
RÉSUMÉ :

Pour la sixième année consécutive, nous présentons les résultats canadiens du GEM (Global Entrepreneurship Monitor), un projet de recherche international en entrepreneuriat regroupant plus 150 chercheurs dans le monde. Nous dressons un portrait des activités entrepreneuriales au Canada par comparaison aux 35 pays participants en 2003 et distinguons ces mêmes activités en fonction de différents variables socio-économiques tels le genre et l'âge et aussi selon les régions canadiennes. Nous présentons l'analyse des résultats obtenus à partir d'entrevues et de sondage auprès de 18 experts en entrepreneuriat évoluant dans l'un des neuf conditions cadres en entrepreneuriat.

ABSTRACT:

For the sixth consecutive year, we present the Canadian results from GEM (Global Entrepreneurship Monitor), an international research project in the field of entrepreneurship that links over 150 researchers around the world. We describe how entrepreneurial activities in Canada compare to activities in the 35 countries that participated in 2003, and examine them on the basis of various socioeconomic variables, such as the gender and age of the entrepreneurs, and also by Canadian region. We analyse the results obtained from interviews and surveys of 18 entrepreneurship experts working on one of the nine entrepreneurial framework conditions.
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Executive Summary

Global Entrepreneurship Monitor

- The Global Entrepreneurship Monitor (GEM) is an international project that measures global entrepreneurial activities.
- GEM is in its fifth year and involves 150 researchers working in 31 countries.

Entrepreneurial Activity

- Canada remains one of the most dynamic G7 nations with 8.0% of its adult population engaged in entrepreneurial activities in 2003. Unfortunately, this is the third consecutive year where entrepreneurial activities in Canada have declined, as shown in Figure 1 below.
- Entrepreneurial activity in Canada is motivated more by perception of opportunity than by necessity (as is the case in many developing nations).

Figure 1 – Entrepreneurial Activities, Canada 2000-2003

- About 10.9% of all adult men were engaged in some form of entrepreneurial activity compared with only 5.1% of adult women.
- The gender disparity of participation in entrepreneurial activities is more pronounced in the 25-to-34-year-old and 55-to-64-year-old categories, with men almost three times more entrepreneurial than women in these age brackets.
- The Prairie provinces and British Columbia lead Canada in entrepreneurship with 9.9% and 9.6%, respectively, of their adult population participating in entrepreneurial activities.
- Ontario, Quebec, and the Atlantic provinces are below the national average with 7.4%, 7.3%, and 6.5%, respectively, of their adult population participating in entrepreneurial activities.
- Immigration is an important factor for Canada with business class immigrants contributing to new business start-ups in Canada.
Recommendations and Conclusion

- Access to government programs designed to support entrepreneurship should be improved.
- The scope and quality of government programs to support start-ups should be increased.
- Entrepreneurship education needs to be strengthened to increase the social acceptability and desirability of entrepreneurial activities.
- Management training programs for nascent entrepreneurs and managers of new firms should be expanded.

Venture Capital and Informal Investment

- The year 2003 saw a dramatic worldwide decline in invested venture capital as a percentage of GDP, with Canada and the United States showing the most severe reductions.
- The average amount per company receiving venture capital investment in 2003 was $2 million, down from $3 million in the previous year.
- The number of companies receiving venture capital investment also declined, to 724 in 2003 from 948 in 2002.
- Across all GEM countries, 2.7% of adults invested in someone else’s business in 2003. For Canada that rate is slightly higher at 3.1%.

Expert Opinion

- Government policies and the regulatory environment are seen by the experts as one of Canada’s weakest entrepreneurial framework conditions.
- Government programs to support start-ups and small firms were identified as areas needing improvement.
- About 15% of the experts interviewed considered the availability of financial resources in Canada as a limiting condition. Eight percent thought the state of financial resources available to entrepreneurs is a contributing force. The availability of financial resources in Canada was above the GEM average but below the United States.
- Twenty percent of the experts believed that education and training for entrepreneurship in Canada should be improved.
- Thirty-one percent of the experts believed that Canada lacks a positive cultural and social environment for entrepreneurship. The social acceptability of entrepreneurship is improving.
The Importance of Entrepreneurship

Entrepreneurship is the ability to create and build something where others fail to see the opportunity to do so. Jeffrey Timmons of Babson College suggests that "it is the willingness to take calculated risks, both personal and financial, and to move in a direction in pursuit of your objective." The positive externalities of entrepreneurs' assuming risks can be considerable for an economy. Entrepreneurs are the primary contributors and mobilizers of resources to develop business ventures in the economy. Among the many benefits arising from their activities are the creation of employment, the increased output of both goods and services in the economy, and the advancement of skill levels that provide for continuous industrial expansion.

In their capacity as employers, entrepreneurs create career opportunities and present the potential for upward social mobility for an ever-increasing number of individuals in an economy, providing the foundation for healthy and viable economic communities.

The Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM) was launched in 1999 with 10 countries participating. Now in its fifth year, this international project involves 150 researchers working in 31 countries. GEM constitutes the largest global research project on entrepreneurship currently being undertaken anywhere in the world, providing numerous benchmarking benefits for the countries involved.

From its inception, GEM was launched to answer three key questions:

1. Does the level of entrepreneurial activity vary among countries, and if so, by how much?
2. Are the differences in entrepreneurial activity associated with national economic growth?
3. What national characteristics are related to differences in entrepreneurial activity?

Implicit within these core questions is a set of further issues:

- The motivation for individuals to pursue entrepreneurship;
- The demographic profile of those who take the entrepreneurial route—age, gender, education, and so forth;
- The types of businesses that are being created;
- The factors that help us understand differences in entrepreneurial activity between countries;
- The impact of public policy and the role that government can play in enhancing entrepreneurship; and
- The domestic regional differences in entrepreneurial activity.
GEM research informs the business communities, and provincial and national governments on an annual basis as to how entrepreneurial their country is. GEM research can also assist policy makers in two ways to meet the challenge of improving the effectiveness of their efforts to support entrepreneurship within their countries.

First, a great many of the national experts consulted in each country make specific suggestions about ways in which government policy could be made more effective in supporting entrepreneurial activity. Previous global GEM reports have revealed over 500 separate recommendations made in this specific area by the national experts consulted. For the most part, these recommendations have focused on the following:

- Improving the fiscal environment for entrepreneurial firms;
- Improving the content and administration of government policies; and
- Reducing and simplifying the bureaucratic paperwork for start-ups.

Second, in circumstances where GEM research clearly shows that the experts and entrepreneurs consulted within a particular country are confident that particular aspects of their government policy or government program work well, countries can learn from each other and, it is hoped, establish best practices in entrepreneurial positive policy. For example, the following would appear to warrant further investigation by countries wishing to make improvements in these areas:

- The fiscal and regulatory environment within Hong Kong;
- The manner in which science parks and business incubators provide support to entrepreneurial firms in France; and
- The comprehensive nature of the IP legislation in the United States, Canada, Hong Kong, and Switzerland, and the effective manner in which that legislation is enforced, particularly in the United States (2002 Global Report).

GEM’s expansion and improvement continues to provide insight into the interplay between entrepreneurial processes and public policy, leading to an enhanced understanding of entrepreneurial contributions to the national economic well-being.
The GEM Conceptual Model

The GEM research program is based on an underlying conceptual model of the major causal mechanisms affecting national economic growth. This model has three primary features. First, it focuses entirely on explaining why some national economies are growing more rapidly than others. Second, it assumes that all economic processes take place in a relatively stable political, social, and historical context. Finally, and perhaps most unique to GEM, it considers two distinct but complementary mechanisms to be the primary sources of national economic progress.

The first major mechanism, as illustrated in the top portion of Figure 2, reflects the role of large established firms that provide national representation in international trade. The assumption behind this part of the model is that if the general national conditions are appropriately developed, the international competitive posture of large firms will be enhanced. Then, as these firms mature and expand, they will create significant demand for goods and services in their host national economies. This increase in demand will, in turn, produce market opportunities for many micro-, small-, and medium-sized firms. This scenario is particularly robust when international exchanges are restricted to stable commodities with little change in markets or production technology.

The second primary mechanism driving economic growth, as illustrated in the lower portion of Figure 2, emphasizes the role of entrepreneurship in the creation and growth of new firms. According to this portion of the model, another set of contextual factors, referred to as “Entrepreneurial Framework Conditions,” intervenes between the social/cultural context and the emergence and expansion of new firms.

1. The discussion of methodology relies heavily upon the GEM 2002 and GEM 2003 Global reports.
In addition, two critical features in the entrepreneurial process are specified: (1) the emergence or presence of market opportunities and (2) the capacity (i.e., motivation and skill) of the people to initiate new firms in pursuit of those opportunities. The entrepreneurial process is particularly robust in dynamic market settings where success is dictated by higher levels of creativity, innovation and speed to market.

Perhaps the greatest value in the GEM model is its focus on the complementary nature of the underlying mechanisms, both of which have been empirically linked to national economic growth. Indeed, large established firms, through technology spillovers, spin-offs and increasing demand for goods and services, often provide opportunities for new business initiatives. Entrepreneurial firms, on the other hand, provide a competitive advantage for established firms—their major customers—in global arenas, through lower costs and accelerated technology development. Though previous GEM findings have supported this complementary perspective, it is also clear that these processes are extremely complex. The GEM model will continue to be adjusted to reflect insights derived from the research in an effort to better understand the impact of these mechanisms on economic growth.

Figure 2 – The GEM conceptual model

Source: 2002 Global Report
Research and Methodology

The data assembled for each participating country is gathered from three basic sources:

- Adult Population Survey
- Expert Interviews
- Standardized Economic Data

Adult Population Survey

Using a telephone survey, an independent marketing firm randomly selected and surveyed 1,664 adults between the ages of 18 and 64. Their responses to up to 40 questions were then used to measure entrepreneurial activities and attitudes of the respective national population in order to provide an objective basis for international comparisons.

Expert Interviews

The second method of data collection entailed in-depth interviews with 18 national experts on entrepreneurship and a questionnaire survey of 36 experts in each GEM economy. Experts come from a range of professions where they attain considerable knowledge of entrepreneurial activities. Nine areas of expertise were specified: finance, policy, government programs, education and training, technology transfer, support infrastructure, and wider society/culture fields.

Standardized Economic Data

Standardized national economic data were collected from Statistics Canada.

Research Limitations

It should be noted that fluctuations in participation create limitations to using the GEM TEA index to conduct timeline international rankings. For example, in 2002 there were 37 countries participating and in 2003 there were 31 countries participating; several countries did not participate in 2003 and others joined GEM for the first time. Nevertheless, despite the variation in the data group, TEA is still the only internationally accepted and implemented measure of entrepreneurship to date that can provide reliable comparisons among the countries that do participate.
Canadian 2003 Research Findings

Total Entrepreneurial Activity

The Total Entrepreneurial Activity (TEA) index shows the percentage of the adult population engaged in entrepreneurial activity. The TEA index in 2003 indicates that, for the third consecutive year, Canada experienced a significant decline in entrepreneurial activity. Figure 3 shows that Canada has fallen from a high point of 12.2% in 2000 to 11% in 2001, 8.8% in 2002, and 8.0% in 2003.

The entrepreneurial disparity between Canada and the United States widened slightly with the United States reaching a TEA index in 2003 of 11.9%, up from 10.5% in 2002. In contrast, the G7 average dropped slightly from last year and stands at only 5.6%. However, the GEM average rose slightly to 8.8%, suggesting that a number of countries outside the G7 had indeed recovered.

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>12.2</td>
<td>11.0</td>
<td>8.8</td>
<td>8.0</td>
</tr>
<tr>
<td>United States</td>
<td>8.8</td>
<td>8.5</td>
<td>8.0</td>
<td>8.8</td>
</tr>
<tr>
<td>France</td>
<td>7.2</td>
<td>6.4</td>
<td>5.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Japan</td>
<td>5.1</td>
<td>3.6</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.9</td>
<td>6.9</td>
<td>5.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Germany</td>
<td>7.1</td>
<td>7.0</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Italy</td>
<td>10.2</td>
<td>8.8</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>G7 Mean</td>
<td>8.8</td>
<td>8.5</td>
<td>8.0</td>
<td>8.8</td>
</tr>
<tr>
<td>GEM Mean</td>
<td>8.8</td>
<td>8.5</td>
<td>8.0</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Figure 3 – Total Entrepreneurial Activity (TEA) by Country, 2000-2003, GEM 2003
Figure 4 shows that the order of the most entrepreneurial countries changed significantly from last year, with Uganda and Venezuela emerging as the most entrepreneurial countries with a TEA of 29.2% and 27.3% respectively. France, Croatia, and Japan are the least entrepreneurial countries with a TEA of 1.6%, 2.6%, and 2.8% respectively. Canada placed 12th out of 31 countries, which is a slight improvement from last year’s ranking of 13th.

Despite the clear decrease in entrepreneurial activity over the past three years, Canada remains one of the most dynamic industrialized countries in terms of entrepreneurial activity. The extrapolative power of the TEA index reveals that of the countries participating in GEM, there would be 286 million adults between the ages of 16 and 64 active in entrepreneurial activities. For Canada that equates to 1,665,098 adults who qualify either by recently launching a business or strengthening a new firm.

2. Uganda and Venezuela presented the highest levels of total entrepreneurial activities among 31 GEM countries in 2003. However, they also held the highest standard error, which demonstrates the highest variability in their sample means.
The 2003 Global GEM report tackles the issue of measuring the most entrepreneurial country by using two measures of entrepreneurship that reflect efforts to create new businesses and indicate innovation and growth among existing businesses. Hence, in addition to the TEA index, GEM has developed the Firm Entrepreneurial Activity (FEA) index, which is the combined value of the averages of the size of the firms and the proportion of job creation.

Table 1 reveals that Canada falls in the middle group along with Argentina, Australia, Denmark, Hong Kong, Hungary, Iceland, Ireland, Slovenia, Spain, Singapore, Thailand, the United Kingdom, and the United States. This shows that Canada exhibits medium values in both TEA and FEA indices, and while not the most entrepreneurial country surveyed, is not the least entrepreneurial.

**Table 1 – TEA and FEA Index Comparisons, 2003**

<table>
<thead>
<tr>
<th>Medium Entrepreneurial Firm Index</th>
<th>Finland</th>
<th>Belgium</th>
<th>Italy</th>
<th>Sweden</th>
<th>Singapore</th>
<th>US</th>
<th>Canada</th>
<th>Denmark</th>
<th>Iceland</th>
<th>Britain</th>
<th>France</th>
<th>Spain</th>
<th>Ireland</th>
<th>Australia</th>
<th>Hungary</th>
<th>Brazil</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low TEA Rate</td>
<td>4.1; 1.46</td>
<td>2.6; 1.08</td>
<td>4.3; 1.11</td>
<td>2.5; 0.55</td>
<td>3.1; 1.15</td>
<td>2.29; 1.43</td>
<td>[4.1; 1.46]</td>
<td>[3.4; 2.21]</td>
<td>[4.6; 2.05]</td>
<td>[4.1; 1.88]</td>
<td>[3.8; 2.24]</td>
<td>[4.4; 0.46]</td>
<td>Germany</td>
<td>Israel</td>
<td>Switzerland</td>
<td>Norway</td>
<td>Greece</td>
</tr>
<tr>
<td>Low FEA Rate</td>
<td>3.8; 2.24</td>
<td>2.21; 0.87</td>
<td>2.6; 1.11</td>
<td>2.5; 0.55</td>
<td>3.1; 1.15</td>
<td>2.29; 1.43</td>
<td>[4.1; 1.46]</td>
<td>[3.4; 2.21]</td>
<td>[4.6; 2.05]</td>
<td>[4.1; 1.88]</td>
<td>[3.8; 2.24]</td>
<td>[4.4; 0.46]</td>
<td>5.2; 1.48</td>
<td>7.1; .39</td>
<td>7.3; 1.32</td>
<td>8.1; 1.27</td>
<td>6.8; 1.29</td>
</tr>
<tr>
<td>Medium FEA Rate</td>
<td>5.4; 2.35</td>
<td>11.3; 2.36</td>
<td>8.5; 2.33</td>
<td>6.2; 2.26</td>
<td>11.3; 2.19</td>
<td>6.0; 2.10</td>
<td>[5.4; 2.35]</td>
<td>[11.3; 2.36]</td>
<td>[8.5; 2.33]</td>
<td>[6.2; 2.26]</td>
<td>[11.3; 2.19]</td>
<td>[6.0; 2.10]</td>
<td>[6.3; 1.90]</td>
<td>[8.6; 1.86]</td>
<td><strong>9.9; 1.86</strong></td>
<td>[6.6; 1.82]</td>
<td>[6.6; 1.82]</td>
</tr>
<tr>
<td>High FEA Rate</td>
<td>11.3; 2.19</td>
<td>6.2; 2.26</td>
<td>11.3; 2.19</td>
<td>6.0; 2.10</td>
<td>6.3; 1.90</td>
<td>8.6; 1.86</td>
<td><strong>9.9; 1.86</strong></td>
<td>[6.6; 1.82]</td>
<td>[6.6; 1.82]</td>
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<td>[6.6; 1.82]</td>
<td>[6.6; 1.82]</td>
<td>[6.6; 1.82]</td>
</tr>
</tbody>
</table>

* The first number in square brackets is the TEA index; the second is the FEA index. Data are the averages for 2002–2003.

** Indications less than 100 owner-managers in the sample, a very tentative estimate.

Source: 2003 Global Report
Nascent Ventures and New Firms

The TEA is the aggregate of the following two indicators and identifies individuals involved with:

Nascent Ventures: Those individuals actively involved with the creation of a business in the past year, defined as active, of which they expect to be a full or part owner. No salaries or wages have been paid for over three months.

New Firms: Those individuals involved in the management or ownership of a business established not more than 42 months prior for which salaries or wages have been paid.

Nascent Ventures

Canada’s nascent venture prevalence rate continued to fall for the second straight year. Figure 5 shows that Canada’s nascent rate for 2003 is 5.1%, down from a rate of 5.9% in 2002 and 7.0% in 2001. While a number of countries recovered from the worldwide decline in new ventures, Figure 6 reveals that Canada dropped slightly, but still stands in the upper third percentile at 11th place out of 31 countries surveyed in 2003, slightly below the GEM average. Nevertheless, Canada remained second behind the United States out of the G7 economies, significantly above the G7 average. This positions Canada as one of the industrialized countries with the highest nascent venture entrepreneurial activity.

3. Individuals who are found to be involved in both activities are counted only once.
Figure 5 – Entrepreneurial Activity (Nascent Firms) by Country, 2000-2003, GEM 2003

![Chart showing entrepreneurial activity by country from 2000 to 2003.](chart.png)

Figure 6 – Entrepreneurial Activity (Nascent Firms) by Country, GEM 2003

![Chart showing entrepreneurial activity by country in GEM 2003.](chart.png)
New Firms

In Canada, the new firm prevalence rate experienced a minor increase of 0.2%, rising from 3.6% in 2002 to 3.8% in 2003 as shown in Figure 7. Despite the increase, Canada dipped just below the 2003 GEM 31 average of 4.1%. However, Figure 8 reveals that in terms of ranking, Canada has moved up to 13th place from 16th in 2002. This rate remains significantly above the G7 average of 2.5%, positioning Canada once again in second place behind the United States among the G7 economies.

Figure 7 – Entrepreneurial Activity (New Firms) by Country, 2000-2003, GEM 2003

Figure 8 – Entrepreneurial Activity (New Firms) by Country, GEM 2003
Motivations for Entrepreneurial Activity

Since 2001, GEM has distinguished between two major reasons why individuals participate in entrepreneurial activity. According to GEM 2002 research, 97% of the people involved in entrepreneurial activities can be labeled as either “opportunity” entrepreneurs or “necessity” entrepreneurs.

- Opportunity entrepreneurs are those who pursue perceived business opportunities that they wish to take advantage of. This type of entrepreneur has other choices available but chooses this path out of personal preference. This activity is referred to as “opportunity” entrepreneurship because of the voluntary nature of the involvement.

- Necessity entrepreneurs are those who are involved in entrepreneurship because they have no better option for work. The “necessity” reflects the individual’s need to have some form of work activity, and the decision to start a business is not a voluntary one.

Among all GEM nations approximately two-thirds of entrepreneurial active adults were voluntarily pursuing an attractive business opportunity, with the remaining one-third engaged in entrepreneurship out of necessity. By exploring the motivations for entrepreneurial activity it is possible to investigate to what extent the types of businesses created by opportunity and necessity entrepreneurs differ systematically from one another. This research puts forth the important question “Is the potential for a business to provide a major contribution to the economy affected by the entrepreneur’s motivation for initiating that business in the first place?” The tentative response offered in the GEM 2002 report is that opportunity and necessity entrepreneurs both have the capability to create high-growth, export-oriented, new-market creation businesses, but opportunity entrepreneurs have higher expectations of having a greater impact on the economy.

In Canada, the relative social and economic stability results in more opportunity entrepreneurs than necessity entrepreneurs when compared with other GEM nations. There has been a decline in opportunity perception as observed in Figure 9, with the rate falling to 6.7% of the adult population in 2003 from 7.4% in 2002. It is believed
that the decline in nascent entrepreneurship is a function of opportunity perception, which corresponds with both rates falling this year. However, in comparison to other countries, Canada retains a relatively high opportunity-based motivation for undertaking entrepreneurial activities. In rankings, Figure 10 illustrates that Canada is one of the industrialized countries with the highest opportunity perception, well above the G7 average and 11th out of the 31 GEM countries. Although it appears that Uganda, Venezuela, and Argentina lead in terms of opportunity-based motivation for entrepreneurship, this could partly be attributed to different interpretations of opportunity versus necessity-motivated entrepreneurship among the adults interviewed.
Figure 11 shows that necessity-based motivation for undertaking entrepreneurship remained relatively low in 2003 for Canada at 1.0%, a slight dip from 1.1% in 2002. Canada has numerous employment opportunities when compared with other countries and a superior social safety net, with the result that there are more opportunity-based than necessity-based entrepreneurs in Canada. Although in the international ranking, Figure 12 situates Canada at 15th, it is apparent that the difference between the majority of the industrialized nations is negligible with necessity entrepreneurship being significant only for Uganda, Venezuela, Argentina, Chile, Brazil, China, and Greece.
Who Is Engaged in Entrepreneurial Activity?

GEM research indicates that both gender and age play major roles in predicting participation in entrepreneurial activities. The overall gender ratio of entrepreneurs is two men to every woman. This gender ratio is even more pronounced in the 25-to-34-year-old category, where Canadian men are almost three times more likely to be entrepreneurial than women. Figure 13 shows that both men and women peak in entrepreneurial activity during this age category, but whereas women remain relatively consistent from 25 to 54 years old in their entrepreneurial activity, men peak early and then drop off considerably until they are roughly on a par with women in the 45-to-54-year-old category. However, in the 55-to-64-year-old category men once again outnumber women at approximately a 2.8:1 ratio.

When the motivational considerations for engaging in entrepreneurial activity are factored in, the age category becomes particularly important. Figure 14 reveals that for men the opportunity-based and necessity-based motivations are especially relevant in the 25-to-34 age category with 15.8% and 2.8% respectively. This above-average motivation-based participation is due partly to factors such as entry into the workforce, or conversely the failure to enter the workforce: the one case presents them with opportunity and the other compels them to seek out means of self-employment. For women, opportunity-based motivation is also higher in this age category for the same reason, but surprisingly, necessity-based motivation is not relevant at all and only becomes important in the 45-to-54 age category.
Regional Differences

For the purpose of this report, Canada has been divided into regions as follows: British Columbia; Ontario; Quebec; Atlantic Canada (New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador); and the Prairie provinces (Alberta, Manitoba, and Saskatchewan).

There are significant differences in entrepreneurial activities among the regions of Canada. Table 2 shows entrepreneurial activity by region for Canada in 2003. The Prairie provinces and British Columbia led the nation in total entrepreneurial activity with TEA of 9.9% and 9.6% respectively, although with variations in opportunity, necessity, and nascent and new firm results.

In comparison with other regions, the Prairie provinces have the highest level of opportunity-based motivation to engage in entrepreneurial activity. What is most striking about this region, however, is its nascent venture prevalence rate of 8.8%, which is much higher than the national average of 5.1% and well above British Columbia and Ontario. This contrasts starkly with the region’s low new firm prevalence rate of 1.5%, which suggests that either government policies or opportunity perceptions have positively affected this region over the past year. Another possible reason for the high nascent venture firm prevalence rate and low new firm prevalence rate is a lower survival rate for small- and medium-sized enterprises in this region. The survival rate of these firms is affected by factors such as changes in the marketplace, the number and size of competitors, and new entrants, as well as general economic conditions.

Ontario, Quebec and the Atlantic provinces are below the national average in terms of TEA in 2003. All three have lower opportunity-based motivation for embarking on entrepreneurial paths and this is apparent in their relatively low nascent firm prevalence rates. The 2002 Canada GEM report identified regional variables that are partly attributable to low entrepreneurial activity in Quebec and the Atlantic provinces such as confidence in their capacity and skill to launch a business and superior entrepreneurial models. While remaining low, TEA rates in both Quebec and Atlantic provinces increased significantly from 2002 to 2003, whereas Ontario posted the largest drop from 10.3% to 7.4% in TEA prevalence rates.

Table 2 – Regional Entrepreneurial Activities, 2002–2003

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>12.1</td>
<td>9.6</td>
<td>10.4</td>
<td>8.1</td>
<td>1.2</td>
<td>1.0</td>
<td>9.8</td>
<td>6.7</td>
<td>4.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Prairie Provinces</td>
<td>9.7</td>
<td>9.9</td>
<td>7.7</td>
<td>9.2</td>
<td>1.5</td>
<td>0.7</td>
<td>6.4</td>
<td>8.8</td>
<td>3.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Ontario</td>
<td>10.3</td>
<td>7.4</td>
<td>9.0</td>
<td>6.0</td>
<td>1.1</td>
<td>0.8</td>
<td>6.3</td>
<td>3.8</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Quebec</td>
<td>6.2</td>
<td>7.3</td>
<td>4.8</td>
<td>6.1</td>
<td>1.0</td>
<td>1.2</td>
<td>4.0</td>
<td>4.2</td>
<td>2.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Atlantic Provinces</td>
<td>3.2</td>
<td>6.5</td>
<td>1.6</td>
<td>4.1</td>
<td>1.1</td>
<td>1.6</td>
<td>2.1</td>
<td>4.1</td>
<td>0.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Canada</td>
<td>8.8</td>
<td>8.0</td>
<td>7.4</td>
<td>6.7</td>
<td>1.1</td>
<td>1.0</td>
<td>5.9</td>
<td>5.1</td>
<td>3.6</td>
<td>3.8</td>
</tr>
</tbody>
</table>
Immigration and Entrepreneurship

Figure 15 shows the trend in the number of immigrants to Canada. The two main streams, family class and economic class, including skilled workers and business immigrants, both peaked in 2001. Based on the TEA index and immigration data from 1999 to 2003, correlations show that there is a positive association between the business class and TEA nascent firm prevalence rates, and between family class and TEA opportunity rates. As expected, business class immigrants, who are specifically selected to support the development of a strong and prosperous economy, contributed to new business start-ups in Canada. Since Canada welcomes three types of business immigrants—investors, entrepreneurs and self-employed—it is expected that they will either make an investment leading to economic development and job creation for Canadian citizens and permanent residents, or make a significant contribution to specified economic activities.

Regional immigration data in Table 3 shows that Ontario is the most popular region, while British Columbia and Quebec also have a significant number of immigrants. This can partly explain the regional difference in entrepreneurial activities since there appears to be a positive correlation between immigrants and TEA new firm prevalence rates. Ontario and British Columbia attracted the most business immigrants and skilled workers, which also accounts for their relatively higher TEA new firm prevalence rates. It is to be mentioned that immigration in Canada is essentially in the three main cities of Montreal (Quebec), Toronto (Ontario), and Vancouver (British Columbia).

![Figure 15 – Immigration by Class, Canada 1999-2003, GEM 2003](image)

<table>
<thead>
<tr>
<th>Family</th>
<th>Refugee</th>
<th>Business</th>
<th>Skilled Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2001</td>
</tr>
<tr>
<td>Family</td>
<td></td>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>British Columbia</td>
<td>11,758</td>
<td>11,871</td>
<td>2,188</td>
</tr>
<tr>
<td>Prairie Provinces</td>
<td>6,454</td>
<td>6,306</td>
<td>3,629</td>
</tr>
<tr>
<td>Ontario</td>
<td>39,060</td>
<td>38,378</td>
<td>14,236</td>
</tr>
<tr>
<td>Quebec</td>
<td>8,474</td>
<td>7,938</td>
<td>7,150</td>
</tr>
<tr>
<td>Atlantic Provinces</td>
<td>767</td>
<td>723</td>
<td>703</td>
</tr>
<tr>
<td>Canada</td>
<td>66,713</td>
<td>65,277</td>
<td>27,910</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14,588</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>137,169</td>
</tr>
</tbody>
</table>

Table 3 – Regional Immigration by Class, 2001–2002
High-Impact Entrepreneurship

The diversity of issues associated with entrepreneurship is quite broad, and to understand the relationship between entrepreneurial activity and economic growth, GEM research attempts to identify high-potential ventures. These high-potential, innovative ventures are rare and their identification is challenging. Three criteria were identified in GEM 2002 as able to help locate those new ventures with a potential for major contributions to the national economy: (1) expectation to create jobs; (2) expectation to expand existing markets; and (3) expectation to export.

Job Creation Potential

A recent CIBC study (2003) predicts that before the end of the decade, one out of five workers will become their own boss. Another study showed an increasing trend towards the use of spin-offs by fast-growing small businesses (Filion, Luc, Fortin, 2003). The importance of self-employment in Canada was previously depicted as one of the characteristic elements of entrepreneurship in Canada. Indeed, Canada is one of the countries where self-employment, at almost 20%, is among the highest in the OECD. (Statistics Canada, 2001). In addition, entrepreneurship is not only an opportunity for self-employment, but also a catalyst for the creation of new jobs.

As Table 4 shows, Canadian the prospects of entrepreneurial firms for job creation in 2003 increased slightly from the previous year. In terms of expected job creation in 2003, 82% of Canadian entrepreneurial firms intended to hire one or more employees within the next five years. This figure was higher than the 78% witnessed in 2002. Concurrently, the percentage of firms expecting no job creation within the next five years declined from 23% to 19%. However, the forecast for lower nominal job creation for entrepreneurial firms is apparent with expected creation of 1 to 5 jobs in the next five years rising five percentage points in 2003. This figure surpasses the one percent increase in the 6-to-19-jobs category, while the expected creation of 20 jobs or more declined two percent from 2002.

Table 4 – Percentage of Entrepreneurial Firms Expecting to Create Jobs Within Next Five Years, 2003

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>1 to 5 Jobs</th>
<th>6 to 19 Jobs</th>
<th>20 Jobs and More</th>
<th>Any Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>23%</td>
<td>37%</td>
<td>18%</td>
<td>23%</td>
<td>78%</td>
</tr>
<tr>
<td>2003</td>
<td>19%</td>
<td>42%</td>
<td>19%</td>
<td>21%</td>
<td>82%</td>
</tr>
</tbody>
</table>
Market Creation Potential

To identify those ventures that intend to contribute to the creation of new sectors, three criteria were used to track ventures that expect to expand existing markets: absence of competition, low product awareness among customers, and use of new technology. Ventures with some or strong potential for market expansion could be identified with these criteria. The purpose is to distinguish whether the strategies implemented by entrepreneurs are targeting the creation of a new market niche or the reproduction of activities and markets with existing technology.

As Table 5 shows, in 2003, 45% of entrepreneurial firms in Canada expected to expand existing markets, a 10 percent decrease from the 2002 level of 55%. In retrospect, this decline indicates a perception that Canadian new ventures regard themselves as having the potential to expand markets, but not to any great degree, which could likely be attributed to the lack of cutting-edge new technology.

Export Sales

Canada is an exporting country with export-oriented business strategies deeply integrated in both established businesses and new entrepreneurs. Table 6 lists the percentage of nascent or new firms that anticipate having customers outside of their home country. In 2003, 76% of nascent or new firms in Canada expected export sales, increasing from 73% in 2002. Canadian firms continue to view exports as an important component of their overall business.

Table 5 – Percentage of Entrepreneurial Firms Expecting to Expand Existing Markets Canada, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>Little</th>
<th>Some</th>
<th>Maximum</th>
<th>Any</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>46%</td>
<td>43%</td>
<td>6%</td>
<td>6%</td>
<td>55%</td>
</tr>
<tr>
<td>2003</td>
<td>55%</td>
<td>35%</td>
<td>7%</td>
<td>3%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Table 6 – Percentage of Entrepreneurial Firms Expecting Exports, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>Exports between</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1% and 24%</td>
</tr>
<tr>
<td>2002</td>
<td>27%</td>
<td>49%</td>
</tr>
<tr>
<td>2003</td>
<td>24%</td>
<td>49%</td>
</tr>
</tbody>
</table>
Diversification of TEA in Canada

Similar to other countries, consumer services hold the largest share of TEA in Canada. However, TEA in Canada is relatively symmetrical across transformative sectors, business services, and consumer services. In 2003, as highlighted in Table 7, consumer services commanded over one-third of Total Entrepreneurial Activity (TEA) in Canada. This field encompasses the retail, motor vehicle, lodging, restaurant, personal services, health, education and social services, and recreational services sectors of the economy. Business services followed closely in second place at 30.6% of TEA. The financial, insurance, real estate, and all other business services characterize this field of entrepreneurial activity. Transformative sectors accounted for 28.3% of TEA and include the construction, manufacturing, transportation, communications, utilities, and wholesale sectors of the economy. The extractive sectors, characteristic of primary industries, including agriculture, forestry, fishing, and all mining activities, stood at last place at 6.9% of TEA in the Canadian economy.

Table 7 – Business Type, 2003

<table>
<thead>
<tr>
<th></th>
<th>Extractive Sectors</th>
<th>Transformative Sectors</th>
<th>Business Services</th>
<th>Consumer Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>6.9</td>
<td>28.3</td>
<td>30.6</td>
<td>34.2</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>3.4</td>
<td>24.8</td>
<td>22.3</td>
<td>49.5</td>
</tr>
<tr>
<td>GEM 03</td>
<td>7.4</td>
<td>25.6</td>
<td>22.3</td>
<td>44.8</td>
</tr>
<tr>
<td>G7 Mean</td>
<td>6.6</td>
<td>20.2</td>
<td>20.5</td>
<td>52.8</td>
</tr>
</tbody>
</table>
Classic Venture Capital and Informal Investment

Canada has one of the highest levels of classic venture investment as a share of GDP among G7 nations. However, since there were fewer new business start-ups in Canada in 2002, the demand for financing also decreased. As Figure 16 demonstrates there has been a worldwide decline in domestic classic venture capital invested as a percent of GDP per country. Canada and the United States showed the most drastic reduction at 0.21% and 0.20% respectively, but nevertheless remain significantly higher than the rest of the GEM nations and the G7 average. The classic venture capital industry is acknowledged as being a cyclical industry; hence, it is more important to look at the country comparisons rather than the industry trends.

One of the most discouraging domestic trends of classic venture capital investment for entrepreneurs in 2003 was the sharp decline in the amount of money invested per company and the number of companies that received investment. Figure 17 shows that in terms of amount of money invested per company, Canada experienced a significant decline from just over $3 million per company in 2002 to roughly $2 million per company in 2003. In 2002, Canada was just below Italy, but whereas Italy showed a remarkable increase in 2003, Canada suffered a decline, which has had a negative effect on new economy sectors such as technology-related industries.

Figure 16 – Domestic Classic Venture Capital Invested Percent of GDP, by Country, 2002-2003

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4. Classic venture capital comprises investments in seed, early start-up, and expansion-stage companies by venture capital firms and institutions.
Figure 18 shows that only 724 companies received venture capital investment in 2003 compared to 948 companies in 2002. Thus not only has less money been invested in each company, but the number of companies receiving venture funds has also declined. As a result, Canada was placed sixth out of the G7 nations for number of companies receiving venture capital in 2003. On the other hand, although the Canadian venture capital industry did not perform well over the past year, an OECD (2002) venture capital policy review showed that much of the slack is being picked up by foreign investors, particularly from the United States, who are major players and are targeting their funding to technology-based start-ups.
Across all GEM countries, 2.7% of adults invested in someone else’s business during the last three years. For Canada, the rate has remained relatively stable over the past year with a slight increase from 3.0% in 2002 to 3.1% in 2003, as shown in Figure 19. This ranks Canada in second place, behind the United States and well above both the GEM and G7 averages. However, it is still believed that Canada should be showing a stronger informal investment rate, considering its relatively strong entrepreneurial activity. As shown in the 2002 Canadian GEM report, this result could be attributable to the heavily institutionalized financing of entrepreneurship, which was suggested by a high correlation between the variables.

The next section will briefly examine the experts’ perceptions of entrepreneurship in Canada as presented above.

Figure 19 – Informal Investor Prevalence Rate by Country, 2000-2003
What Is the Expert Opinion?

Since 1999, GEM has used a comprehensive assessment of the entrepreneurial framework conditions to better understand cross-national similarities and differences in entrepreneurial activity. This rich, in-depth perspective is offered through a number of semi-structured, face-to-face interviews with experts on entrepreneurship within each country.

The GEM model outlines the nine entrepreneurial framework conditions that influence entrepreneurial activity within the country:

- (1) financial support,
- (2) government policies,
- (3) education and training,
- (4) cultural and social norms,
- (5) government programs,
- (6) research and development transfer,
- (7) commercial and professional infrastructure,
- (8) barriers to entry/internal market openness, and
- (9) access to physical infrastructure.

Financial Support

One of the major obstacles to entrepreneurial endeavor is the lack of an adequate supply of risk capital. Financial support refers to the availability of financial resources, equity, and debt for new and growing firms, including grants and subsidies. The performance of new ventures is largely dependent on adequate capitalization.

In Canada, 15% of those interviewed considered access to capital in the form of equity funding, debt funding, government subsidies, venture capital funding, and other kinds of funding to be a limiting force on Canada's entrepreneurial activity, whereas 8% regarded it as a contributing force. Only 11% of the experts recommended that financial support should be improved in the near future.
Figure 20 reveals that, in comparison to other GEM nations, Canada is above the GEM average but still far behind the United States in regard to satisfactory financial support. However, Figure 21 shows that over the past three years there has been a consistent decline in the opinion of Canadian experts as to the adequacy of financial support.
Government Policies

The extent to which government policies affect the regulatory burden for starting and growing new businesses is a major concern for many countries. The GEM 2002 report states that the single greatest issue with government policies that countries of all levels of entrepreneurial activity recognize is the administrative burden of regulatory compliance. "The regulatory demands put an undue burden on the fledgling businesses in terms of time and cost of compliance, excessive intrusion and personal and business affairs, and an enormous learning curve to understand what policies apply to their business situation and how to comply administratively."

Government policies are seen by the experts as being one of Canada’s weakest entrepreneurial framework conditions. Figure 22 shows that of the experts interviewed, 21% were of the opinion that government policies for new and growing firms and tax regulations were limiting entrepreneurial activity, compared to 13% who felt that government policies implemented to date were contributing. In addition, 26% of the experts agreed that government policy reform was the highest priority.

When Canada’s expert opinion on government policies was compared with other GEM nations it became evident that Canada is not performing well. Figure 20 shows that Canadian experts are not satisfied with existing government policies, and even though its results are slightly higher than the GEM average, Canada falls well below the United States. In addition, Figure 21 indicates that any confidence gained on government policies in the past two years has been lost, with expert opinion nearly reaching the low of 1999.

Figure 22 – Entrepreneurial Framework Conditions (Limitation, Contribution and Recommendation), Canada 2003, GEM 2003

<table>
<thead>
<tr>
<th>Percentage Mentioned</th>
<th>Financial Support</th>
<th>Education and Training</th>
<th>Internal Market Openness</th>
<th>Access to Physical Infrastructure</th>
<th>Cultural and Social Norms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limitation</td>
<td>Contribution</td>
<td>Recommendation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>35%</td>
<td></td>
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</tr>
</tbody>
</table>
Education and Training

Education and training refers to the extent to which training in creating or managing small, new, or growing businesses is incorporated into the educational and training systems at all levels. It is widely believed that education and training is directly related to being able not only to start a business but also to make it grow.

In 2000, Canada was ranked first in education and training among GEM countries; however the rating was never particularly high and barely reached the neutral level. Figure 22 shows that there is no consensus as to whether education from the primary to the university level provided good preparation for self-employment since 13% of the experts thought it was a limiting factor and 13% thought it was a contributing factor. However, despite the lack of consensus in education and training as a positive or negative factor, 20% of the experts believed that education and training could be improved in Canada. Education and training was the second area of priority identified by experts as most in need of improvement.

Figure 20 situates Canada well above the GEM average but below the United States as far as education and training are concerned. However, as Figure 21 shows, there has been little fluctuation of expert opinion on Canada’s education and training in the last three years.

Cultural and Social Norms

The GEM 2001 Global Report discovered that the most pressing issue with respect to cultural and social norms is the general attitude of the public towards entrepreneurship. This includes the attitude towards the support and understanding of the importance of entrepreneurship in society. The social legitimacy of entrepreneurship, the value the society places on self-employment, and the reward for individualism are highlighted as being especially important.

In Canada, cultural and social norms were the entrepreneurial framework condition most mentioned in both the limiting and contributing category. Figure 22 shows that on the one hand, 26% of the experts believed that Canada lacked a positive cultural and social environment for engaging in entrepreneurial activities, but on the other hand, 31% of the experts thought that Canada had a good social and cultural environment. Finally, 15% of the experts recommended that the cultural and social norms in Canada need to be improved in order to enhance at least the social acceptance of entrepreneurial activities.

The cultural and social norms in Canada are relatively healthier than the rest of the GEM nations. As Figure 20 shows, Canada is once again above the GEM average but well below the United States. In fact, it is possible to infer that Canadians are more likely to take the entrepreneurial framework conditions that exist in the United States as their reference point, which leads many experts to be of the opinion that Canada is lacking in certain areas such as cultural and social norms.
Government Programs

Government programs refer to the presence and efficiency of direct programs at all levels of government to assist new and growing firms. Many countries have adopted a policy of establishing science parks and business incubators as a means of supporting new and growing firms. However, as stated in the 2000 and 2002 Canada National GEM reports, support programs and other forms of assistance constitute a necessary, but not a sufficient, condition for fostering entrepreneurship.

In Canada, the experts also differed on whether the accessibility and effectiveness of government programs were a limiting or contributing force. Figure 22 shows that 9% of the experts felt that government programs were a limiting force and 10% believed that they were a contributing factor. Nevertheless, government programs were still regarded as a major area in need of improvement with 20% of the experts recommending that they be improved.

When compared with the other GEM nations, Canada’s government programs fared relatively well. Figure 20 shows that Canada is situated above the GEM average and below the United States, reaffirming itself as a nation with competitive government policies. Also, as shown in Figure 21, Canadian expert opinion has varied on government programs.

Research and Development Transfer

Research and development transfer refers to the extent to which national research and development leads to new commercial opportunities and whether or not these are available for new, small, and growing firms. Commercializing technology on a global scale requires aggressive capitalizing on research efforts to spawn innovative companies and well-paying, challenging employment opportunities.

This entrepreneurial framework condition was seldom mentioned in the expert interviews. Table 22 shows that only 6% of those interviewed brought up the accessibility and affordability of research and development transfer to new and growing firms as a limiting factor and only 8% were of the opposite opinion. Moreover, only 4% recommended improvements on research and development transfer initiatives.

Despite the lack of domestic concern over research and development transfer, Canada fares relatively well in GEM comparisons. Figure 20 reveals that Canada is above the GEM average but once again behind the United States. In addition, as shown in Figure 21, there has been a decline in opinion from last year on the state of research and development transfer in Canada.
Commercial and Professional Infrastructure

This refers to the presence of commercial, accounting, and other legal services and institutions that allow or promote the emergence of new, small, or growing businesses. Although it is not considered a leading factor in entrepreneurship, it is important nonetheless.

In Canada, this area was rarely mentioned by key informants, who have few concerns and comments on the supply and quality of commercial and professional infrastructure for entrepreneurship. As Figure 22 shows, 13% of the experts regarded it as a contributing factor and 0% mentioned it as a limiting factor or recommended its improvement.

Comparatively, Canada was once more ahead of the GEM average, but behind the United States, as is apparent in Figure 20. It has also remained consistently high over the past four years as indicated in Figure 21.

Internal Market Openness

Internal market openness refers to the extent to which commercial arrangements are prevented from undergoing constant change and redeployment, preventing new and growing firms from competing and replacing existing suppliers, subcontractors, and consultants. In other words, it addresses the question of how easy it is to start trading in our nation.

The experts interviewed in Canada did not place too much weight on internal market openness with 9% looking at it as a limiting factor and 4% as a contributing factor. It also was not regarded as in need of any immediate changes as only 4% recommended that this entrepreneurial framework condition be improved.

In comparison with other GEM nations, Canada falls below both the United States and the GEM average, suggesting that internal market openness conditions are an impediment to entrepreneurial activity. However, over the past four years there have been significant fluctuations in expert opinion on market openness.

Access to Physical Infrastructure

This refers to ease of access to available physical resources, such as communication, utilities, transportation, land, or space, at a price that does not discriminate against new, small, or growing firms.

The development of Canada’s physical infrastructure is satisfactory to such a degree that it was barely mentioned by the experts. Only 2% mentioned it as a limiting force and none considered it a contributing force. Moreover, no experts considered it an area in need of improvement.

Comparatively, Canada’s physical infrastructure is among the strongest. Canada is just behind the United States in physical infrastructure and is perceived as being better off than the other GEM nations. In the past four years, physical infrastructure has been considered relatively strong and should remain so in years to come.
Conclusions and Implications

A number of lessons can be drawn from the data presented in this report on the level of entrepreneurial activity in Canada and the experts’ perceptions of entrepreneurship in Canada. Canadian reports from previous years have discussed the impact of financing and risk capital structures, along with their deficiencies and needs, in great detail. This year, five major elements have been retained and are addressed briefly below.

- For the third consecutive year, there has been a reduction in total entrepreneurial activity (TEA) in Canada. Even so, Canada is still ranked 12th for entrepreneurial activity among the 40 countries taking part in the 2003 GEM study. There is no need for alarm as yet, but it is appropriate to highlight this trend, since it needs to be corrected in the coming years.

- Entrepreneurial activity increases across Canada from east to west. The exception to this general rule is Ontario. The highest level of entrepreneurial activity was recorded in British Columbia and the lowest in the Atlantic provinces. Ontario’s situation can be explained by a number of factors, including its central location in the country; its situation as host to most of the federal government’s activities; its high levels of immigration (more than 40% of the population of Toronto); and its proximity to the industrial dynamics of the American Midwest.

- Immigration appears to play a major role in explaining entrepreneurial activity. The regions with the highest density of immigrants appear to generate the most entrepreneurial activity. This is true of British Columbia and Ontario. It is therefore reasonable to suggest that the density of entrepreneurial activity reflects the density of immigration, which in Canada is concentrated in the three largest cities—Vancouver, Toronto, and Montreal.

- The place of women in entrepreneurship needs to be increased. This could be said of every country in the world, and Canada is no exception. The place of women in education has increased significantly in the last few decades. However, awareness of entrepreneurship still needs to be promoted energetically among women of all ages.

- More value needs to be placed on entrepreneurship and more space devoted to it in the education system. The decline in entrepreneurial activity may be due to several factors, including stronger than usual economic growth. However, the fact remains that entrepreneurial activity is a source of long-term prosperity and wealth creation. The image of entrepreneurship appears to have improved tremendously in Canada, but its value still needs to be enhanced, especially among younger age groups. One way of doing this would be to present entrepreneurship positively as a career option.
Bibliography


Web Site GEM: www.gemconsortium.org
## GEM 2003

**GEM 2003: Coordination Team, Research Teams, and Sponsors**

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### GEM 2003: National Teams

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