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The virtuous cycle:

Why large firms should nurture
young entrepreneurs

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About the authors

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About this report

This report was commissioned by the Canadian Council of Chief Executives (CCCE) as part of a multi-year effort to improve the quality of education and skills training in Canada while enhancing young people's ability to succeed in the 21st century job market. Opinions in the paper are those of the authors and do not necessarily reflect the views of the CCCE or its members.

For more information about the CCCE's skills initiative, **Taking Action for Canada: Jobs and Skills for the 21st Century**, please visit www.ceocouncil.ca/skills.

Founded in 1976, the CCCE is the senior voice of Canada's business community, representing 150 chief executives and leading entrepreneurs in all sectors and regions of the country. Its member companies collectively employ 1.5 million Canadians and are responsible for most of Canada's private-sector investments, exports, workplace training and research and development.

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Introduction

Entrepreneurs drive Canadian prosperity. Creative, hard-working and imaginative, they captain 98 percent of all small and medium businesses in Canada. These same businesses create almost half of net new jobs, generating nearly a third of our GDP and producing a quarter of our exports. These figures alone make the case for investing in future entrepreneurs. Entrepreneurial risk-takers and trailblazers are the backbone of a strong, flexible and innovative country, one able to capitalize on new technologies and discoveries. Canada's future, in an increasingly competitive global economy, depends on the success of new businesses.

Traditionally, entrepreneurs have forged their own course against obstacles, too often lacking the capital, competence, connections and confidence successful business leaders require. Viewed as an alternative path for those who cannot succeed or choose not to participate in the conventional corporate world, the entrepreneurial track to business has existed separately, though parallel, to the mainstream.

Increasingly, forward-thinking business leaders acknowledge the role of entrepreneurs. They appreciate the intrinsic value of what entrepreneurs contribute to our society and our economy, understanding entrepreneurs as necessary partners to the success of traditional businesses. Entrepreneurs supply the goods and services needed by large firms to make and market their products and to feed, clothe and house their workforces. Entrepreneurs create jobs, compensate their employees, pay taxes and ultimately purchase goods and services generated by larger firms. They also acquire skills that drive their success, whether as owners or employees. Often, entrepreneurs turn their experiences with early enterprises — including failures — into larger and even more successful companies.

Perhaps most importantly, entrepreneurs are primary innovators. Nimble, unhampered by either the bureaucracy or the 'don't-rock-the-boat' attitude prevalent in some large firms, entrepreneurs generate new ideas, disruptive technology and transformative discoveries later adopted by larger firms. As Mike Templeman, CEO of Utah-based Foxtail Marketing writes, “big corporations are constantly on the hunt for smaller startups that can fill a void. They not only look for innovative solutions but also companies that already have a strong presence and have scaled [up].” Mutually-advantageous relationships between larger companies and entrepreneurial firms recognize the value of new enterprises in spreading innovation throughout the business community.

Entrepreneurs may also become the *intrapreneurs* for larger businesses. Firms hiring entrepreneurs appreciate their ability to transform business culture, inject creativity and capitalize on trends.

Given persistently high rates of youth unemployment — at 13.6 percent, more than double the national average — selecting an entrepreneurial path represents not only an acceptable choice for youth, but a strategic decision. Futurpreneur Canada works with aspiring and established young entrepreneurs, with many citing a desire to rely on their own skills and persistence rather than an uncertain job market. Such a realization represents a tremendous opportunity; over the next decade, half of the small business owners aged 45 and over will retire.¹ If we encourage young people to pursue their entrepreneurial dreams, they will fill the gaps in providing goods and services created by a generation of retiring entrepreneurs. The economic and demographic

1. BMO Retirement Institute Report, October 2009.

conditions in Canada are ripe for a proactive strategy to support the growth of a vibrant entrepreneurial sector.

Every segment of society — from existing entrepreneurs to governments, non-profits organizations to associations, education and, critically, business — plays a vital role in ensuring that future entrepreneurs receive the support, education, training and experience needed to become an essential part of our human capital advantage.

Kevin Lynch, Vice-Chair of BMO Financial Group and co-chair of the 2014 Ontario Economic Summit, recently highlighted the value of entrepreneurialism: “We must make entrepreneurs and start-ups the norm in Ontario, not the exception.” Although speaking from an Ontario context, his point echoes nationally. Entrepreneurs are the cornerstone of our labour force; they will make the difference in whether Canada competes and wins in the Pacific century.

The Futurpreneur experience

Futurpreneur Canada's mandate is to increase the number of businesses begun by young entrepreneurs and to support their success. We are Canada's only national non-profit organization providing financing, mentoring and other opportunities for 18-39-year-old entrepreneurs. Since 1996, Futurpreneur Canada (formerly the Canadian Youth Business Foundation) has helped more than 7800 people establish close to 6500 new enterprises. These businesses have created 31,000 new jobs, approximately five jobs per company. They have generated almost \$200 million in increased tax revenues.

That's a good record, but for the sake of our economy, we all need to do more. Shrinking the youth unemployment rate and reducing intergenerational inequality is vital if Canada is to generate and sustain strong economic growth. Business plays a major role in narrowing that gap. If young people don't see themselves getting ahead, as David Stewart-Patterson, vice-president of the Conference Board of Canada and a Futurpreneur Canada director, has pointed out, their growing discontent not only limits Canada's economic growth, but bodes ominously for social cohesion. As Stewart-Patterson said recently on CBC, the wave of retiring baby-boomers means that “We're going to be depending on every single worker to earn more money down the road than they are today.” Taking concrete steps to support and develop our next-generation entrepreneurs will ensure greater success.

For guidance, Futurpreneur Canada turned to current and aspiring youth entrepreneurs. From late 2013 until September 2014, we worked with 1,000 of Canada's best and brightest young entrepreneurs, business and non-profit leaders, policy-makers, educators and government leaders. We conducted interviews, facilitated roundtable discussions, conducted a national survey, and held a national summit to identify the major challenges inhibiting youth entrepreneurship and to discover the best ways to overcome those challenges. We listened, and then we summarized the recommendations in [*Unlocking the Power of Youth Entrepreneurship: An Action Plan for Canada 2014.*](#)

We've built our Action Plan around the three pillars of support young entrepreneurs require to start and expand successful businesses:

- building confidence and competence;
- enhancing education and experience; and
- supporting launch and growth.

Entrepreneurs need specific resources, skills and services to help them build sustainable enterprises that will create jobs, strengthen our economy and ensure the social cohesion we require to remain a prosperous country. Each segment of our economy has a specific role, and young entrepreneurs deserve action from each sector. We encourage you to read the Action Plan and understand how your sector and others must work together to drive the growth of youth entrepreneurs. To ensure that Canadian businesses compete successfully against emerging economies, Canada's traditional businesses must seize opportunities to support the youth entrepreneurship movement.

Roles for business

Building confidence and competence

Young entrepreneurs need confidence in order to take chances, risk failure, and embrace setbacks. Connecting entrepreneurs and mentors is one technique to build confidence, as is reducing barriers to starting an enterprise. Businesses, non-profits and young entrepreneurs themselves must encourage their communities to give back and mentor new business owners. Financiers have a particularly critical role in facilitating access to business advice and capital, allowing entrepreneurs to gain the confidence necessary to propel creative endeavours.

Young entrepreneurs also need experience. Through hands-on situations, they can master the skills necessary to run their own businesses. Governments and educators must cooperate in expanding opportunities for entrepreneurial education and experience, starting in primary school and continuing through post-secondary education.

Businesses are uniquely positioned to share their expertise and to support the confidence and competence young entrepreneurs need. Beyond their own initiatives, this can be done through business federations, industry associations and Chambers of Commerce. Participants in Futurpreneur Canada's Action Entrepreneurship Summit encouraged business associations to:

- promote, reward and recognize entrepreneurial members who have achieved success as well as those who have experienced and recovered from business failure;
- encourage members to be role models and mentors and to share their stories of success as well as what they learned from failure, to students, young entrepreneurs, and the media;
- create more competitions, co-ops and internships for aspiring entrepreneurs, to allow them to engage directly with members, access expert advice and guidance gain hands-on experience and make connections; and
- encourage their members to speak to post-secondary classes and volunteer for entrepreneur-in-residence roles.

Spin Master Ltd. a Toronto-based toy company started by three university friends in 1994, is one example of the role the business community plays in supporting young entrepreneurs.

Launched with \$10,000 and a dream, Spin Master grew into Canada's largest toy company, ranking fourth globally. Each year, Spin Master works with Futurpreneur Canada, launching a competition to select 10 young entrepreneurs for an innovation-based businesses mentoring opportunity. The new entrepreneurs meet with Spin Master's executive team, discussing the challenges of licencing, intellectual property, and the legal complexities of ownership. Spin Master Ltd. Chairman and CEO Ronnen Harary says that the benefits of unlocking his company's human capital are two-fold: "Our leadership team loves sharing know-how with Canada's exciting new entrepreneurs – it clearly helps them and we learn so much, too."

Spin Master is only one case-study in how larger Canadian businesses give back to growing enterprises, simultaneously stimulating economic growth. Mentorship provides valuable opportunities for established businesses, opening contacts in their local communities and stimulating new ideas as innovative and established forces tackle common problems from new angles. Mentoring a young entrepreneur builds new business partnerships while simultaneously creating jobs, boosting the tax base and building a new consumer base.

Enhancing education and experience

Teaching entrepreneurship at all levels of education, enhancing financial literacy skills (including numeracy and budgeting) and providing practical start-up experience will build a culture of entrepreneurship among young people. We need to promote that culture if the next generation is to consider creating businesses and social enterprises a viable career option.

Participants in Futurpreneur Canada's Action Entrepreneurship Summit encouraged the business sector, and in particular financial institutions, to:

- collaborate with organizations working with entrepreneurs to build their financial literacy skills, as Capital One does through its Financial Education Challenge, operated in partnership with Enactus.

They also encouraged business associations to:

- encourage their members to be role models and mentors, sharing stories of success and failure with students, young entrepreneurs and the media; and
- offer more rewards and recognition, like the Business Development Bank of Canada's Resiliency Award, to celebrate entrepreneurial success stories and examples of recovery from business failures, perhaps in connection with major events such as Global Entrepreneurship Week or Small Business Week.

Supporting launch and growth

For young entrepreneurs launching and growing businesses, leveraging mentors, networks, financing and favourable regulatory conditions contribute to long-term success. Young entrepreneurs benefit when organizations expand and coordinate their services, resources and efforts. Access to capital is critical, and a key role of the financial sector. Mentoring is particularly vital, and a service all businesses could extend to new entrepreneurs.

Participants in Futurpreneur Canada's Action Entrepreneurship Summit encouraged the financial sector in particular to support launch and growth by:

- working with Futurpreneur Canada to leverage the loans and services we provide to, in turn, provide further low-risk financing to young entrepreneurs; and
- training front-line employees on resources available outside their financial institutions so they can guide young entrepreneurs to those resources.

The Summit participants also encouraged business associations, Chambers of Commerce and business organizations like the Canadian Federation of Independent Business to:

- encourage business owners nearing retirement to mentor young entrepreneurs, transfer their knowledge and groom potential successors;
- offer young entrepreneurs free first-year memberships to provide them with exposure and connections as well as access to resources and discounts on business services.
- work alongside young entrepreneurs to create a “Better Business Bureau”-like validation or rating system and a referral program to help their members feel comfortable purchasing from start-ups; and
- create young entrepreneur divisions and help young entrepreneurs make connections with members.

These recommendations are just a sample of the potential opportunities for businesses and their associations to promote the success of young entrepreneurs, knowing that their success will in turn create a more vibrant economy that benefits us all.

A challenge to business

Futurpreneur Canada has witnessed first-hand the benefits flowing from established business to young entrepreneurs, and the role of young entrepreneurs in energizing established businesses. We issue an invitation to Canadian business leaders to help us help more young entrepreneurs succeed:

Follow the example of Spin Master. Let us match your executives with young entrepreneurs. We will provide the platform to facilitating partnerships if your company or business association will donate a day to sharing your expertise with young entrepreneurs in your community or province. We also invite you to encourage your employees to become mentors, joining close to 3000 others who volunteer with Futurpreneur Canada and are matched to aspiring entrepreneurs. Together, we'll connect experienced business people with young entrepreneurs and provide greater opportunities to network, share ideas and learn. Not only will young entrepreneurs benefit, mentors will meet potential customers, gain exposure, create new ideas and make connections in their communities and around the world.

Conclusion

Now is the right time to encourage young adults as they pursue their entrepreneurial dreams instead of relying on dwindling traditional opportunities. Their success, and their willingness to learn from failure, is critical to both their future and Canada's innovative and competitive economy. Supporting young entrepreneurs will help alleviate youth dissatisfaction, unemployment and generational inequality that if neglected ultimately threaten social cohesion.

Young entrepreneurs who take advantage of the exciting opportunities offered by changing technology will create a strong, creative entrepreneurial sector fueling Canada's competitiveness in our research-driven global arena.

With the help of the business community, youth entrepreneurship will not only grow but thrive in Canada, a place where innovation and determination combine to create a culture of entrepreneurship we need to embrace. If we truly want to ensure that Canada's labour force is equipped to meet the challenges of the Pacific century, then we must expand the segment of our young workers who start and successfully run their own small businesses – the engine of Canada's economic growth.



For more information, please visit www.ceocouncil.ca/skills