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Global Commerce Centre
National Immigration Centre

Enhancing Success.

Canada's Immigrant Entrepreneurs and International Trade



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Enhancing Success: Canada's Immigrant Entrepreneurs and International Trade

Kareem El-Assal

Preface

Canada needs to diversify and expand its international trade to strengthen its economy. Immigrant entrepreneurs can help this cause due to favourable characteristics such as their foreign language skills. However, their ability to do so is limited by the unique challenges that they face, such as their weak social and business networks in Canada. This report provides an overview of these challenges and offers suggestions in four areas to help address them so that immigrant entrepreneurs can perform better and help advance Canada's international trade agenda.

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EXECUTIVE SUMMARY

Enhancing Success: Canada's Immigrant Entrepreneurs and International Trade

At a Glance

- Canada needs to diversify and expand its international trade to strengthen its economy.
- In light of their foreign language skills, engagement in knowledge-based industries, and predisposition to export beyond Canada's traditional markets, immigrant entrepreneurs are ideal for helping to advance Canada's international trade agenda.
- However, when it comes to firm size, business survival rates, and export revenues, immigrant entrepreneurs underperform compared with their Canadian-born counterparts.
- Strengthening their networks, raising awareness of domestic and international business supports, creating dedicated settlement support programs, and improving access to financing will enhance immigrant entrepreneurs' success and role in boosting Canada's international trade.

Canada depends greatly on international trade to fuel its prosperity, as exports account for nearly one-third of its gross domestic product (GDP). Given that more than 80 per cent of its trade is with the United States and the European Union, Canada would do well to diversify its export markets, especially to parts of the world experiencing higher rates of growth. This is one of Global Affairs Canada's top priorities, as shown by the recent launch of trade talks with regional blocs such as Mercosur and ASEAN. In addition to new free trade agreements with countries experiencing faster growth, Canada's large immigrant population is another factor that could contribute to diversifying its trade partners. Indeed, research has shown a positive relationship between immigration and Canada's international trade. Immigrants can help boost Canada's exports in several ways, including by working for multinational firms and through entrepreneurship.

Immigrant entrepreneurs are of particular interest: evidence indicates that while they have favourable characteristics, such as a high propensity to engage in knowledge-based industries and export beyond Canada's traditional markets, they are underperforming compared with their Canadian-born counterparts in key metrics such as firm size, business survival rates, and export revenues. A major explanation for this underperformance is the unique difficulties that immigrant entrepreneurs experience, compared with Canadian-born entrepreneurs. The purpose of this report is to explore these challenges and offer suggestions that can enhance their success and role in boosting Canadian exports.

Understanding the Challenges

Common challenges that immigrant entrepreneurs face include weak social and business networks, business and regulatory knowledge, language skills, and cultural understanding. In addition, few settlement support programs in Canada are dedicated to helping immigrant entrepreneurs.

Suggestions

Canada can help immigrant entrepreneurs perform better and support its international trade agenda by:

- building networks for recent immigrant entrepreneurs;
- enhancing awareness of domestic and international business supports;
- offering more dedicated settlement support programs;
- improving access to financing.

Strengthening the social and business networks of recent immigrant entrepreneurs—those who have been in Canada for less than 10 years—involves providing them with detailed pre-arrival information, which they can use to connect with key stakeholders once they enter the country. Encouraging business incubators and private equity investors to participate in overseas recruitment missions is a way to lure more innovative immigrant entrepreneurs to Canada and to connect immigrants to networks that can nurture their success.

Awareness of business supports and global market opportunities can be enhanced by having government actors (i.e., departments, ministries, and crown corporations) work closely with ethnic business organizations and immigrant-serving organizations. For instance, this could entail having government officials conduct more outreach efforts at events hosted by these organizations. These events could be used to raise awareness about how government can help immigrant entrepreneurs in key areas such as making connections, raising capital, and exporting. A one-stop online portal could be created to inform immigrant entrepreneurs of the specific supports available to them. Customized and cost-effective settlement support programs, such as webinars and online

training courses combined with mentorship opportunities, dedicated to helping recent immigrant entrepreneurs succeed could also be offered.

Access to financing can be improved by having government provide co-funding support to high-potential companies already vetted and financed by the private sector. In addition, awareness-raising initiatives are key to informing recent immigrant entrepreneurs about existing government and private sector programs that offer small business loans.

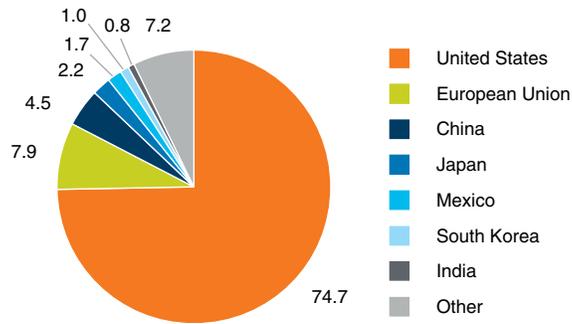
Canada's eagerness to trade and its openness to immigrants provide an opportunity to diversify and expand the scale of international trade.

Introduction

Canada is a trading nation. In 2017, exports of goods and services accounted for nearly one-third of its GDP. Roughly three-quarters of Canada's exports went to the United States, followed by the European Union, China, Japan, and Mexico. (See Chart 1.) Maintaining strong trade relations with its traditional partners—the United States, European Union, and Japan—is essential for Canada's prosperity, with domestic firms able to connect with global value chains and a large pool of wealthy consumers. However, the much slower rate of economic growth experienced by these trading partners, compared with emerging markets such as China and India, is cause for concern. (See Chart 2.)

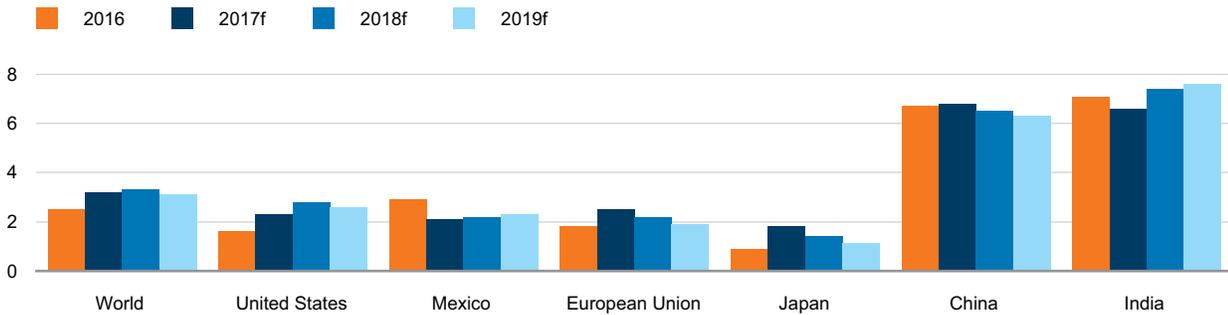
Canada's dependence on trade with its traditional partners renders its economy susceptible to downturns if those countries experience a recession, as seen most recently during the 2008–09 period. This dependence also limits the growth potential of Canada's own economy. However, Canada's eagerness to trade with more countries—demonstrated by the growing number of trade and investment agreements—and its openness to immigrants from all corners of the globe provide an opportunity to diversify and expand the scale of international trade, which will in turn support economic growth and provide economic stability.

Chart 1
Canada's Top Merchandise Export Partners, 2017
(per cent)



Source: Statistics Canada, CANSIM table 228-0069.

Chart 2
Global Growth Outlook
(real GDP growth, percentage change)



f = forecast
Sources: The Conference Board of Canada; Consensus Economics.

Purpose of This Report

There is potential for immigrants to contribute to Canada's objective to broaden its export markets. In general, immigrants have higher levels of post-secondary qualifications, particularly in science, technology, engineering, and mathematics (STEM) degree programs, than the

Immigrant entrepreneurs are highly engaged in knowledge-based industries and are comfortable exporting beyond Canada's traditional trade markets.

Canadian-born population.¹ Other favourable characteristics include foreign language skills, market knowledge, and business connections. Both Canadian government departments and business organizations share this view.²

Immigrants can help boost Canada's international trade in several ways, including by working for multinational firms³ and through entrepreneurship. Immigrant entrepreneurs are of particular interest, as they are highly engaged in knowledge-based industries and are comfortable exporting beyond Canada's traditional trade markets. However, as the literature shows, their businesses continue to underperform, compared with Canadian-born entrepreneurs, in large part due to several unique challenges that can hinder their success, such as having weak social and business networks in Canada.

The purpose of this report is to identify how Canada can address these common challenges so that its immigrant entrepreneurs can perform better and support the country's international trade agenda in the process. The focus is on knowledge-based industries, which have been driving growth and creating jobs since the 1970s.⁴ Innovation, Science and Economic Development Canada's definition of knowledge-based industries, which is determined by an industry's research and development activity and the educational attainment of its workforce, is used.⁵

Overview

This report begins with a review of the literature on the relationship between immigration and international trade. Following an exploration of the common challenges that affect Canada's immigrant entrepreneurs, suggestions are provided on how these challenges can be addressed.

- 1 Statistics Canada, *Education in Canada*; Statistics Canada, "Proportion of Immigrants Who Are STEM Graduates."
- 2 See, for example: McKenna, "Canada's Secret Export Weapon: New Immigrants"; Ministry of Citizenship and Immigration and The Conference Board of Canada, "Opening Minds, Opening Markets;" Alexander, Burleton, and Fong, *Knocking Down Barriers*; Toronto Region Board of Trade, *Export Strategy Report*.
- 3 Nielsen and Nielsen, "Top Management Team Nationality Diversity"; Kaczmarek and Ruigrok, "In at the Deep End of Firm Internationalization."
- 4 Statistics Canada, *Knowledge-Based Industries (KBI)*.
- 5 Picot and Ostrovsky, *Immigrant Businesses in Knowledge-Based Industries*.

These suggestions are shaped by the literature review and the 18 interviews that were conducted with respondents from government (federal and provincial officials and federal crown corporations), business, universities, immigrant-serving organizations, and immigrant entrepreneurs. Anonymity provided to interviewees ensured candid responses.

How Immigrants Can Help Boost Canada's International Trade

In seeking to quantify the relationship between immigration and international trade, numerous Canadian and international studies over the years have found a positive relationship between these two variables. Some studies suggest that a 10 per cent increase in Canada's immigrant population corresponds with a 1 per cent increase in exports.⁶ If the latest figures are used, a 10 per cent increase in Canada's immigrant population of 7.5 million people would correspond to an increase in merchandise exports by \$5.5 billion.⁷ (See "Research on the Immigration–International Trade Nexus.")

Research on the Immigration–International Trade Nexus

Researchers have used the gravity model to examine the nexus between immigration and international trade in Canada and other countries. The gravity model stipulates that bilateral trade between two countries is proportional to the size of their economies (measured by GDP) and inversely proportional to the geographic distance between them.⁸ This implies that the volume of trade between countries can be particularly large when they are both economically developed and geographically close to one another.

6 Head and Ries, "Immigration and Trade Creation"; Downie, *Immigrants as Innovators*.

7 As of the 2016 Census, Canada's immigrant population was 7.5 million. In 2017, the total value of Canada's merchandise exports was \$550 billion. See Statistics Canada, CANSIM table 228-0069.

8 Chaney, *The Gravity Equation*.

The Conference Board of Canada

In previous research, The Conference Board of Canada included additional variables to predict the relationship between immigration and Canada's international trade.⁹ The variables included whether Canada has a trade office in the source country, if English and/or French is commonly spoken in the source country, and the total number of immigrants from the source country that reside in Canada. After factoring in these variables, a 2013 Conference Board study associated a 10 per cent increase in Saskatchewan's immigrant population with a 3.6 per cent increase in exports.¹⁰

In a 2002 study, Wagner, Head, and Ries used the gravity model to look at the influence of immigration on international trade by Canadian provinces (British Columbia, Prairie provinces, Ontario, Quebec, and Atlantic provinces). They found that a 10 per cent increase in immigrants was linked with an increase in exports by 0.8 to 1.6 per cent.¹¹ Partridge and Furtan had similar findings.¹² In their 2008 assessment on the link between immigration and provincial trade flows, they found that a 10 per cent increase in the stock of immigrants corresponded to an increase in provincial exports by 0.8 to 1.2 per cent.

Peri and Requena-Silvente found that a 10 per cent increase in immigrants from a given source country in a Spanish province corresponded to an increase in exports to that country by 0.5 to 1.0 per cent.¹³ In their 2010 study, the authors indicate that their findings are similar to analyses conducted on the impact of immigration on export volumes in the United States, France, and the United Kingdom.

The positive relationship between immigration and exports can be explained by immigrants possessing a number of key attributes, such as foreign language skills, market knowledge, and political and business connections. These attributes can help countries strengthen their exports.¹⁴

9 Downie, *Immigrants as Innovators*; Parkouda, *The Influence of Immigrants on Trade Diversification in Saskatchewan*.

10 Parkouda, *The Influence of Immigrants on Trade Diversification in Saskatchewan*.

11 Wagner, Head, and Ries, "Immigration and the Trade of Provinces."

12 Partridge and Furtan, "Immigration Wave Effects on Canada's Trade Flows."

13 Peri and Requena-Silvente, "The Trade Creation Effects of Immigrants."

14 Morgan, Sui, and Baum, "Are SMEs With Immigrant Owners Exceptional Exporters?"; Sui and Morgan, *Selling Beyond the U.S.: Do Recent Immigrants Advance Canada's Export Agenda?*; Cerdin, Diné, and Brewster, "Qualified immigrants' Success"; Kloosterman, van der Leun, and Rath, "Across the Border"; Neville and others, "Do Young Firms Owned by Recent Immigrants Outperform Other Young Firms?"

Several factors determine whether Canadian businesses can earn profits from exporting. Taking a closer look at these factors helps one better understand why immigrants could support Canada's export efforts. To succeed abroad in knowledge-based industries, Canadian businesses need to possess a global competitive advantage—defined as a firm's ability to create more value than its global rivals for international customers through differentiation.¹⁵ In practice, firms may derive such an advantage if they have export-enabling resources and capabilities that are unique, valuable, and difficult for others to replicate. (See “The Keys to Canadian Business Success Abroad.”)

The Keys to Canadian Business Success Abroad

Research by The Conference Board of Canada¹⁶ has found Canadian businesses that succeed in global markets tend to:

- possess a global competitive advantage due to their skilled executives, international experience and networks, and innovation capabilities;
- enter foreign markets that are growing;
- choose markets not already dominated by (other) foreign competitors;
- seek a moderate (versus high or low) level of foreign sales as a percentage of their total sales;
- enter foreign markets neither extremely early in their operations nor too long after becoming established in their domestic market;
- enter foreign markets proactively because of perceived opportunities, rather than reactively to avoid growing competition in the home market.

Developing a global competitive advantage requires Canadian businesses to have skilled executives with international experience, market knowledge, networks, and innovation capabilities. Canadian and international researchers have observed that such key attributes are important in the ability of immigrant entrepreneurs to support their

¹⁵ Audet, *Selling to the World*.

¹⁶ Audet, *Selling to the World*; Fischer and Reuber, *Survival of the Fittest*.

Immigrants may be more comfortable exporting to countries that Canadian-born entrepreneurs are unfamiliar or uncomfortable with.

business and export efforts.¹⁷ *Know-how* skills such as language skills and political, business, regulatory, and cultural knowledge are critical to facilitating international trade, while *know-who* capacity, including overseas business and government connections and trusted relationships, help to facilitate international trade. Immigrant entrepreneurs could also have important *know-what* knowledge of global markets, such as emerging trends and consumer preferences. Without these skills, the transaction costs of international trade would likely be higher for Canadian-born entrepreneurs, which would reduce the likelihood of them engaging in global markets. On the other hand, the transaction costs of international trade would likely be lower among immigrant entrepreneurs who possess these attributes. Thus, it comes as no surprise that entrepreneurs with international experience (e.g., immigrants) are more likely to do business abroad—and succeed.¹⁸

Some researchers hypothesize that immigrant entrepreneurs are less risk-averse than their Canadian-born counterparts when it comes to exporting globally.¹⁹ This may be due to the skills and connections of immigrant entrepreneurs, as well as the fact that immigration is itself a risk-taking phenomenon.²⁰ Given that immigrants are inherent risk-takers—as demonstrated by their willingness to start afresh in a new country—they may be more comfortable launching a business and exporting to countries that Canadian-born entrepreneurs are unfamiliar or uncomfortable with.

Immigrant Entrepreneurs Underperform

Despite immigrant entrepreneurs possessing such favourable characteristics, it may be too optimistic to assume that they are currently positioned to significantly advance Canada's international trade agenda. As shown by the research findings below, while some

17 Morgan, Sui, and Baum, "Are SMEs With Immigrant Owners Exceptional Exporters?"; Sui and Morgan, *Selling Beyond the U.S.*; Cerdin, Diné, and Brewster, "Qualified immigrants' Success"; Kloosterman, van der Leun, and Rath, "Across the Border"; Neville and others, "Do Young Firms Owned by Recent Immigrants."

18 Fischer and Reuber, *Survival of the Fittest*.

19 Momani, *New Canadian Entrepreneurs*; Neville and others, "Do Young Firms Owned by Recent Immigrants."

20 Constant and Zimmerman, "The Making of Entrepreneurs in Germany."

of the characteristics of their businesses are positive in the context of boosting Canadian exports, immigrant entrepreneurs—especially recent immigrants—are underperforming, compared with their Canadian-born counterparts, in metrics such as firm size, business survival rates, and export revenues.

On the positive side, immigrants are highly engaged in entrepreneurship and knowledge-based industries. According to a 2016 Statistics Canada report, immigrants who have been in Canada between 10 and 30 years have a private incorporated business ownership rate of 5.8 per cent. This rate is higher than the comparison group's ownership rate of 4.8 per cent (93 per cent of the comparison group are Canadian-born).²¹ Another report by Statistics Canada, in 2010, shows that 13.2 per cent of private incorporated businesses owned by immigrants who have been in Canada since 1980 were in knowledge-based industries, compared with 11.1 per cent of Canadian-born owners.²² A 2011 survey of Canadian small and medium-sized enterprises (SMEs) found that while immigrants accounted for 22 per cent of all business owners, they accounted for 28 per cent of business owners engaged in knowledge-based industries.²³

These positive findings, however, are undermined by the fact that immigrant-owned businesses tend to be small. Nearly 40 per cent of immigrant business owners had no employees or only one employee in 2010 (compared with about 25 per cent in the predominantly Canadian-born comparison group) and 8.9 per cent of immigrant-owned businesses had 10 or more employees (compared with 17.7 per cent in the comparison group).²⁴

These findings are consistent with an evaluation conducted by Immigration, Refugees and Citizenship Canada (IRCC) in 2014, which showed that immigrants who arrived under the former federal Entrepreneur Program created few jobs (an average of two jobs per immigrant who arrived under this program between 2007 and 2011).²⁵

21 Green and others, *Immigration, Business Ownership and Employment in Canada*.

22 Picot and Ostrovsky, *Immigrant Businesses in Knowledge-Based Industries*.

23 Ibid.

24 Green and others, *Immigration, Business Ownership and Employment in Canada*.

25 Immigration, Refugees and Citizenship Canada, *Evaluation of the Federal Business Immigration Program*.

One reason for these weak job-creation figures is that immigrants operate businesses in industries where firms tend to be smaller. (See Table 1.) As shown in Table 2, the professional, scientific, and technical services industry accounted for 14.3 per cent of immigrant-owned firms but only 7.4 per cent of workers employed by immigrant entrepreneurs.

Table 1
Distribution of Private Incorporated Businesses, by Top Five Sectors, 2010

Businesses owned by immigrants			Businesses owned by non-immigrants		
Industry	Number	Per cent	Industry	Number	Per cent
Professional, scientific, and technical services	20,630	14.3	Construction	90,190	14.0
Retail trade	16,200	11.2	Professional, scientific, and technical services	88,430	13.8
Accommodation and food services	16,080	11.1	Retail trade	61,520	9.6
Transportation and warehousing	12,270	8.5	Other services (except public administration)	41,440	6.4
Construction	10,560	7.3	Health care and social assistance	39,430	6.1
Total	144,350	100	Total	642,840	100

Sources: Green and others.

Table 2
Distribution of Employment in Private Incorporated Businesses, by Top Five Sectors, 2010

Businesses owned by immigrants			Businesses owned by non-immigrants		
Industry	Average labour units*	Per cent	Industry	Average labour units*	Per cent
Accommodation and food services	104,940	23.1	Retail trade	690,080	15.7
Retail trade	71,680	15.8	Construction	522,720	11.9
Health care and social assistance	38,680	8.5	Accommodation and food services	516,930	11.8
Manufacturing	36,520	8.1	Manufacturing	461,540	10.5
Professional, scientific, and technical services	33,390	7.4	Health care and social assistance	305,980	7.0

*calculated by dividing the total payroll of the company by the average earnings for all full- and part-time employees in the province, industry, and firm-size category to which the firm belongs

Sources: Green and others.

Recent immigrant entrepreneurs in particular are underperforming, which is not surprising given the vast number of challenges they typically experience. A 2018 Statistics Canada study found that among businesses started between 2003 and 2009, 51 per cent of those started by recent immigrant entrepreneurs (defined in the study as being in Canada for up to 10 years) remained in operation for at least seven years, compared with 58 per cent of those started by Canadian-born entrepreneurs.²⁶

Moreover, Conference Board research has found that few recent immigrant entrepreneurs are exporting in knowledge-based industries. Our analysis on the export orientation of Canadian SMEs between 2007 and 2011 noted that while recent immigrant entrepreneurs (defined in the study as being in Canada for up to five years) are over twice as likely to export beyond the U.S., they are more inclined to have business models based on price competition than on delivering innovative products and services.²⁷ In 2007, for example, the average value of non-U.S. exports of recent immigrant entrepreneurs was \$270,000, compared with \$880,000 for other entrepreneurs. This focus on business models based on price competition makes it difficult for immigrant entrepreneurs to build the long-lasting competitive advantage they need in order to succeed in global markets in the long run—thereby making it challenging for them to contribute significantly to Canada's international trade agenda.

Explaining the Underperformance of Immigrant Entrepreneurs

Understanding why immigrant entrepreneurs are underperforming is vital to developing solutions that can enhance their success and role in boosting Canada's international trade performance. Immigrant entrepreneurs face a host of challenges, of which some are familiar to

²⁶ Ostrovsky and Picot, *The Exit and Survival Patterns of Immigrant Entrepreneurs*.

²⁷ Sui and Morgan, *Selling Beyond the U.S.*

entrepreneurs in general. However, several challenges that are more unique to immigrant entrepreneurs include:

- language and cultural barriers in Canada;
- weak social and business networks in Canada;
- lack of Canadian business and regulatory knowledge;
- lack of awareness of domestic and international business supports;
- overconfidence in their export-enabling attributes;
- financial difficulties;
- logistical challenges.

These challenges vary among immigrant entrepreneurs and depend on factors such as their length of time in Canada, their source countries, human capital characteristics, business phase, and type of industry in which they operate. For instance, immigrant entrepreneurs who arrive in Canada from countries with similar cultures and business environments will probably have an easier time finding their footing in Canada than those who arrive from countries where the differences are more substantial.

Creating appropriate solutions that consider these varying degrees of challenges is critical. A key distinction that we identified over the course of this study, and which we focus on below, is the differences experienced between recent and established immigrant entrepreneurs: While immigrant entrepreneurs face common challenges, recent immigrants tend to face additional barriers, and, hence, require even more support from stakeholders who seek to help immigrant entrepreneurs succeed in Canada. While there is no consensus definition on what constitutes a recent immigrant entrepreneur,²⁸ the general definition of recent immigrants comprises those who have been in Canada under five years—although this has been defined as broadly as 10 years, as noted in the 2018 Statistics Canada study cited above. For the purposes of this report, we differentiate between recent (in Canada under 10 years) and established immigrant entrepreneurs (in Canada over 10 years). Our use below of “immigrant entrepreneurs” encompasses the entire population, regardless of time spent in Canada.

²⁸ In this report, the phrase “recent immigrant entrepreneurs” is used interchangeably with “newcomer entrepreneurs,” “newcomers,” and “recent immigrants.”

Only 3 per cent of newcomer entrepreneurs have access to inter-firm networks within Canada, compared with 7 per cent for other entrepreneurs.

Language and Cultural Barriers in Canada

Weak language skills and limited cultural understanding can hurt the performance of recent immigrant entrepreneurs. While the foreign language skills and cultural knowledge of immigrant entrepreneurs can serve them well when it comes to conducting business in global markets, some of them arrive in Canada with underdeveloped English or French skills, which compromises their ability to verbally communicate and comprehend key issues. Language barriers can also exacerbate other challenges, including the ability to build social and business networks, develop customer relations, negotiate effectively, and write convincing business plans or make a pitch—thereby undermining their ability to secure financing.²⁹ In addition, newcomer entrepreneurs report that they struggle to grasp practices, customs, and unspoken conventions in the Canadian business environment.³⁰

Weak Social and Business Networks in Canada

Recent immigrant entrepreneurs tend to have weak social and business networks in Canada.³¹ Such networks are crucial to the health of any business, as they help facilitate access to key resources such as advisory services, financial capital, employees, contacts, machinery, and equipment.³² Business networks can also reduce transactional costs—for example, if agreements are based on mutual trust rather than formal contracts.³³ The Conference Board of Canada's 2014 study found that only 3 per cent of newcomer entrepreneurs have access to inter-firm networks within Canada, compared with 7 per cent for other entrepreneurs.³⁴ Having limited business networks makes it more difficult

29 Wayland, *Immigrant Self-Employment and Entrepreneurship*; Sim, *Immigrant Entrepreneurship in Canada*; Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*.

30 Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*.

31 Wayland, *Immigrant Self-Employment and Entrepreneurship*; Momani, *New Canadian Entrepreneurs*; OECD, *Open for Business*; Sui and Morgan, *Selling Beyond the U.S.*; Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*.

32 Sui and Morgan, *Selling Beyond the U.S.*; Neville and others, "Do Young Firms Owned by Recent Immigrants."

33 Sui and Morgan, *Selling Beyond the U.S.*

34 An SME belongs to an inter-firm network if it is owned by someone who also owns and/or operates at least one other business. Being a part of such networks can help improve a firm's ability to survive, grow, and export.

and expensive for Canada's recent immigrants to sustain and grow their operations, which can hinder their efforts to sell globally.

Lack of Canadian Business and Regulatory Knowledge

Having a solid understanding of Canada's business and regulatory environment is strongly associated with entrepreneurial success, but developing this understanding is one of the most significant challenges that newcomer entrepreneurs face.³⁵ One business official who provides supports to immigrant entrepreneurs said that newcomers often arrive in Canada unprepared and ill-equipped to succeed since they know little about the country's business environment. As a result, she said they may have a flawed business plan, which then delays their ability to kick-start their venture. There are also a plethora of laws and regulations that recent immigrant entrepreneurs are unfamiliar with and which may differ substantially from those in other countries. In this respect, they may lack knowledge on how to register a business, licensing rules, the tax system, and labour laws.³⁶

Lack of Awareness of Domestic and International Business Supports

Numerous interviewees said that immigrant entrepreneurs often focus on selling to their countries of origin and miss out on other market opportunities in the process. The decision to serve their countries of origin is informed by immigrant entrepreneurs' assessment of their enhanced ability to meet resource requirements and challenges that are specific to their countries of origin. Immigrant entrepreneurs can grow their businesses by operating more intensively in their countries of origin and by targeting countries with similar cultures. However, one federal official said that immigrant entrepreneurs sometimes fail to consider using their country of origin as a stepping stone to enter neighbouring

35 Diversity Institute, Ted Rogers School of Management, *Immigrant Entrepreneurship*; Neville and others, "Do Young Firms Owned by Recent Immigrants"; Momani, *New Canadian Entrepreneurs*; Wayland, *Immigrant Self-Employment and Entrepreneurship*; Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*.

36 Wayland, *Immigrant Self-Employment and Entrepreneurship*; Diversity Institute, Ted Rogers School of Management, *Immigrant Entrepreneurship*.

Newcomer entrepreneurs may be too immersed in the daily affairs of their businesses to devote the time to seek information on available supports.

markets that share the same language and similar customer preferences and business climates. Federal and provincial officials said that this may be due in part to recent immigrant entrepreneurs not knowing about existing government supports such as the Canadian Trade Commissioner Service, which can help immigrants pursue business opportunities in new markets.

Federal and provincial governments (including crown corporations) offer a range of financial, advisory, and export supports that recent immigrant entrepreneurs might find useful.³⁷ For instance, several interviewees noted that newcomer entrepreneurs may not know that the Business Development Bank of Canada (BDC) offers financial and advisory services, including small loans to recent immigrant entrepreneurs who lack a Canadian credit history. Similarly, organizations such as MaRs, Futurpreneur Canada, Communitech, and Ryerson's DMZ exist to help companies grow and succeed, but may be underutilized by newcomer entrepreneurs due to poor awareness.

Interviewees attributed this lack of awareness to several factors. A federal official said that recent immigrant entrepreneurs may simply not come across such information. Moreover, he said that if they come from countries where the government does not offer much support to business, they may not think to turn to government for assistance once in Canada. A researcher and several immigrant entrepreneurs said that immigrants might arrive from countries where trust in government is low and so they might be skeptical about the utility of government in helping them succeed in their business. Additionally, numerous interviewees noted that newcomer entrepreneurs may be too immersed in the daily affairs of their businesses to devote the time to seek information on available supports. Regardless of the reason for the poor awareness,

37 Ministry of Citizenship and Immigration and The Conference Board of Canada, "Opening Minds, Opening Markets"; Canadian Trade Commissioner Service, The, "New Canadian Entrepreneurs Face Challenges in Exporting"; Diversity Institute, Ted Rogers School of Management, *Immigrant Entrepreneurship*.

one common interviewee recommendation, highlighted in the following section, is that organizations make additional outreach efforts to immigrant entrepreneurs.

Overconfidence in Their Export-Enabling Attributes

A recent study suggests that the attributes that encourage immigrants to export may be a double-edged sword that results in overconfidence.³⁸ In other words, immigrant entrepreneurs are aware of the various challenges that are associated with exporting, but may be more prone than Canadian-born entrepreneurs to overestimate their attributes and downplay the challenges. This could result in them taking risks that adversely affect their businesses. Moreover, a researcher suggested that immigrant entrepreneurs might be overconfident in their ability to grow their company. For instance, as the company's founder, an immigrant entrepreneur may decide it is not necessary to hire additional senior management talent because of a belief that they have the attributes to ensure business success. Immigrant entrepreneurs may be unchallenged in company decision-making, which results in suboptimal outcomes, or they may lack awareness about the need to recruit top management talent with a proven track record for developing global strategies or scaling up companies. One reason is that some immigrant entrepreneurs simply lack awareness of what it takes to get their companies to the next level.

Financial Difficulties

Difficulties obtaining financing is one of the biggest barriers that recent immigrant entrepreneurs face in Canada.³⁹ Newcomer entrepreneurs are more likely to apply for a bank loan than non-immigrants yet are less likely to receive approval for their application.⁴⁰ This is largely due to their

38 Morgan, Sui, and Baum, "Are SMEs With Immigrant Owners Exceptional Exporters?"

39 Neville and others, "Do Young Firms Owned by Recent Immigrants?"; Sui and Morgan, *Selling Beyond the U.S.*; Momani, *New Canadian Entrepreneurs*; Wayland, *Immigrant Self-Employment and Entrepreneurship*; Workforce Planning Board of York Region and Bradford West Gwillimbury, *The Newcomer Entrepreneurship Experience in York Region*; Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*.

40 Sui and Morgan, *Selling Beyond the U.S.*

Receiving overseas payments often takes several months to clear in Canadian banks, which can squeeze an immigrant entrepreneur's ability to pay bills.

lack of a Canadian credit history, as well as higher default risk due to the unique challenges encountered by immigrant entrepreneurs.⁴¹ Lack of financing can constrain the ability of immigrants to operate or scale up businesses in certain industries. Newcomer entrepreneurs in knowledge-based industries do not have much collateral, which can make it more difficult to obtain financing. Strict banking regulations and lack of in-house expertise in banks to assess whether an applicant is credit-worthy also create challenges.⁴² Financing issues can also continue to haunt immigrant entrepreneurs as they become more established in Canada, as the initial financing hurdles may end up constraining the growth trajectory of their business.

Another challenge noted by an immigrant entrepreneur is that often a newcomer entrepreneur does not have enough information and guidance to make wise financing decisions. Using her own personal story as an example, she stated that because she did not know of available financing supports, such as those offered by BDC, she initially funded her business by using multiple credit cards. This resulted in her paying higher interest rates than if she had secured a loan through BDC or another financial support avenue.

Several interviewees also highlighted a lack of steady cash flow as a common financial challenge—which can be exacerbated by distance. One researcher noted in an interview that because they are more likely to export to developing markets, immigrant entrepreneurs are susceptible to being cheated and face high costs and long delays if they need to settle disputes in foreign courts. He also pointed out that receiving overseas payments often takes several months to clear in Canadian banks—especially if the payments are coming from countries with few banking relationships with Canada—which can squeeze an immigrant entrepreneur's ability to pay their bills and finance their growth. Immigrant entrepreneurs who lack awareness of business supports offered by Canadian organizations may be particularly affected by this issue given that services exist to mitigate cash flow difficulties, as we shall see in the following section.

41 OECD, *Open for Business*.

42 Sui and Morgan, *Selling Beyond the U.S.*

Logistical Challenges

Logistical challenges can also impede the ability of immigrant entrepreneurs to export and/or grow their companies. Just like their Canadian-born counterparts, immigrant entrepreneurs must grapple with issues such as distance (which increases transaction costs), trade barriers, less developed supply chains in markets in which Canadian companies are not as active, and engaging in markets that present more business hurdles. These challenges are likely more prevalent for immigrant entrepreneurs given they are statistically more disposed than Canadian-born entrepreneurs to export to non-traditional markets.

Suggestions

While several of these challenges are familiar to immigrant entrepreneurs regardless of whether they export, it is nonetheless critical to address them so that immigrant entrepreneurs can realize their potential and support Canada's international trade agenda. As such, we offer suggestions in four areas:

- build networks for recent immigrant entrepreneurs;
- enhance awareness of domestic and international business supports;
- offer more dedicated settlement support programs;
- improve access to financing.

Build Networks for Recent Immigrant Entrepreneurs

Interviewees made several suggestions on how Canada can strengthen the social and business networks of recent immigrant entrepreneurs. First, government and immigrant-serving organizations could provide more pre-arrival information. Over the past decade, Canada has improved the amount of settlement information it disseminates to immigrants before they move to this country, with much of the information available online. The information largely covers the basics that newcomers need to know to build their life in Canada (e.g., how to open a bank account, how to enrol children into school, where to go for language instruction and career support).

Local immigration partnerships and “connector” programs offered in communities across Canada could also be used to help immigrant entrepreneurs.

Pre-Arrival Supports

To make sure that newcomers gain access to information on entrepreneurship supports, Canada could ask newcomers, regardless of their entry stream (i.e., skilled workers, family class, refugees), if they plan to start a business in Canada. Those who express interest in doing so would be provided with the appropriate pre-arrival information, such as where to find business, settlement, and mentorship support once they arrive in Canada. One business official suggested hosting briefings at Canadian missions, where government officials would advise immigrant entrepreneurs on key contacts and immigrant-serving organizations in Canada. These briefings would be targeted to the newcomer entrepreneur's needs, industry, and types of supports and networks that are available in their landing destination. Several immigrant entrepreneurs suggested that government advise newcomers of websites and social media groups (e.g., Facebook, LinkedIn) that organize networking events for entrepreneurs and offer supports.

Create Databases

One immigrant entrepreneur recommended that government departments and agencies that work with newcomer entrepreneurs create a database to facilitate networking and mentorship opportunities (subject to individuals authorizing the government to share their information). An example of a mentorship opportunity would be the government connecting a recent immigrant with a more established entrepreneur in the same Canadian city and industry. A similar suggestion was made by another immigrant entrepreneur, who said that because immigrant-serving organizations are often the first point of contact for many newcomers, they could create databases that compile local business contact information, which could then be shared with newcomers. Local immigration partnerships and “connector” programs offered in communities across Canada could also be used to help immigrant entrepreneurs. The principal goals of these types of programs are to identify newcomer support systems, document the community's strengths and challenges, and introduce newcomers to local professionals working in their respective sectors. Immigrant-serving

organizations could play a steering role in leading similar initiatives that would be dedicated solely to immigrant entrepreneurs.

Make Connections With Business Incubators and Investors

A provincial government official said that business incubators are very helpful in building networks, but from her perspective could be more involved in recruiting immigrant entrepreneurs. One immigrant entrepreneur concurred with this viewpoint, stating that several business incubators designated by the federal government to use the Start-up Visa Program⁴³ are no longer involved because they find the program's recruitment process to be too onerous. An official from a business organization said that private equity investors also struggle to engage with this program; their small administrative budgets constrain their ability to incur the costs associated with trying to recruit immigrant entrepreneurs overseas.

One way that business incubators and private equity investors could be encouraged to recruit immigrant entrepreneurs is by having them participate in overseas recruitment missions that are organized by governments and post-secondary education institutions, which often go abroad to promote Canada as a destination of choice to prospective immigrants and international students. Encouraging business incubators and private equity investors to attend these events would increase their exposure to entrepreneurs, whom they could subsequently support for immigration to Canada. Being more involved in recruitment would ensure that immigrant entrepreneurs would arrive to Canada with networks already in place.

Develop Canada's Business Ecosystems

According to one researcher, Canada also needs to make greater efforts to cultivate its business ecosystems, which in turn will help attract and support immigrant entrepreneurs. While Canada is embedded within

⁴³ Launched in April 2013 as a pilot, the Start-up Visa Program seeks to attract innovative immigrant entrepreneurs to Canada. Business incubators and private equity investors are designated by the federal government to recruit immigrant entrepreneurs and support their business ventures once they arrive in Canada. Once promising immigrant entrepreneurs have been identified, the federal government processes those applications that meet the program's requirements.

Awareness-raising activities are crucial to helping to tackle common export challenges such as irregular cash flow.

the U.S. supply chain, he said that business linkages with much of the rest of the world are underdeveloped. As such, he believes the federal government's new Innovation Superclusters Initiative (ISI) is promising, and could eventually support the growth of business ecosystems that encourage the recruitment and creation of firms with global connections. He explained that if the ISI is successful in establishing networks and supports, such firms would help to attract more immigrant entrepreneurs to Canada. His comments suggest that one of the major ways that government can embed immigrant entrepreneurs within business ecosystems is by playing a leadership role in developing the ecosystems themselves. With the necessary supports in place, immigrant entrepreneurs would help advance Canada's international trade agenda.

Enhance Awareness of Domestic and International Business Supports

All the interviewees strongly recommended that the federal government be more proactive in advising recent immigrant entrepreneurs about available supports. For instance, through its Canadian missions, the government could be providing newcomers with more pre-arrival information on the types of business supports offered by Export Development Canada (EDC), BDC, Global Affairs Canada (GAC), and the provinces. While government already goes to great lengths to market its business supports, public and private sector interviewees argued that more efforts are required to spread the word, given that immigrant entrepreneurs know little about such services. These awareness-raising activities are crucial to helping to tackle common export challenges such as irregular cash flow—several interviewees specifically noted the importance of informing immigrant entrepreneurs about EDC's various supports to mitigate export risks (e.g., accounts receivable insurance to protect exporters against payment default and political risk insurance in the event of instability in other countries).

Promote Stakeholder Collaboration

Immigrant entrepreneurs and business and government officials said that government should work even more closely with ethnic business associations and immigrant-serving organizations. This would entail

government officials speaking at events hosted by these organizations to raise awareness about how they can help immigrant entrepreneurs make connections, raise capital, and export goods or services. Moreover, by encouraging these organizations to refer immigrant entrepreneurs to them, these government officials would also be raising awareness among the organizations about how EDC, BDC, GAC, and the provinces are best-positioned to help. Thus informed, the ethnic and immigrant-serving organizations would be able to refer immigrant entrepreneurs to the appropriate government body. Another recommendation would be for government to boost its ties with ethnic media organizations in order to advertise its services (social media, television, radio, and newspapers).⁴⁴

Government-organized events in Canada devoted to newcomer entrepreneurs—with participation from key stakeholders such as local entrepreneurs, companies, businesses, and immigrant-serving organizations—would help recent immigrants develop networks and improve their knowledge of the supports offered by government and business organizations such as incubators.

Create a One-Stop Portal

A one-stop online portal created by government would help to raise awareness about supports targeted to immigrant entrepreneurs. For instance, one immigrant entrepreneur pointed out that Innovation Canada’s website contains information on supports available to entrepreneurs based on their business goals and needs.⁴⁵ Including a section on this website that highlights immigrant entrepreneur supports based on individual needs (e.g., financing, marketing supports) and location would be useful.

Raise Awareness of International Market Opportunities

Developing networks and raising awareness would encourage immigrant entrepreneurs to pursue new market opportunities outside of their countries of origin and help them scale up their export activities. Promoting Canada’s free trade agreements is another way to raise

⁴⁴ Wayland, *Immigrant Self-Employment and Entrepreneurship*.

⁴⁵ Innovation Canada, “Find Out What We Can Do for Your Business.”

awareness of global market opportunities. According to one immigrant entrepreneur, Canada could do more to communicate the existence of its free trade agreements and the benefits they present to both Canadian-born and immigrant entrepreneurs.

An ethnic business official pointed out that many consultancies and law firms have sections/units that focus solely on supporting the expansion of Canadian firms into emerging markets. Connecting these firms with immigrant entrepreneurs could help the latter develop global strategies and use their countries of origin as a platform to enter neighbouring markets. He also suggested that federal and provincial governments ask business organizations to refer high-potential export-based services firms to them. For instance, such firms could demonstrate promising revenue growth or that they possess valuable intellectual property. Federal and provincial governments could then identify how they can support such firms in pursuing global expansion opportunities and approach these firms to participate in overseas trade missions that involve meeting with key business and political contacts.

Offer More Dedicated Settlement Support Programs

Many entrepreneur support programs exist across Canada, but few are dedicated to recent immigrant entrepreneurs.⁴⁶ A 2017 report also concluded that there are few support programs available in Ontario that are dedicated to newcomer entrepreneurs⁴⁷—which is by far the leading destination of Canada's immigrants. Dedicated supports are helpful in addressing the unique challenges that newcomer entrepreneurs experience, such as building social and business networks in Canada, understanding the Canadian business environment, and improving communication skills.⁴⁸ For example, one immigrant-serving organization invites immigrant entrepreneurs to pitch their business ideas in a classroom setting in front of peers and community business officials.

⁴⁶ Wayland, *Immigrant Self-Employment and Entrepreneurship*; Roy, Sidhu, and Wilson, *The Economy and Resilience of Newcomers*; Diversity Institute, Ted Rogers School of Management, *Immigrant Entrepreneurship*.

⁴⁷ Diversity Institute, Ted Rogers School of Management, *Immigrant Entrepreneurship*.

⁴⁸ Wayland, *Immigrant Self-Employment and Entrepreneurship*.

A key feature of dedicated programs is that newcomer entrepreneurs get to learn from, and interact with, Canadian-born and immigrant entrepreneurs.

Hence, offering more dedicated supports to newcomer entrepreneurs would be an invaluable way of promoting their success. As others have noted, there are hundreds of immigrant-serving organizations across Canada with expertise in helping immigrants settle and integrate, and such organizations would be well-placed to serve as one-stop shops for recent immigrant entrepreneurs.⁴⁹

A key feature of dedicated programs is that newcomer entrepreneurs get to learn from, and interact with, Canadian-born and immigrant entrepreneurs. According to one researcher, such interactions help recent immigrant entrepreneurs avoid succumbing to overconfidence by building their awareness of the challenges they can expect to face and the importance of having a competent management team to help boost their success. In addition to immigrant-serving organizations facilitating these interactions, he said that ethnic business associations and other business organizations such as incubators could host more lectures, workshops, and training courses that feature successful Canadian and immigrant entrepreneurs, who would discuss their personal experiences and the attributes that are required to take a company to the next level. This can help newcomer entrepreneurs understand that they may not have all the attributes that they need to grow their companies and they will need to hire additional management talent who have the connections and know-how that is necessary for their companies to grow and expand overseas.

Officials from immigrant-serving organizations that deliver dedicated programs stressed the importance of providing customized supports to newcomer entrepreneurs. For instance, several of them have instructors and mentors who communicate in the native language of immigrant entrepreneurs, which is especially useful for conveying technical advice. Moreover, having such assistance in place can support the success of recent immigrant entrepreneurs in key areas. For example, an immigrant-serving organization explained that newcomer entrepreneurs can write their business plans in their native language and have them translated into English, which increases their chance of securing a loan. (See “Newcomer Entrepreneur Support Programs.”)

49 Ibid.

Newcomer Entrepreneur Support Programs

Newcomer entrepreneur support programs typically feature a blend of in-class instruction and business advisory services.⁵⁰ Key benefits of the following examples include newcomers learning about Canadian business basics, growing their networks, learning from expert speakers, improving their communication skills, being mentored, and having access to advisory services throughout the program to guide them through various phases of their business journey.

Launched in 2013, the Entrepreneurship Connections Program supports newcomer entrepreneurs who have a high chance of succeeding in Canada. Applicants are screened based on a number of criteria including language proficiency, business experience, and business idea. Operated by ACCES Employment Services, an immigrant-serving organization in the Greater Toronto Area, the program offers a one-month intensive business training course followed by four months of mentoring by an established business owner. Newcomers are advised on topics ranging from securing financing, to understanding Canada's business climate, to developing a business plan. Advisory services can be accessed for up to one year from time of enrolment to help newcomer entrepreneurs successfully navigate the various issues that they may face. The program, which is funded by IRCC and sponsored by BDC, has generated interest across the country and has since been rolled out in Moncton, Ottawa, and Vancouver. As of March 2018, 410 immigrants had completed the program, leading to the launch of 190 businesses, 103 of which have garnered sales.

Since 2009, the Fredericton Chamber of Commerce has operated the Business Immigrant Mentorship Program (BIMP). The four-month program offers educational, mentorship, and networking services to recent immigrant entrepreneurs. In 2013, the Chamber launched the Hive Incubator, which provides office space to newcomer entrepreneurs in an immersive environment that helps them access supports and networking opportunities. Both initiatives receive provincial funding, and the Chamber also charges nominal fees to immigrants to access these services—the BIMP costs \$225/month per person while membership to the Hive Incubator costs \$325/month.

50 El-Assal, *Entrepreneur and Investor Immigration*; Wayland, *Immigrant Self-Employment and Entrepreneurship*; Newcomer Centre of Peel, "Start a Business"; author's interviews.

The lack of sustained funding makes it difficult for organizations to plan their operations since they need to reapply for funding on a regular basis.

The Newcomer Centre of Peel, an immigrant-serving organization in Mississauga, operates a newcomer entrepreneur support program under the auspices of the Global Business Centre. Launched in 2008 and funded by IRCC, the Centre offers in-class instruction in the morning five days per week over a two-month duration. Newcomers are taught the basics of entrepreneurship in Canada and hear from guest speakers from the community. They also have access to three business advisors who support them during various stages of their business, including long after they have completed the in-class instruction. More than 600 newcomers have completed the program, and students have launched, on average, 20 new businesses each year.

Provide Sustained Funding

Securing sustained funding for these types of support programs is the biggest challenge. Interviewees from various immigrant-serving organizations said that operating these programs is expensive since they require staff and business advisors to tend to the needs of immigrant entrepreneurs over the course of months or even years. The lack of sustained funding makes it difficult for organizations to plan their operations since they need to reapply for funding on a regular basis (e.g., every one to three years). For the most part, programs have been funded by federal and provincial governments, and some organizations charge nominal fees to immigrant entrepreneurs to help cover costs. In Canada, program funding is limited: as most immigrants do not go on to pursue entrepreneurship, provincial and municipal governments must make tough decisions when assessing which initiatives to fund.

However, positive results may justify devoting additional resources to these programs. For instance, between 2002 and 2010, S.U.C.C.E.S.S., an immigrant-serving organization, operated the Gateway to Asia Program, which sought to diversify and expand Canada's trade by providing export supports throughout Western Canada to immigrant entrepreneurs and existing Canadian businesses looking to export to Asia. The program was mainly funded by Western Economic Diversification Canada, a federal department, and S.U.C.C.E.S.S., with additional funding provided by the Government of British Columbia.⁵¹

51 Dennis Rank and Associates, *Assessment of the Gateway to Asia Program*.

The program connected immigrant entrepreneurs with Canadian manufacturers and suppliers and offered consulting, legal, and accounting services. Existing Canadian businesses seeking export supports were put into contact with immigrants who had international market knowledge and business contacts and foreign language skills. S.U.C.C.E.S.S. also hosted networking sessions and seminars and participated in trade shows and trade missions. Overall, the program facilitated \$39 million in export sales to China; attracted \$15 million in foreign direct investment from Asia to British Columbia;⁵² and assisted about 1,300 immigrant entrepreneurs and 600 Canadian companies.

The program was shut down when funding expired, which underscores once again the financial challenges associated with operating such resource-intensive programs. However, given that immigrant entrepreneurs can help boost Canada's economic competitiveness, and that there is a major void in Canada's settlement programming landscape (existing programs are largely geared toward helping immigrants participate in the labour force as workers), it is worth exploring how Canada can deliver more immigrant entrepreneur supports in a cost-effective manner. In addition to government funding, organizations can also look to raise the funds required to administer the programs through private donations and corporate sponsorship, and by charging nominal fees to immigrant entrepreneurs. These ideas warrant special consideration as part of a larger consultative process that is centred on developing sustainable funding models that address the settlement services needs of newcomer entrepreneurs.

Use Technology to Keep Costs Down

In addition, Canada could leverage technology to reach a wider audience and keep costs manageable. Officials from one immigrant-serving organization said that they host webinars to help recent immigrants get up to speed, and are looking to launch a pre-arrival program to provide entrepreneurs with the information they need to hit the ground running when they arrive in Canada. Stakeholders could also deliver online training courses that have a mentorship component so that newcomer

52 El-Assal, *Entrepreneur and Investor Immigration*.

Co-funding may be welcomed by private equity investors because it reduces their exposure to potential losses and enables them to conserve capital.

entrepreneurs learn about Canadian business basics and have access to someone who can help them with their business. Such courses would alleviate pressures on existing programs since some of them receive more applications than the number of available spots due to their popularity.

Improve Access to Financing

Interviewees stated that market forces should dictate which immigrant entrepreneurs obtain financing since the private sector has a profit incentive to make financially prudent decisions and the expertise to assist immigrant entrepreneurs. However, in recognition of how difficult it can be for newcomer entrepreneurs to raise capital, they offered suggestions on how government can work with private equity investors to help address financing challenges.

Enter Into Co-Funding Arrangements

One suggestion is that government match investments made by private equity investors. The latter would screen newcomer entrepreneurs (e.g., on their human and social capital characteristics, sales, business strategy, intellectual property) and if they choose to make an investment, the government could act as a co-funder to help increase the amount of capital available to immigrant entrepreneurs seeking to engage in trade in services. According to the researcher, co-funding may be welcomed by private equity investors because it reduces their exposure to potential losses and enables them to conserve capital, which they can use to fund other promising ventures.

One business official suggested that government provide targeted financing to immigrant entrepreneurs who are viewed by their peers as having high growth potential. For instance, business organizations could host competitions where the companies deemed mostly likely to succeed globally would be referred to the government, which would then provide financing for their international operations. The official also suggested that government work with the private sector to identify companies that are ready to go abroad but need financial assistance in certain areas: for example, financing to help immigrant entrepreneurs perform more

demonstrations overseas and boost their chances to sell services in new markets—which can be difficult for smaller companies to do as travel costs can be prohibitive.

Improve the Bank Loan Process

With respect to bank loans, several interviewees stated it is unlikely that it will become easier for newcomer entrepreneurs to obtain them. Banks are in the business of making money: as one banker explained, his institution considers it too risky to provide start-up loans to recent immigrants. One researcher suggested that it is better for newcomer entrepreneurs to turn to credit unions, which may be more willing to provide start-up loans to a recent immigrant if they have an established personal relationship with them, or to private equity investors who have the profit incentive to help them succeed.

On the other hand, the Organisation for Economic Cooperation and Development (OECD) argues that it is in the interest of the financial sector to enlarge its client base, which entails serving the needs of newcomer entrepreneurs.⁵³ The OECD recommends that banks build the expertise of their staff so that they are better able to assess the creditworthiness of recent immigrants. Governments can also help by implementing international agreements that make it possible to exchange credit history information—possibly in the form of a standardized international credit score. Newcomer entrepreneurs would be able to overcome the hurdle of not having a Canadian credit history by pointing to their strong track record in other countries (security and privacy concerns could, however, be an impediment). Two immigrant entrepreneurs made a similar argument by stating that Canadian banks would benefit from increasing their accessibility to recent immigrant entrepreneurs; the banks could also evaluate a candidate's international credit history when deciding whether to grant a business loan. As newcomer entrepreneurs have often operated a business in their country of origin, it was suggested that Canadian banks would be able to easily use this history as part of their credit evaluations.

53 OECD, *Open for Business*.

Because newcomer entrepreneurs in knowledge-based industries may not have collateral, it can be even more difficult for them to obtain a bank loan.

Moreover, given the common challenges that newcomer entrepreneurs face, such as communicating effectively and writing a convincing business plan, the OECD suggests that banks can improve their creditworthiness evaluations by providing cultural sensitivity training to staff, introducing credit enhancements, expanding credit measurement and underwriting guidelines, and developing partnerships with other stakeholders (e.g., to improve the financial literacy of newcomer entrepreneurs so they learn how to build their credit history and gain information on available and favourable financing options).

Creditworthiness evaluations should be re-examined due to the nature of knowledge-based industries. As mentioned above, because newcomer entrepreneurs engaged in knowledge-based industries may not have collateral, it can be even more difficult for them to obtain a bank loan. However, banks can use other metrics, such as valuable intellectual property and sales growth, to evaluate creditworthiness. However, Canada's consolidated banking system (with just a few large banks)—where the big banks tend to rely on centralized technology-enabled credit assessments for cost-saving and consistency purposes—does not favour recent immigrants, or young entrepreneurs in general (both of whom have limited or no Canadian credit histories).

Raise Awareness of Existing Loan Opportunities

Interviewees also recommended that awareness initiatives be used to inform newcomer entrepreneurs of government and private sector programs that offer small loans. It was noted that several organizations such as Futurpreneur Canada, as well as credit unions, offer micro and small loans to help newcomer entrepreneurs get their businesses off the ground and boost the legitimacy of a business and creditworthiness if they require more funding in latter stages of their business.

Conclusion

Canada needs to diversify and expand its international trade. Being open and helpful to immigrant entrepreneurs could help support this goal. Research shows that a positive relationship exists between immigration and international trade, due to immigrants possessing favourable

attributes that can help countries strengthen their exports. But, while immigrants are highly engaged in entrepreneurship, knowledge-based industries, and exporting beyond Canada's traditional markets, they underperform compared with Canadian-born entrepreneurs. This suggests that their contribution to boosting Canada's exports may be limited.

To enhance immigrant entrepreneurs' success and role in advancing Canada's international trade agenda, it is important to help build their domestic networks, enhance their awareness of domestic and international business supports, offer more settlement support programs dedicated to their needs, and improve their access to financing.

Canada is a global leader in integrating immigrants due to the great lengths it takes to support newcomers. Similarly, devoting additional efforts to supporting immigrant entrepreneurs, in tandem with key stakeholders such as business and immigrant-serving organizations, could yield even greater benefits to the country's international trade objectives and overall prosperity.

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APPENDIX A

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