The State of Women’s Entrepreneurship in Canada

PRESENTED BY:
Wendy Cukier, MA, MBA, PhD, DU (hon) LLD (hon) M.S.C.
Founder & Academic Director,
TRSM Diversity Institute

Professor, Entrepreneurship & Strategy,
Ryerson University
Agenda

> Women & Entrepreneurship
> Barriers
> Spotlight on Diverse Women Entrepreneurs
> Towards an Inclusive Innovation Ecosystem
> Women Entrepreneurs & COVID-19
> About WEKH
• As educated as men & more likely to have a graduate degree
• Primary decision-maker age is more likely to be <40 (20.8% vs 15.3%)
• More likely to focus on retail, services and accommodation
• Definitions matter: women entrepreneurs are 114,000 majority owners of SMEs with 1 employee versus 1,079,000 self-employed Canadians
<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15.6%</strong></td>
<td>of SMEs are majority owned by women</td>
</tr>
<tr>
<td><strong>37.4%</strong></td>
<td>of self-employed women in Canada in 2019</td>
</tr>
<tr>
<td><strong>13.3%</strong></td>
<td>of Canadian women are entrepreneurs</td>
</tr>
</tbody>
</table>

Women are a larger percentage of new business, but companies are smaller.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>92.7%</strong></td>
<td>are micro firms with less than 20 employees</td>
</tr>
<tr>
<td><strong>78.4%</strong></td>
<td>of self-employed women have no paid help, versus 67.5% for men</td>
</tr>
</tbody>
</table>
There are more self-employed women than ever before, but the proportion of majority women-owned SMEs is decreasing.
Slightly less likely than men-owned firms to be high-growth or medium-growth:

Growing proportion are exporting but slightly less than men (10.8% vs. 12.2%)

Differences diminish when control for sector
Reasons for choosing entrepreneurship

- Found an Unexpected Opportunity: 70% (Women) 56% (Men)
- Difficulty Finding Employment: 57% (Women) 45% (Men)
- Dissatisfaction with Previous Job: 56% (Women) 41% (Men)
- Needed to work from home due to family responsibilities: 44% (Women) 28% (Men)
BARRIERS

- Cultural stereotypes
- Lack of encouragement
- Lack of female-friendly pedagogy
- Absence of role models
- Lack of mentoring and sponsorship
- Culture of incubators and accelerators
- “Bro Culture” especially in tech
- E.g. Content analysis of 149 articles from The Globe and Mail from April 2017 to March 2019 showed men experts out-numbered women 60:24.

In USA, female founders received only 2% of venture capital in 2017 – $1.9 B of $85 B.

Zarya, 2018
“Think Entrepreneur. Think Male.”
STEM is necessary but insufficient:
## Financing

<table>
<thead>
<tr>
<th>Start-up funding by % women ownership</th>
<th>No women</th>
<th>&gt;50% women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit from financial institutions</td>
<td>38.0%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Personal financing used toward business</td>
<td>83.0%</td>
<td>84.0%</td>
</tr>
<tr>
<td>Financing from friends or relatives</td>
<td>16.8%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Retained earnings (previous/other business)</td>
<td>11.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Trade credit from suppliers</td>
<td>17.9%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Capital leasing</td>
<td>12.9%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Government loans, grants, subsidies and non-repayable contributions</td>
<td>3.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Financing from angel investors and VCs</td>
<td>2.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other</td>
<td>2.3%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
Structural barriers & discrimination

• Women are thought to be untrustworthy and risk-adverse
• Men dominate the financial institutions and venture capital firms
• Only 15.2% of partners and 11.8% of managing partners are women in Canadian VC firms
• Women are less likely to seek growth financing than men – financial literacy gaps and “discouraged borrowers”

Over 83% of women-owned SMEs used their own personal financing to start businesses

ISED 2018
Majority women-owned SMEs who export doubled from 5.9% in 2007 to 10.8% in 2017.

Sectoral shifts:
- accommodation & food services, transportation & warehousing
- manufacturing, wholesale trade
Diverse women entrepreneurs face different landscapes for entrepreneurship and different barriers. Differences by:

- Region
- Demography
- Sector
- Stage of growth
Women Entrepreneurs in Quebec

- Along with British Columbia, has the highest rates of women entrepreneurship in Canada with 16.7% demonstrating entrepreneurial intent.
- Immigrant women in Quebec have rates of intent that are twice as high as those born in Quebec (30.9% vs 14.9%).
- Quebec has historically been a progressive province for women's equality.

In Quebec, Femmessor provides human and financial capital support for women entrepreneurs.
Immigrant Women Entrepreneurs

- Women only make up 36.1% of self-employed immigrants compared to 38.5% of Canadian-born self-employed
- Push and pull factors drive immigrant entrepreneurs
- Proportion of women who are self-employed varies by ethnicity
  - Filipino (56.4%), Chinese (41.4%), Latin American (40.8%)
- Immigrant women entrepreneurs face additional barriers: local knowledge, language, discrimination, lack of mentors and networks

The Women's Entrepreneurship Hub uses entrepreneurship for financial inclusion of immigrant women
Indigenous Women Entrepreneurs

- Self-employment for Indigenous women is 40.2%; higher than the self-employment of Canadian women, which is at 37.4%
- Indigenous entrepreneurs create businesses for collective benefit; e.g. social enterprise
- There are numerous barriers:
  - Access to services, financing, information, basic infrastructure
- 70% of Indigenous women entrepreneurs do not have employees; definitions of entrepreneurship are important
• Gender inequity in STEM businesses
  • Range from lack of training and mentorship to difficulties raising capital
  • 63% of Canadian women had difficulties securing capital investment from venture firms; 40% for Canadian men
• Gender stereotypes for women
  • Women either seen as being uncommitted to families or to their careers
• There is a gender gap for technology adoption; 60% of women entrepreneurs at early stage use tech that is 5+ years old

Startup Canada Women Founders Fund and BDC Capital's Women in Technology Venture Fund provide funding
• High rates of self-employment
• Profile of women in rural and remote areas:
  • 2.8 million women in rural Canada; 176,000 in remote areas; 47% of Indigenous women in rural areas
  • Rural women have shared ownership of farms at a rate of 29% (2016); 20% of self-employed women earn $20,000+
• Lack access to infrastructure (e.g. broadband, childcare, transportation)
• Farming is highly gendered; there is an image of the independent male farmer
Women Entrepreneurs in the Arts & Creative Industries

- 52% of artists are self-employed
- Women dominate the arts sector; they account for over half of workers (52%)
- There is growing recognition that artist focused entrepreneurship training, development and support are desirable, but supports remain sparse

OCAD U is leading the Creative Women in Entrepreneurship initiative to better understand the creative industries
Social Entrepreneurs are Entrepreneurs

Definitions of “entrepreneur”:
“Someone who carries out new combinations” (Schumpeter, 1934)
“Pursues “opportunity without regard to the resources currently controlled” (Stevenson, 1983)
“Searches for change, responds to it and exploits it as an opportunity” (Drucker, 1985)

Classic definitions do not mention profit or tech.
Women own a higher proportion of social enterprises as compared to SMEs

SheEO is a Canadian social enterprise that is built on business for social good and women-centred networks
Entrepreneurship also serves goals for sustainable development
MOVING TOWARDS AN INCLUSIVE INNOVATION ECOSYSTEM
Previous Recommendations

- Increase access to SME financing
- Gender-specific SME training and development support services
- One-stop access to hub for information
- Increase access to federal procurement
- Support for internationalization
- Women-focused trade missions
> Promote entrepreneurship as career option

> Increased networking, mentoring, advisory and sponsorship opportunities

> Program evaluation using disaggregated data

> Better coordination support/information

> Woman-friendly curriculum

> Income protection and wrap around support
YET:

• Studies of incubators and accelerators show gender is not considered in innovation (e.g., Cukier et al., 2013)

• Women in Entrepreneurship programs typically seen as ‘add-ons’; do not address systemic barriers

• Money invested in women’s advancement is fraction of overall funding

A Systems Approach is Needed
Framework: Critical Ecological Model

Barriers/drivers and interventions at each level & between levels

Cukier et. al., 2015
Building the incubation/acceleration pipeline

- Ideation
- Early Incubation (MVP)
- Incubation
- Scaling
- Venture/ Self-Sustaining
- Global Leaders

Lots of small bets
Select & scale most promising
Link to next investment
Seed Funding
> Women Entrepreneurs and COVID-19

3.1 million Canadians have been affected by job loss or reduced work hours

1.3 million had a job but did not work

74% of start-ups saw their revenue decline
16% saw declines of more than 80%
Impact of COVID-19 on women entrepreneurs

- Smaller, under-financed and more vulnerable
- More likely to be self-employed than owners of SMEs with employees
- In sectors more affected by COVID
- Burden of unpaid work – affecting more than 60% of entrepreneur
- Among 40% of companies that have laid off staff, 62.1% of women led businesses have laid off 80% of staff vs. 45.2%
- Need skills to implement technology to transition
- Excluded from many programs and embedded systemic discrimination
- Excluded from discussions of recovery
Programs supporting research and program development for women's entrepreneurship
Women Entrepreneurship Strategy

- The Women Entrepreneurship Knowledge Hub (WEKH) is a key part of the Canada’s Women Entrepreneurship Strategy (WES)
- WES is a nearly $5 billion investment in an ambitious “whole of government strategy” aiming to help double the number of women led businesses in Canada by 2025.
- WEKH, led by the Diversity Institute, is a network of researchers and key stakeholders which leverages research to inform policy and practice, to share knowledge and drive inclusion across the innovation ecosystem.
Year 1 Achievements

- State of Women Entrepreneurship in Canada Report
- Ecosystem database mapping
- Bilingual Scholarship Scanning
- Gaps and Needs
- Stereotyping Campaign

- Annual Conference
- Women Entrepreneurship Portal
- Strengthening and Growing the Network
- Social Sciences and Humanities Research Council (SSHRC) Partnership Grant
### New Initiatives: 2020/21

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; “See it. Be it” stereotype busting campaigns</td>
<td></td>
</tr>
<tr>
<td>&gt; Sectoral focus – women in health and beauty, social innovation, ICT, health tech, food, music</td>
<td></td>
</tr>
<tr>
<td>&gt; What works? – strengthening our evaluation frameworks</td>
<td></td>
</tr>
<tr>
<td>&gt; “No recovery without she-covery” – COVID impact and support</td>
<td></td>
</tr>
<tr>
<td>&gt; Starting up and scaling up</td>
<td></td>
</tr>
<tr>
<td>&gt; Canada in the international context</td>
<td></td>
</tr>
<tr>
<td>&gt; Financial mapping and pathways</td>
<td></td>
</tr>
<tr>
<td>&gt; Gender and diversity analysis – innovation superclusters, incubators, funding programs, financial practices</td>
<td></td>
</tr>
<tr>
<td>&gt; Benchmarking progress</td>
<td></td>
</tr>
</tbody>
</table>
Thank you

Get in touch:

wekh.ca

diversityinstitute@ryerson.ca

416-979-5000 x7268