



**From Start-up to Success: Scaling a Proven Solution to  
Unlock Canada's Entrepreneurial Potential**

**Submission regarding 2017-2021 budget cycle request to the  
Standing Committee on Finance**

**Julia Deans, CEO  
August 5, 2016**

## A. Start-ups drive economic growth and innovation

Supporting the start-up and scaling of small and medium-sized companies (“SMEs”) is critical to achieving the new Innovation Action Plan. SMEs are the backbone of our economy, creating jobs, supporting communities, and generating new ideas that will fuel our future.

Small businesses led by young people are particularly important. They create more jobs than other SMEs and record higher growth rates<sup>1</sup>. But they need help to overcome barriers greater than for older people.

When it comes to readying young entrepreneurs, Futurpreneur Canada is the only organization with a pan-Canadian presence, a twenty-year track record, and an established mentor network. We have helped over 9,000 young people launch and grow new businesses.

Our support makes a difference. Futurpreneurs have a **50-60% five-year survival rate** (the Canadian average is roughly 50%),<sup>2</sup> and these are *young* entrepreneurs without collateral. Even more impressive: up to **83% of Futurpreneurs repay their loans**<sup>3</sup>.

Our proven model is ready to scale. The Government can unlock Futurpreneur’s potential by renewing support for our Start-up program and providing additional funding to support indigenous youth and women aged 40 and over.

This is not a request for research and development. With ISED’s partnership, we have established a proven solution that delivers results and garners positive performance reviews. With continued partnership, we can and will help to build a more inclusive and entrepreneurial Canada.

## B. Invest to leverage and scale a proven platform

### 1. *Long track record of building successful entrepreneurs*

Our impact since 1996 is clear in the figures below. Last year alone, we reached over 23,000 18-39 year olds. More than 1,000 launched new businesses through our Start-up program of non-collateral financing, industry-leading mentoring, training and other supports.

---

<sup>1</sup> Among all new enterprises in a 2012 OECD study that survived after three years, the highest employment growth was in companies started by people under 30

<sup>2</sup> Survival rates for Canadian SMEs (less than 250 employees) decline over time. About 85% survive for one full year, 70% for two years and 51% for five years (Key Small Business Statistics, 2012).

<sup>3</sup> Futurpreneur Canada data: 83% repayment rate in 2015/16.



**\* French version at end of document**

We see growing need for our offerings. Youth unemployment remains high<sup>4</sup>, and young people increasingly see the opportunity to start businesses or assume the businesses of retiring small business owners.<sup>5</sup> But most young people lack business skills and assets, and they are often too high-risk and time-consuming for traditional lenders. We are the only national non-profit organization that gives aspiring young entrepreneurs across Canada the time, expertise and resources they need.

## 2. *Supporting entrepreneurs in all industries, Canada-wide*

Through our 353 community partners, 15 locations, outreach and events, we serve the innovative people Canada needs to drive economic growth in every sector.

Forty per cent of Futurpreneur businesses are majority female-owned (double the national average) and our proven formula can support women entrepreneurs aged 40 and over. Similarly, our ThriveNorth initiative advancing young indigenous entrepreneurs in Northern BC can be replicated elsewhere.

We are industry agnostic. All businesses start small, and small businesses are the lifeblood of Canada's economy and communities<sup>6</sup>. Entrepreneurs in traditional sectors can be just as innovative as their technology industry counterparts, as exemplified by Futurpreneur businesses like **Frank & Oak**, a

<sup>4</sup> Canada's youth unemployment rate is 13% as of June 2016 (Statistics Canada, 2016)

<sup>5</sup> 48% of SME owners plan to retire in the next five years, 77% in the next 10 years (CFIB, 2011). The percentage of SME owners between 50 and 64 years of age has increased since 2004 and now represents half of all business owners (Key Small Business Statistics, 2013)

<sup>6</sup> Small businesses account for 97.9% of all firms in Canada and proportionally play a large role in net job creation. (ISED, 2016)

Montreal-based men's fashion retailer achieving huge online and retail success across North America, and Moncton-based Property Guys, with over 100 franchises in 600 Canadian communities and Australia.

### *3. Investments to deliver Innovation Action Plan results*

#### **1. Renewed support for our flagship Start-up program of \$8 million a year for five years (\$40 million)**

This investment will help 140,000 young people benefit from our launch and growth services. We will increase the number of businesses launched by six per cent per year to a total of 6,455<sup>7</sup> businesses led by 7,700 young entrepreneurs, creating 29,000 jobs and more than \$190M in tax revenues.

We will also deliver more value, including:

- **Expanded post-launch scale and growth support:** specialized advice and facilitated access to other programs and funders to help current and alumni Futurpreneurs grow and export beyond their local markets<sup>8</sup>.
- **Increased outreach and support for women 18-39**, increasing the percentage of women served from 40% to 45% (female-led SMEs are more likely to innovate but only 15.5% of SMEs are female-led<sup>9</sup>).
- **Targeted support** for part-time entrepreneurs who are growing full-time businesses.
- **Increased outreach and support for immigrant entrepreneurs** and the launch of 530 new immigrant-led businesses.

#### **2. New/incremental funding of \$1.65 million over three years to support indigenous young entrepreneurs in three communities.** We will engage up to 3,000 community members in entrepreneurship promotion, 140 indigenous youth in entrepreneurial training, and 35 indigenous youth in our full program of financing, mentorship and support as they launch businesses.<sup>10</sup>

- Canada's indigenous population is younger and growing faster than the rest of Canada.<sup>11</sup>
- Indigenous businesses are an important source of employment for indigenous Canadians.<sup>12</sup>
- Consultations have confirmed the need to expose more indigenous youth to entrepreneurship as a career option and help them launch businesses.
- We can replicate our successful ThriveNorth initiative (which has helped indigenous and northern young people launch 24 businesses, create over 60 jobs, and engage 2,000 more people through outreach and events).
- Higher costs linked to extensive relationship and partnership-building, comprehensive awareness work and skills training; and additional supports including pre-loan grants.

---

<sup>7</sup> Based on projections for fiscal years 2018-2022

<sup>8</sup> 10% of enterprises account for three-quarters of planned investments by Canadian SMEs to grow their businesses in 2016 (BDC, 2016).

<sup>9</sup> 15.5 percent of SMEs in Canada were majority owned by females. In comparison, 66.4% were majority owned by males in 2011 (Key Small Business Statistics, 2015)

<sup>10</sup> Estimated impact is based on our Thrive North program in Terrace and Prince Rupert (populations of 11,486 and 12,508) and may vary depending on the size of the communities chosen.

<sup>11</sup> Between 2001-2006, the Aboriginal labour force 15 years and over grew by 29.7 %, compared to 8.0 % growth in the Canadian labour force (Aboriginal Business Survey 2015)

<sup>12</sup> 86% of Aboriginal businesses with employees employ at least one Aboriginal person. On average, Aboriginal people comprise 62% of these firms' employees (Aboriginal Business Survey 2015)

**3. New/incremental funding of \$2 million over three years to support up to 1,500 women aged 40 and older across Canada.** Compared to men, fewer women aged 40 and over are starting new businesses<sup>13</sup>, often because they lack networks, financing, confidence and competence<sup>14</sup>. We will tailor our proven model and Canada-wide infrastructure to help them, complementing existing offerings. At least 150 women will participate in our full Start-up program, leveraging up to \$2 million in non-federal government funds.

*4. Federal contribution will leverage other resources, efficiencies and partnerships*

We leverage federal contributions by raising non-federal resources, becoming increasingly efficient, and developing innovative partnerships and volunteers.

**Federal funding will be leveraged 3:1**, in the following ways:

- Securing loan capital through our line of credit with RBC, secured by BDC, which is contingent on continued federal and other support for our programs and services.
- Recycled loan repayments, and interest and fees.
- Increasingly efficient operations, including recently updated back-end infrastructure. 85% of our funding goes to entrepreneur offerings and our administrative costs are below 7%. Our average net program and operating costs decreased by 11% in 2016 from 2015.
- National Partnerships, including our 353 community partners and other strategic partners.
- Growing referral and funding relationships with BDC and major bank.
- Volunteers: a pan-Canadian network of nearly 3,000 volunteer mentors and business experts.

**The federal contribution per business will decrease by more than half** in 2018-22 from what it was in 2006-2008 (from \$13,459 to \$6,172 per business) and deliver more value and results.

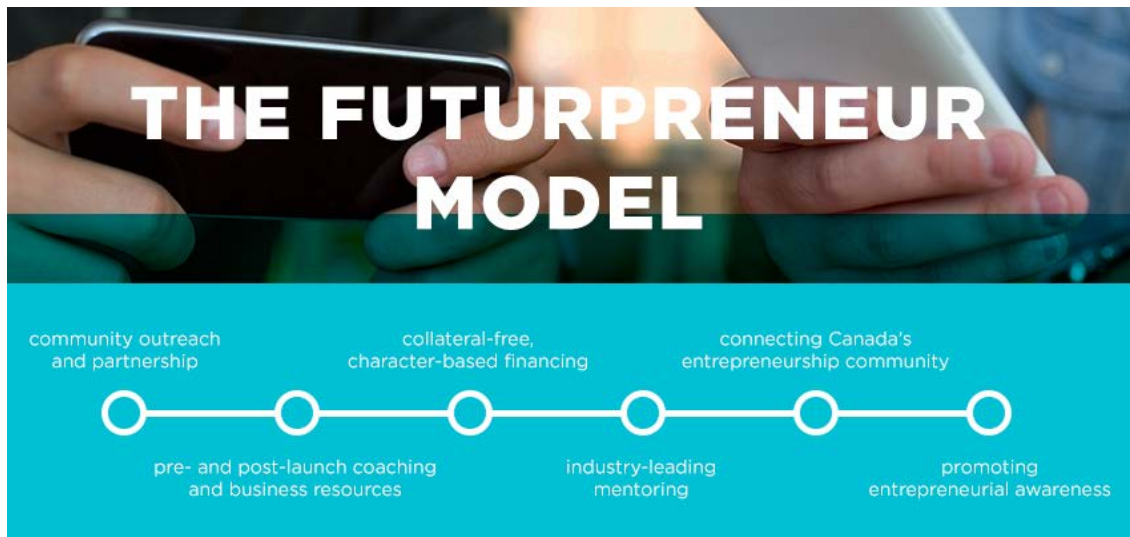
We seek **five-year funding to scale our Start-up program and secure non-federal funding**. Shorter-term contribution agreements don't give us sufficient time to build out large-scale offerings or secure and finalize long-term funding partnerships.

---

<sup>13</sup> (Statistics Canada Survey on Financing and Growth of SMEs, 2011)

<sup>14</sup> 56% of men feel they have the knowledge, skills, and experience to launch a business, compared to only 41.6% of women (GEM Canada Report on Women's Entrepreneurship, 2013/14)

## C. Futurpreneur Canada's Proven Model of Financing and Support



Our **Start-up program** is continually improving in response to our research and consultations. Young entrepreneurs have made it clear that the three areas they most need help with are building confidence and competence, enhancing education and experience, and supporting launch and growth. They have strongly encouraged us to continue offering our help through:

- **Increasing awareness of entrepreneurship as a viable career option:**
  - We promote entrepreneurship and profile young entrepreneurs in our extensive social media, public information sessions, webinars, workshops, awards and other events, often in partnership with other organizations.
- **In-person and online resources** to help plan, manage and grow businesses. We spend an average of 15-20 hours helping individuals develop business plans and offer growth supports as they progress.
- **Up to \$45,000 in collateral-free, character-based financing** (\$15,000 from Futurpreneur Canada and \$30,000 from BDC)
  - Young entrepreneurs request debt financing more than older entrepreneurs, but are less likely to secure the financing they seek<sup>15</sup> from traditional lenders due to student debt, relatively poor or no credit history, a lack of collateral, and their businesses being considered 'non-traditional' or higher risk.
- **An expert business mentor for up to two years**
  - Mentoring significantly improves an entrepreneur's chances of success so we combine every loan with a mentor from our industry-leading network of nearly 3,000 mentors.

<sup>15</sup> In addition, higher financing refusal rates and a likelihood of turning to informal sources of financing indicate that younger entrepreneurs may indeed be experiencing more difficulty in accessing sufficient levels of capital for their businesses (Key Small Business Financing Statistics, 20016)

- We also provide in-person and virtual opportunities for networking and peer-mentoring and specialized coaching, including our Corporate Coaching Challenge and the Spin Master Innovation Fund.
- **Connections to Canadian and global peers, networks and markets**, including through:
  - Our annual **Action Entrepreneurship: Growing Young Enterprise** cross-country roundtables and Canadian Summit;
  - Our hosting of **Global Entrepreneurship Week (GEW)**: in 2015, GEW Canada engaged over 450 partners and reached approximately 90 million Canadians.
  - Our membership in the 45-country **Youth Business International** network; and
  - The **G20 Young Entrepreneurs Alliance**, through which we engage Canadian entrepreneurs in policy discussions, networking and Summits in G20 host countries.

## D. Conclusion

Innovation is everyone’s responsibility but comes most naturally to entrepreneurs. We proudly work with mentors, governments, companies and others to help emerging entrepreneurs capitalize on their resourcefulness and become launch- and innovation-ready — ready to spot and leverage opportunities, to imagine possibilities, to discover new ideas, and to learn and grow.

As the only organization with a pan-Canadian presence, twenty-year track record, and established mentor network, Futurpreneur provides an efficient and proven pathway to launch and grow emerging entrepreneurs across the country. Our model can help other groups such as indigenous people and women over 40 realize their business potential, and we stand ready to work with the Government of Canada to make this possible.

**Futurpreneur Canada (formerly the Canadian Youth Business Foundation) is the only national, non-profit organization that provides financing, mentoring and support tools to aspiring business owners aged 18-39.**

French version of image on p.3:

