part in delivering the essentials that young entrepreneurs need to grow businesses successfully.

For more information, visit: www.actionentrepreneurship.ca

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