Immigrant Entrepreneurship in Quebec
An Entrepreneurial Ecosystem that Catalyzes or Inhibits?
Report Highlights
The Women Entrepreneurship Knowledge Hub (WEKH) is a national network and accessible digital platform for sharing research, resources, and leading strategies. With ten regional hubs and a network of more than 250 organizations, WEKH is designed to address the needs of diverse women entrepreneurs across regions and across sectors. In response to COVID-19, WEKH adopted an agitator role connecting women entrepreneurs and support organizations across the country and led network calls and training sessions. WEKH’s advanced technology platform, powered by Magnet, will enhance the capacity of women entrepreneurs and the organizations who serve them by linking them to resources and best practices from across the country.

With the support of the Government of Canada, WEKH will spread its expertise from coast to coast, enabling service providers, academics, government, and industry to enhance their support for women entrepreneurs. Ryerson University’s Diversity Institute, in collaboration with Ryerson’s Brookfield Institute for Innovation + Entrepreneurship and the Ted Rogers School of Management, is leading a team of researchers, business support organizations, and key stakeholders to create a more inclusive and supportive environment to grow women’s entrepreneurship in Canada.

La base entrepreneuriale brings together the entrepreneurial support programs of HEC Montréal’s Entrepreneurship, Entrepreneurial Acquisition and Business Families Hub and offers two incubation programs (EntrePrism and Parcours Rémi Marcoux), an accelerator program (Accélérateur Banque Nationale – HEC Montréal), and a family entrepreneurship awareness program (Circuit de la relève). With its team of joint experts, mentors, and researchers, its mission is to promote and ensure the transfer of best practices and cutting-edge knowledge in the field of entrepreneurship, particularly in start-up, acceleration, and takeover of businesses. It is a pioneer in Quebec in the coaching of men and women entrepreneurs from diverse backgrounds. The programs of La base have backed nearly 250 technology and digital companies (400 co-founders). La base entrepreneuriale is supported by three research, transfer, and executive coaching facilities: Institute for Entrepreneurship National Bank – HEC Montréal, Familles en affaires HEC Montréal, and the EduLib digital platform, powered by Open edX technology.

Réseau Mentorat is dedicated to developing the full potential of entrepreneurs through mentoring. In collaboration with partners, we create lasting coaching relationships based on listening and sharing throughout Quebec and the French-speaking world. We believe that the growth of businesses depends first and foremost on the well-being of those who run them. Through mentoring, we help entrepreneurs find the support they need to grow so they can fully contribute to the economic development of their regions. Created and launched in February 2009 by the Fondation de l’entrepreneur, the Quebec Entrepreneurial Index is the most important survey of current and future entrepreneurs ever conducted in Quebec. Since June 2020, it has been overseen by Réseau Mentorat.

Founded in 2017 by Professor Tania Saba, thanks to a generous philanthropic gift from BMO, the Chair in Diversity and Governance at the Université de Montréal is an interdisciplinary pole of excellence in research and training on the theme of “living together” in societies marked by diversity of many kinds. The Chair’s objective is to stimulate reflection on diversity and governance issues in organizations. Its activities aim to contribute to the development and implementation of organizational and institutional strategies for equality, diversity, and inclusion.
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Entrepreneurship among immigrants is a major asset for Quebec’s economy, given the high rate of entrepreneurial intention among immigrants compared to native-born Canadians. This is even more evident in North America as a whole, where immigrants play a key role in the creation of businesses, jobs, and wealth. However, despite their desire to start a business, many immigrant entrepreneurs do not succeed in realizing their projects. Our analysis shows that immigrant entrepreneurs outnumber native-born entrepreneurs at the stage of entrepreneurial intention and at other stages of the entrepreneurial process, regardless of gender. However, they encounter difficulties at the business creation stage and in survival of the business. Yet, immigrants tend to make the transition from intention to action more quickly, even within the context of a pandemic. These findings indicate that immigrant entrepreneurs represent a powerful but underutilized lever for the country’s economic growth.

An examination of the entrepreneurial pool of immigrant entrepreneurship shows that it is largely made up of young people. More than half of immigrants aged 18 to 34 have entrepreneurial intentions. Most are university students or young graduates familiar with the Quebec business market who potentially benefit from a longer entrepreneurial trajectory. Despite this much greater advantage among young immigrants as compared with their native-born counterparts, the trend is reversed when it comes to actually opening a business, resulting in a very low rate of business ownership among young immigrants.

Becoming an entrepreneur is not without obstacles. Starting or taking over a business may seem easier for some than for others. Our results show that immigrants are more motivated than native-born counterparts to become entrepreneurs and show a significant interest in starting a business. Immigrants and native-born Canadians have similar perceptions of entrepreneurship in terms of their commitment to the community and their role in the prosperity and economic development of their region. However, immigrant entrepreneurship is predominantly concentrated in certain sectors, such as retail trade, accommodation, and food services. Our results indicate that immigrant entrepreneurs participate in the development of the country at the regional, provincial, and international levels. It is therefore relevant to explore the obstacles that immigrants encounter during the entrepreneurial process in order to support their contributions to Quebec society.

Our results show that immigrant entrepreneurs encounter obstacles, particularly with respect to access to external financing and the general precariousness of their financial situation. In addition, immigrants face barriers to inclusion due to their immigration status. Thus, although the presence of many organizations and aids targeted for particular populations may give the impression that the Quebec ecosystem is egalitarian and inclusive, the facts indicate otherwise. Moreover, our findings reveal that the COVID-19 pandemic has further complicated some of the difficulties experienced by immigrant entrepreneurs. Immigrant entrepreneurs indicated that
their financial situation has become more precarious due, in particular, to problems accessing government programs. This points to the need for support measures to reduce the scope of these obstacles.

The overall health of entrepreneurs is another important factor in staying on course in the entrepreneurial process. Our results show that both native-born and immigrant entrepreneurs generally report good mental and physical health. However, sleep, a determinant of health, is one of the most problematic components. During the intention and start-up stages, immigrant entrepreneurs report slightly better health than native-born entrepreneurs, but their health deteriorates as they navigate the entrepreneurial process. In general, women report poorer mental health than their counterparts who are men. Specifically, immigrant women report the highest level of psychological distress throughout the entrepreneurial process. This points to the need for solutions that provide psychological support for immigrant entrepreneurs, given their entrepreneurial potential.

To increase entrepreneurship in Quebec, it is essential to provide support measures, which must be adapted to the needs of immigrant entrepreneurs. Our results indicate that such measures are important for both immigrant and native-born entrepreneurs. However, the type of supports needed depends on the stage in the entrepreneurial process, as requirements generally vary from one stage to another. Moreover, the pandemic has created many challenges for entrepreneurs, who are not always able to adapt their business plan. More tailored support measures should therefore be adopted to develop a more inclusive and accommodating ecosystem.

Our key findings in figures:

> **Immigrant entrepreneurship, an underutilized pool:** While 28% of immigrants intend to start a business (compared to 14.7% of their native-born counterparts), the business opening rate does not differ between the two groups (5.9% for immigrants and 5.5% for native-born Canadians). Moreover, the business closure rate is greater for immigrants (15.9% vs. 11.3%).

> **Young immigrants are held back from starting a business:** Rates of entrepreneurial intention are very high among immigrants in the 18-to-34 age group (53.8%, compared to 31.7% among native-born Canadians). This trend reverses at the point of opening a business. The business ownership rate for immigrants aged 18 to 34 is 2.4%, compared with 4.3% for their native-born counterparts.

> **An important contribution to the Quebec economy:** Immigrants are more likely than native-born Canadians to create four or more jobs (19.6% vs. 14.1%). When it comes to 10 or more jobs, immigrant entrepreneurs create as many jobs as native-born Canadians (5.4% versus 5.6%). In addition, 60.5% of immigrants in the process of starting a business confirmed that they also wanted to do business outside the province, that is, elsewhere in Canada and internationally (compared to 41.6% for their native-born counterparts).

> **Obstacles made more complex due to the health crisis:** The COVID-19 pandemic had the effect of making the financial situation of everyone, but especially of immigrants, more precarious (38% of immigrant entrepreneurs vs. 32.8% of their native-born counterparts had their financial situations become more precarious) and led to unequal improvement in the financial situation of entrepreneurs (5.1% vs. 12.3% had their
financial situations improve). In addition, 18.4% of immigrant entrepreneurs perceived a denial of access to government aid programs aimed at adapting their business plan, while only 9.5% of native-born entrepreneurs had this perception.

> **Fairly similar overall health:** However, immigrant entrepreneurs, especially women, generally have a higher level of psychological distress than native-born Canadians (2.84% vs. 2.68%).

> **An essential need for support for all, but an unequal distribution in reality:** During the pandemic, 44.4% of native-born entrepreneurs had access to a subsidy, financing, or a tax credit, while only 25.3% of immigrants were able to access these forms of assistance. In terms of economic recovery, immigrant entrepreneurs have a greater need for support measures, particularly those providing tax relief (80.8% of immigrant entrepreneurs vs. 69.5% of native-born entrepreneurs need these supports).

Based on our analysis and on current studies, we suggest the following:

> **Strengthen existing policies to promote diversity in the governance structures of institutions that finance or support entrepreneurial ventures (e.g., boards of directors, advisory councils, committees).** A program should be put in place to raise awareness among the players in the entrepreneurial ecosystem of the challenges faced by newcomer-led businesses. They need to be made aware of systemic biases in order to reduce, if not eliminate, prejudices and remove barriers to make the ecosystem more inclusive.

> **Reorganize the entrepreneurship support ecosystem based on a sectoral nomenclature, but also based on profile (e.g., women, immigrants, Indigenous peoples).** Providing expert support by profile is no less essential than providing it by sector.

> **Recognize and increase immigrant entrepreneurs’ knowledge of Quebec’s entrepreneurial environment and the recommended resources so that they can take advantage of all the resources they need at each stage of the entrepreneurial process.**

> **Support university incubators and accelerators that have adopted inclusive practices aimed at developing coaching tools tailored to the reality of immigrants and other underrepresented groups.**

> **Improve collaboration between organizations that make up the ecosystem in order to adequately and continuously coach immigrant entrepreneurs at all stages of the entrepreneurial process.**

> **Promote networking initiatives for underrepresented entrepreneurs in the ecosystem by implementing entrepreneurial mentorship programs with the support of university incubators, accelerators, entrepreneurship centres, and other certified support organizations.**

> **Make financing more easily accessible to non-permanent residents and make financing organizations and their staff aware of the needs and interests of immigrant entrepreneurs in order to facilitate access to loans and credit.** Financing (e.g., an honour loan program) and access to services could be linked to conditions that provide a framework for projects without impeding their implementation and development. To track and support immigrant entrepreneurs who have received funding, we recommend the establishment of entrepreneurial mentoring programs built around incubators, accelerators, and other certified support organizations.

> **Make information and education on current business practices, rules, and standards more accessible in order to improve the financial and digital literacy of immigrant entrepreneurs by setting up, for example,**
a centralized digital platform where all the actors whose function is to support entrepreneurship would be registered. Such a platform would provide information on mandates and services offered, as well as essential information on the entrepreneurial environment, business practices, rules and standards in force, and available resources. This would facilitate access to information, particularly for immigrant entrepreneurs, who often do not know which organization to turn to.

- Design or expand prevention programs for entrepreneurs related to physical and mental health at work in order to help entrepreneurs maintain good health throughout the various stages of the entrepreneurial process.

- Adopt special measures to facilitate access to support for people who have a work permit but have not yet obtained permanent resident status.

- Modify the business Start-up Visa Program to allow international students in Canada to start a business and enroll in this program even if they only have a study permit. This would facilitate access to the resources of the entrepreneurial ecosystem during the years prior to obtaining permanent residence status.