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## MONTREAL HEALTH REPORT

“A LOOK AT MONTREAL ENTREPRENEURSHIP”

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A WORD FROM THE PRESIDENT AND CEO
BOARD OF TRADE OF METROPOLITAN MONTREAL

For the third edition of its Montreal health report, the Board of Trade of Metropolitan Montreal has chosen the sphere of entrepreneurship in which to compare the performance of Montreal with that of competing metropolises.

After the publication of last year’s edition devoted to training, attracting, and retaining talent, the subject of entrepreneurship was, in many ways, the logical next step. The creation of companies raises a basic question: what happens to the talent present in the metropolis? Does it create wealth and jumpstart initiatives?

Last year, we had many reasons to conclude that our metropolis is bursting with talent. Montreal possesses exceptional assets in terms of university training, which help not only to increase the percentage of university graduates in the city but also to attract foreign talent.

The question we wished to answer this year was, “Is Montreal a city of entrepreneurs?”

And the answer is a qualified “yes.”

UNDENIABLE EFFORTS… QUESTIONABLE RESULTS

As shown in great detail by our diagnosis of the Montreal situation, our efforts to promote the creation of companies are producing relatively good results. We are not too far off the Canadian average and are above the U.S. average. In general, Montrealers are in no way lacking when it comes to trying to launch a business.

Unfortunately, trying is not the same as succeeding, and there is a big difference between a start-up and an established company. It is here that Montreal lags behind most of its competitors. And that is a source of major concern.

POTENTIAL AND AVENUES FOR ACTION

The pooling of data from Statistics Canada and the Global Entrepreneurship Monitor – Canada as well as further collaboration with the INRS-Urbanisation, Culture et Société for the analysis of this data have allowed us to paint a picture that is far from satisfactory with regard to Montreal’s actual performance but nevertheless leaves room for optimism with regard to its potential.

Once they have passed the two-year mark, Montreal companies survive as well as any other. University graduates are among the most active when it comes to starting businesses. New entrepreneurs also appear to be more ambitious than their predecessors: they want to create more jobs and are more interested in adopting new technologies and exporting.

All this raises the vital question of how to make the most of Montreal’s entrepreneurial potential.

As with previous issues of the Health report, this issue explores many possible approaches to improving Montreal’s situation. Many of them may be applied immediately, while others will no doubt give rise to further debate. By stimulating discussion, however, they will enable the Board of Trade to reach its primary objective: to cast a spotlight on Montreal’s reality, force us to question our perceptions, and, ultimately, inspire us to make a determined effort to find solutions and take action.

Isabelle Hudon
The Board of Trade of Metropolitan Montreal is publishing its Montreal health report for the third consecutive year. As with previous editions, the goal of this edition is to place the performance of metropolitan Montreal within its competitive context—in other words, to compare Montreal with its principal competitors: North American cities that are geographically close or have a similar size or economic structure. Since the first edition of the Health report, the same eleven North American cities have thus served as benchmarks for measuring Montreal’s situation: Atlanta, Boston, Calgary, Chicago, Miami, New York, Ottawa, Philadelphia, Seattle, Toronto, and Vancouver.
The first edition of the Health report laid the foundation for a general understanding of the urban dynamism of the twelve cities. Using a series of indicators reflecting the various dimensions of urban development — for example, economic drawing power, quality of life, social cohesion, and growth potential — the first Health report highlighted areas in which Montreal has distinguished itself and those where significant progress remains to be made.

In light of that exercise, the Board of Trade chose to use subsequent editions to focus on areas where progress remains to be made and to identify solutions likely to accelerate Montreal’s progress in those areas. The second edition therefore centred on attracting, training, and retaining talent, and this third edition addresses the subject of entrepreneurship.

Entrepreneurship is an important topic for many reasons: businesses are the engine that drives economic growth through the creation of jobs and wealth. The founding of new companies is also the sign of a dynamic economy where entrepreneurs can seize new business opportunities and generate profits. Yet, as shown by the first Health report, wealth creation is far from one of Montreal’s strengths. On the contrary, Montreal had the lowest per capita income of the twelve cities included in the study and ranked tenth when income was adjusted for cost of living. Finally, our entrepreneurship is often praised, particularly with the success stories of such outstanding entrepreneurs as Joseph-Armand Bombardier, Jean Coutu, and Daniel Langlois. There is thus a general perception that entrepreneurship is a key strength of the Quebec economy. Since this is a case where perceptions are not necessarily borne out by statistical realities, the Board of Trade has prepared this third Health report with a view to providing a detailed analysis of Montreal entrepreneurship from the illuminating perspective of the performance of competing cities.
METHODOLOGICAL CONTEXT

In preparing this report, the Board of Trade benefited from the close collaboration of two important partners. First, Mario Polèse, Richard Shearmur, and Sylvie Arbour of INRS-Urbanisation, Culture et Société (INRS-UCS) analyzed data from Statistics Canada’s business register and comparable data compiled by the U.S. Census Bureau. Their report enabled us to assess Montreal entrepreneurship from the perspective of the companies or, more specifically, “establishments” or “places of business” – the available unit of measurement allowing us to better assess the number of newly created enterprises. Their full report is reproduced in Appendix 2, along with that prepared by their colleagues at Statistics Canada, Desmond Beckstead and Mark Brown (Appendix 3).

In addition, the collaboration of Nathaly Riverin, director of the Centre de vigie sur la culture entrepreneuriale (Fondation de l’entrepreneuriat) and the Canadian segment of the Global Entrepreneurship Monitor (GEM) research project, enabled us to consider entrepreneurship from the viewpoint of the entrepreneurs themselves. Based on surveys carried out in Canada since 2001 as part of GEM’s annual study, we were able to isolate the results obtained in the Canadian census metropolitan areas (CMAs) covered by the Health report to compare Montreal’s situation with that of its Canadian competitors. Given the relatively small samples for the least populated CMAs (Ottawa and Calgary), the 2001, 2002, and 2003 results were combined to obtain more representative data. Moreover, this period corresponds to the most recent years for which INRS-UCS was able to compare Montreal to the eleven other cities followed in the Health report. The two most recent surveys (2004 and 2005) were carried out with particularly large samples in Quebec, divided by administrative regions. As a result, we do not have data corresponding exactly to the CMAs, which cover all or part of one of the five administrative regions. Data from the 2004 and 2005 surveys could therefore not be compared with data for the other CMAs or from the 2001 to 2003 surveys. Instead, they served to detail the characteristics of entrepreneurs in the administrative regions of Montreal and Laval. To this end, the samples for the two regions were combined and weighted.

Following in the footsteps of the earlier Health reports, this edition relies on the synthesis of various research results to explore and identify various approaches enabling Montreal to become more competitive. From this perspective, the subject of entrepreneurship poses a major challenge: there is an infinite number of factors that could influence, favour, or hinder the creation of companies. There is also a wide range of types of company – service, community-based, high tech, etc. – that may require an equally wide range of types of support. Faced with this situation, the Board of Trade has focused on actions that seem to best meet the specific needs of Montreal. In the next section, we will provide an overview of the various initiatives generally taken to support and develop entrepreneurship in the twelve cities covered by the Health report.
Listing all of the initiatives used by every city covered by the Health report to support entrepreneurship would be almost impossible — there are far too many of them. Each of these cities is working actively to support entrepreneurship in many ways and at many levels. In fact, one of the remarkable aspects of the efforts made to support entrepreneurship is that they range from the very small scale of the individual to major movements targeting the population as a whole. That said, entrepreneurial support efforts may be divided into two major categories: those offering direct assistance to existing entrepreneurs and those trying to “create” new ones. Inspired by examples from the various cities of interest to us here, the following is an overview of the various types of initiative used.
2.1. HELPING ENTREPRENEURS

... TO GET THEIR BEARINGS

There is no clearer illustration of the range of programs and services targeting entrepreneurs than the very existence of “orientation services,” where entrepreneurs are guided toward the resources most useful to them. This seems to be particularly true in Canadian metropolises offering various one-stop shops, where individuals wishing to start a business may walk away with everything they need to know for their project. Enterprise Toronto, the Calgary Business Information Center, and the Info entrepreneurs service offered at the Board of Trade of Metropolitan Montreal all have several characteristics in common. In addition to offering information about the various resources available to entrepreneurs, these centres were all the result of partnerships between the public and private sectors and are generally financed by two or even three levels of government.

Services of a similar scope appear to be less common in the American cities studied. In fact, given that U.S. governments are often less directly interventionist in the creation of companies, the guidance offered to entrepreneurs is focused less on the resources at their disposal and more on the obstacles they must overcome to establish their business. An example of this is the guide developed by the Pioneer Institute of Massachusetts for entrepreneurs in the Boston area. Its title makes its purpose clear: Navigating through Regulations and Licensing Requirements: A guide for Boston Entrepreneurs in 20 Business Types.

PEER SUPPORT

Mutual assistance from fellow entrepreneurs is another form of support that is particularly widespread in the cities studied. The most common form taken by this mutual support, of course, is the development of networks. Many business groups – particularly chambers of commerce – offer their members and new entrepreneurs opportunities to meet and forge business ties.

While consistent with the dynamic of peer support, Seattle’s Northwest Entrepreneur Network differs from most other business groups in that support for new entrepreneurs is its one and only mission. Deeply anchored in the local community, this network places great emphasis on the sharing of insights and experiences, camaraderie, and network development. In many respects, the importance placed on direct contact between entrepreneurs gives it the appearance of a vast community network of business mentoring.

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1 For more details about the various programs or initiatives mentioned in this section, see the Web site address shown in the footnotes. In this case: www.enterprisetoronto.com
2 A most complete list of organizations, associations, departments, and agencies is found on page 39.
3 www.calgary-smallbusiness.com
4 www.infoentrepreneurs.org
5 www.pioneerinstitute.org/entre/guide/boston_guide.cfm
6 www.nwen.org
A similar approach of providing peer support is found within the Entrepreneurs’ Forum of Greater Philadelphia. The differences in this case are primarily the scope (metropolitan rather than community) and the emphasis placed on the economic “stars” of Greater Philadelphia. Its greater critical mass enables this group to organize networking events that go further than the simple sharing of experiences, incorporating the presence of financial angels.

The strongest form of entrepreneurial support by a peer, of course, is the mentor relationship. This relationship may be established in many ways — either through informal meetings or within a structured program. In this regard, it is worth mentioning the work done by the Fondation de l’entrepreneurship to develop a set of tools to support and maximize the benefits of mentor-mentoree relationships.

THE OFFER OF SPECIALIZED SERVICES

Just like established businesses, start-up companies have needs requiring specialized services related to such issues as training, accounting, foreign market development, and intellectual property. Many organizations recognize these needs and offer companies a range of specialized services at relatively low cost, thereby ensuring their accessibility — usually thanks to the financial participation of governments.

This is the case, for example, with the Ottawa Centre for Research and Innovation (OCRI). A partnership of the private sector, the city of Ottawa, and the Ontario government, this organization offers consulting services ranging from preliminary referrals to specialized legal and accounting questions. Some services are free and others are offered at affordable prices. Training workshops and seminars are also offered. Of special note, many large established companies offer their services to the centre’s clients on a pro bono basis.

Similarly, the range of services offered by the Board of Trade of Metropolitan Montreal aims to meet the needs of companies, particularly those of small and medium size, in an affordable and accessible manner. One of the unique aspects of the Board of Trade’s approach is the emphasis placed on the development of international markets through the services offered by its team of experts at the World Trade Centre Montréal — services funded in part by Canada Economic Development.
Alongside more generalist organizations such as the Board of Trade and OCRI are organizations offering specialized services for specific clienteles. Services d’Aide aux Jeunes Entrepreneurs (SAJE)\(^1\), whose professional services are geared specifically to the needs of young entrepreneurs, is an excellent example of this type of service available in the metropolitan area. Particular attention is paid to basic needs of a start-up company: business plans, funding, financial statements, and market studies. One of the positive impacts of SAJE is to make new entrepreneurs aware of the value of the specialized services offered by professionals to the development of their business.

Another clientele benefiting from the offer of specialized services is high-tech companies. Chicago-ITEC\(^2\) and Innovation Philadelphia\(^3\) are two such organizations aiming specifically to support the emergence of technology-based businesses. The Chicago program is funded primarily by the state of Illinois and its service offer targets the needs of entrepreneurs launching high-tech companies: business plans, market assessments, mentoring, and referrals to professional services. One of the original aspects of Chicago ITEC is the participation of regional universities and the possibility of accessing their research infrastructures. Innovation Philadelphia, on the other hand, is a public-private partnership. Entrepreneurs are offered not only the more standard type of support for the development of their business (market studies, etc.) but also venture capital and other financial tools. In addition, innovation Philadelphia is distinguished by its efforts not only to stimulate technological entrepreneurship but also to attract workers and companies from outside the region to Philadelphia.

When it comes to supporting entrepreneurs in high-tech fields, Montreal can hold its own, particularly with the help of the Centre d’entreprises et d’innovation de Montréal (CEIM)\(^4\), one of the largest business incubators in Canada. A not-for-profit organization supported in part by the Canadian and Quebec governments, the CEIM targets innovative companies in four economic sectors: information technology, multimedia, industrial technology, and biotechnology. The CEIM advises companies in these sectors whether they are in the pre-start-up, start-up, or development phase. The CEIM also has physical premises where new companies can rent office space and establish their headquarters. In addition to enjoying access to many services at lower cost, these entrepreneurs can thus also develop in a stimulating environment and benefit from the advice and experience of other CEIM entrepreneurs.

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\(^1\) www.sajemontrealmetro.com and www.sajemontrealcentre.com
\(^2\) www.chicago-itec.org
\(^3\) www.ipphila.com
\(^4\) www.ceim.org
2.2. “CREATING” ENTREPRENEURS AND COMPANIES

Initiatives aiming to “create” entrepreneurs and companies differ from the preceding methods in that their primary objective is not to promote the success of businesses that have already been launched but to contribute to the emergence of new entrepreneurs.

DEVELOPING AN ENTREPRENEURIAL CULTURE

From this perspective, an entrepreneurial culture is the first field of intervention for promoting the birth of new entrepreneurs. As a general rule, initiatives in this domain are sizable and target a national audience rather than just the population of a given metropolitan area. In Quebec, for example, we find the Fondation de l’entrepreneuriat, whose basic mission is to promote an entrepreneurial culture. It does this in many ways, including holding public events on the subject of entrepreneurship, distributing information, and supporting entrepreneurs.

Efforts in the United States to promote an entrepreneurial culture focus primarily on children and teens with a view to developing models for success. Junior Achievement is a program uniting teachers and volunteers who work at the local level to build a “successful bridge between education and business.” In the case of Miami, the JA program introduces students from kindergarten to grade twelve to basic economic concepts allowing them to better understand the world of business.

Likewise, the National Foundation for Teaching Entrepreneurship targets children and teens throughout the education network. Its actions are more focused on low-income communities, however. According to its approach, entrepreneurship can be learned at a very young age and is a means of developing skills and talent by providing young people with an opportunity to work on concrete projects they can link directly to “real life.”

ASSISTING VULNERABLE COMMUNITIES

In addition to national campaigns, there are also community-based campaigns aiming to “create” new entrepreneurs. Of course the organizations that carry out these initiatives generally offer some form of assistance aiming to help individuals starting a business to achieve their goals. Nevertheless — and this is why we are including them in this section — their primary objective is to assist communities through the development of entrepreneurship.

One example of this type of activity is the Eastside Movement for Business & Economic Renewal Society (EMBERS). Located in one of the poorest neighbourhoods in Canada — Vancouver’s Downtown Eastside — EMBERS is a non-profit agency working to improve the living conditions of residents by facilitating community-based business development. For EMBERS, entrepreneurship offers hope and self-sufficiency to low-income people. Through training workshops, coaching, and work with community groups, EMBERS aims to enable people with no business experience to own their own viable micro-businesses.

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14 www.ja.org
15 www.jamiami.org
16 www.nfte.com for the U.S. site and www.boston.k12.ma.us/stc/nfte.htm for an example in the Boston area
17 www.embers-dtes.org
Even if they don't target a specific geographic area, certain organizations may target specific clienteles within a city whose lives may be improved through the development of entrepreneurship. Women, immigrants, and visible minorities (primarily in the United States) are the groups most often targeted. Basic training and the teaching of skills required to develop a micro-business are the most common approaches, as with the Women's Economic Development Agency in Atlanta.  

Micro-credit is another tool used by organizations to create small-scale entrepreneurship. The Ottawa Community Loan Fund offers short-term loans of up to $15,000 to start a micro-business. As a general rule, they go to individuals or groups without access to traditional funding mechanisms but whose energy and tenacity make them excellent candidates for entrepreneurship – especially qualified immigrants who have just arrived in the region.

TRANSFORMING UNIVERSITY STUDENTS INTO ENTREPRENEURS

Universities are another place where efforts are made to “create” entrepreneurs – in this case by transforming the knowledge and know-how developed there into new wealth. Very often, faculties of management or business schools are involved in activities that could target all of the students at the institution. This is the case for the Entrepreneurship Centre of the Albers School of Business and Economics at Seattle University. Its mission is to build and nurture the entrepreneurial spirit among students and support alums wishing to pursue an entrepreneurial venture. In addition, it encourages the creation of ethical and socially responsible business ventures by students who are motivated to become entrepreneurs. In pursuing this objective, the Centre arranges meetings between students and established entrepreneurs, so they may share their experiences and, in particular, their successes.

Another example of “creating” entrepreneurs on campus is that of the Engenio Pino and Family Global Entrepreneurship Centre at Florida International University. This centre is open to all students enrolled at the university, whatever their discipline. Its objective is to “provide campus-wide awareness of entrepreneurship as an approach to life that enhances and transcends traditional academic experiences.” It is woven into the fabric of the university through entrepreneurial activities and courses across the university.

GRANTS AND COMPETITIONS: SPARKS TO IGNITE ENTREPRENEURSHIP

Finally, the holding of entrepreneurship competitions is another way that organizations try to ignite the spark that will lead to the launch of entrepreneurial projects. The numerous competitions featuring entrepreneurs serve both to encourage and reward the winners – thereby providing concrete support ensuring the success of their project – and to hold up that success as an inspiration for others.

The Fondation du maire de Montréal pour la jeunesse (FMMJ) is a good example of how competitions and grants can be used to create new entrepreneurs. Designed for low-income youth, the grants awarded by the FMMJ serve to fund up to 25% of the start-up costs of a company (maximum $20,000). The grant recipients then receive strong support – mentoring, coaching, discussion groups – while their project is carried out. Not only does the FMMJ provide the spark to ignite the start-up but it also continues to support the project until the new company is running smoothly.


18 www.weda-atlanta.org  
19 www.oclf.org  
20 www.seattleu.edu/asbe/ec  
21 www.entrepreneurship.fiu.edu  
22 www.fondationdumaire.qc.ca
CHAPTER 3

GREATER MONTREAL: THE DIAGNOSIS

Just how healthy is entrepreneurship in Montreal? That is the major question we will try to answer in this section, basing our diagnosis on the studies of companies and entrepreneurs carried out by the INRS-UCS and GEM Canada respectively.
3.1. PROFILE OF COMPANY CREATION IN MONTREAL AND IN ITS COMPETITORS

THE CREATION OF NEW COMPANIES

The first element to be considered in assessing and comparing the strength of Montreal entrepreneurship, of course, is the percentage of new companies added each year to the base of existing companies. Generally speaking, the addition of a large number of new companies – or, more specifically, in the case of the data we are using, of new establishments – to the market is considered to be a good thing: it is the sign of a dynamic, truly thriving economy, where entrepreneurs are able to seize business opportunities that arise.

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Table 1 shows the birth rate of new establishments between 1997 and 2002. The first conclusion we may draw from these figures is that Montreal remained in the middle of the pack throughout this period – ranking fifth from 1997 to 1999 and then seventh until 2002.

While Montreal turned in an average performance when compared with all the cities included in the Health report, it nevertheless lagged behind the other Canadian cities, which all fared better than Montreal. In fact, as shown in Figure 1, the gap between Montreal and the average for all the other Canadian cities was fairly consistent, although all of the curves slanted downward during the period studied. Moreover, Montreal's performance was better than the average for the U.S. cities covered by the Health report, although the gap did shrink throughout the period.
THE NET INCREASE IN THE NUMBER OF COMPANIES

While Montreal turned in an average performance in terms of the birth rate of new establishments, the same cannot be said for the net growth rate of establishments. This measurement is important since it reveals the absolute growth rate of the number of companies within the economies of each of the metropolises, taking into account not only the number of new companies but also the number of businesses that closed their doors or relocated.

Table 2 shows us that Montreal lost a lot of ground between 1998 and 2001 and even posted a net decrease in the number of establishments within its territory in 2000-2001. During this period, Montreal’s position deteriorated considerably in comparison with its Canadian and U.S. competitors, as shown by Figure 2. Although the majority of cities in the study saw a net decrease in their net growth rate during these years, Montreal saw the steepest decline, falling from fifth place in 1998-1999 to eleventh place in 2000-2001. The gap between Montreal and the Canadian average thus widened and, significantly, Montreal’s performance was poorer than the U.S. average.

### TABLE 2

**NET GROWTH RATE OF ESTABLISHMENTS, 1998 TO 2001**

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<td>4.04 1</td>
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<td>Ottawa-Hull</td>
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<td>1.07 9</td>
<td>1.04 8</td>
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The period for which we have growth rates is relatively short, so it is possible that specific events or events limited to specific industrial sectors could have affected some cities more than others. The comparison of birth rates for new establishments and net growth rates nevertheless reveals serious cause for concern in the case of Montreal. While Montreal’s birth rate of new establishments is generally about average, its net growth rate is systematically below average or even pulling up the rear. As highlighted by the INRS-UCS report, this gap leads one to suppose that “compared to those in other CMAs, establishments in Greater Montreal had a lower survival rate, or a stronger tendency to relocate in their first year of operation.”

MEDIUM AND LONG-TERM SURVIVAL RATES

The Statistics Canada data on company survival rates in Canadian metropolises allows us to nuance this observation, however. When you compare the medium- and long-term company survival rates to the averages for the other Canadian cities covered by the Health report (excluding Montreal), you find that Montreal is actually doing very well. After 1998, the two- and four-year survival rates for Montreal companies are higher than average. Prior to that year, Montreal’s performance was never very far below average.

FIGURE 3

2-, 4-, AND 6-YEAR SURVIVAL RATES FOR ESTABLISHMENTS

If nothing else, these figures clearly show that, once they have been established, Montreal companies are as durable as those in other Canadian metropolises. So this does not explain the difference we have observed between the birth rate of new companies and the net growth rate. In fact, given this survival rate, INRS-UCS suggests that it is the short-term survival within the first two years of life – something not measured by Statistics Canada – that is the downfall of Montreal businesses. We can deduce from these figures that during this critical period a large number of Montreal’s nascent ventures either close or move elsewhere.

FROM ENTREPRENEURIAL INTENTIONS TO ESTABLISHED COMPANIES

The data collected for the GEM study from residents of Canadian metropolises included in the study tends to reflect the same phenomenon reported by Statistics Canada: the number of entrepreneurial initiatives may be lower in Montreal than the Canadian average, but not by much; however results are far below average when it comes to established companies.

Tables 3, 4, 5, and 6 show the ranking of Montreal compared to the other Canadian metropolises with regard to the participation of residents in the various stages of entrepreneurial activity measured by GEM Canada. With the exception of the percentage of people who plan to create a company in the next three years, Montreal appears systematically in fifth – and last – place.
That said, some results are more worrisome than others, as shown by Figure 4. In this chart, Montreal’s performance for each of the four stages is compared to the average of the other four Canadian metropolises discussed in the Health report. To facilitate this comparison, Montreal’s result is shown in comparison to the Canadian average, which is established here at 100. And what this reveals is that Montreal falls further and further behind the other cities the further we move into the company-creation process.

**Table 3**

<table>
<thead>
<tr>
<th>City</th>
<th>%</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Vancouver</td>
<td>16.38</td>
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<tr>
<td>Toronto</td>
<td>14.46</td>
<td>2</td>
</tr>
<tr>
<td>Calgary</td>
<td>13.36</td>
<td>3</td>
</tr>
<tr>
<td>Montreal</td>
<td>11.20</td>
<td>4</td>
</tr>
<tr>
<td>Ottawa</td>
<td>9.44</td>
<td>5</td>
</tr>
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**Table 4**

<table>
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<th>City</th>
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<th>Rank</th>
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<tr>
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<tr>
<td>Calgary</td>
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<td>2</td>
</tr>
<tr>
<td>Ottawa</td>
<td>5.83</td>
<td>3</td>
</tr>
<tr>
<td>Toronto</td>
<td>5.43</td>
<td>4</td>
</tr>
<tr>
<td>Montreal</td>
<td>4.70</td>
<td>5</td>
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**Table 5**

<table>
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<th>City</th>
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<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>6.07</td>
<td>1</td>
</tr>
<tr>
<td>Toronto</td>
<td>5.90</td>
<td>2</td>
</tr>
<tr>
<td>Ottawa</td>
<td>3.97</td>
<td>3</td>
</tr>
<tr>
<td>Vancouver</td>
<td>3.52</td>
<td>4</td>
</tr>
<tr>
<td>Montreal</td>
<td>3.33</td>
<td>5</td>
</tr>
</tbody>
</table>

**Table 6**

<table>
<thead>
<tr>
<th>City</th>
<th>%</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>7.60</td>
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<tr>
<td>Vancouver</td>
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<tr>
<td>Ottawa</td>
<td>4.57</td>
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<tr>
<td>Calgary</td>
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<td>4</td>
</tr>
<tr>
<td>Montreal</td>
<td>2.93</td>
<td>5</td>
</tr>
</tbody>
</table>
CHAPTER 3

FIGURE 4

PARTICIPATION OF THE POPULATION IN VARIOUS STAGES OF THE ENTREPRENEURIAL PROCESS, WHERE THE AVERAGE OF THE OTHER CANADIAN METROPOLISES (WITHOUT MONTREAL) = 100

2001-2003

<table>
<thead>
<tr>
<th>% of the population planning to create a company within the next three years*</th>
<th>% of the pop. engaged in a nascent venture</th>
<th>% of the pop. engaged in a new firm (3-42 months)</th>
<th>% of the pop. engaged in an established company (more than 42 months)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montreal</td>
<td>83.55</td>
<td>70.95</td>
<td>68.51</td>
</tr>
</tbody>
</table>

OBSERVATION: MOVING FROM A BUSINESS PLAN TO AN ESTABLISHED COMPANY SEEMS TO BE HARDER IN MONTREAL

The data concerning both companies and the entrepreneurial activities of residents all points to the same conclusion when it comes to situating Montreal’s performance within its competitive context. Overall, Montreal is the least dynamic of all Canadian cities in all aspects of entrepreneurship. Nevertheless, in terms of creating companies (birth rate of establishments, entrepreneurial intentions, nascent ventures, and even new firms), Montreal does not lag too far behind the others. And when compared to U.S. cities, our metropolis falls in the middle of the pack.

So it is the transition between the “company start-up” phase and the “established company” phase that is the weak link in Montreal’s entrepreneurial chain: Quebec’s metropolis has difficulty translating the birth of new establishments into net gains in the total number of companies. The percentage of its population claiming to be owner-managers of companies in business for at least 42 months is just half that found, on average, in the country’s other major cities.

In short, it is not that Montrealers are less entrepreneurial than others but that it seems to be harder here than elsewhere to make the transition from business plan to established company.

This observation obviously raises some important questions – beginning with the identification of the factors underlying these results. Given the inherent complexity of the entrepreneurial phenomenon, there are likely to be many explanations, but if we are to target potential solutions, we must nevertheless look for answers. The data collected during the most recent studies by GEM Canada will enable us to draw a very instructive profile of the population of Greater Montreal and its entrepreneurs.
3.2. PROFILE OF MONTREALERS AND ENTREPRENEURSHIP

MONTREALERS’ PERCEPTION OF ENTREPRENEURSHIP

As shown by Table 7, the perception of the status of and respect granted to entrepreneurs in Montreal society is not, in general, significantly different than in the rest of Canada. In fact, Montreal is the only one of the three largest cities in the country where the perception of the status of entrepreneurs rose during this period. That said, respondents in Montreal and Laval seem to differentiate somewhat between recognizing the positive impact of founding a business on one’s status and considering that such a career choice is particularly recommendable. As shown by Table 8, the perception of the desirability of entrepreneurship as a career choice is much more volatile. On this point, Montreal-Laval saw a significant variation – 20% between 2004 and 2005.

<table>
<thead>
<tr>
<th>TABLE 7</th>
<th>% OF THE POPULATION CLAIMING THAT CREATING A COMPANY INCREASES ONE’S STATUS AND THE RESPECT OF OTHERS, 2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Montreal-Laval</td>
<td>72%</td>
</tr>
<tr>
<td>Toronto</td>
<td>80%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>68%</td>
</tr>
<tr>
<td>Canadian average</td>
<td>77%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE 8</th>
<th>% OF THE POPULATION CLAIMING THAT ENTREPRENEURSHIP IS A DESIRABLE CAREER CHOICE, 2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Montreal-Laval</td>
<td>85%</td>
</tr>
<tr>
<td>Toronto</td>
<td>66%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>74%</td>
</tr>
<tr>
<td>Canadian average</td>
<td>74%</td>
</tr>
</tbody>
</table>

Of course it would be risky to identify a trend based only on the results of these two years. Nevertheless, with three out of every four people associating the founding of a company with an improvement in one’s status and the respect of others, the perception of entrepreneurship in Montreal appears to be generally positive. Still, the data also seems to indicate that Montrealers are much more ambivalent about the prospect of launching a business themselves.

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*It should be noted that, unlike the data in the preceding sections, which refers to census metropolitan areas, all of the data in the “Profile of Montrealers and entrepreneurship” section is taken from population samples in the Montreal and Laval administrative regions. The Montreal and Laval samples were combined and weighted to offer as close a picture as possible to that of the CMAs – although they are not directly comparable. To streamline the text as much as possible, we will continue to use the terms “Montreal” and adjectives referring to the metropolitan area, thereby including the Laval region in this section.*
MONTREALERS AND CERTAIN CONDITIONS FAVOURABLE TO THE CREATION OF COMPANIES

The results of the GEM study indicate that the population of Montreal and Laval is not particularly disadvantaged in terms of certain conditions favouring the creation of companies. First of all, there is no significant gap between Montreal and the Canadian average in terms of the percentage of the population believing they have the skills and abilities needed to create a company (Table 9). The gap with Greater Toronto and Greater Vancouver is also very small.

The presence of entrepreneurial role models among their network of acquaintances is another condition that could favour the emergence of new entrepreneurs. It is therefore interesting to note that an almost identical percentage of respondents to the GEM Montreal survey personally know a new entrepreneur as in the whole of Canada (Table 10). The comparison with Toronto and Vancouver is less positive, although this is not really surprising: since slightly fewer companies are created in Montreal than in other major Canadian urban centres, it is to be expected that there would be fewer entrepreneurs in the networks of Montrealers.

The question regarding the presence of business angels within the population yields similar results to those for the preceding question (Table 11). Montreal’s results are close to the national average – even surpassing it in 2004. Nevertheless, insofar as we may realistically assume that business angels tend to be more concentrated in urban centres, the results for Toronto and Vancouver again highlight an area where Montreal is less favoured than its two major Canadian competitors.
Finally, although this seems obvious, the recognition of business opportunities in one’s environment is another precondition for the creation of companies. On this point, the gap between Montreal and the whole of Canada seems to be wider and, above all, more consistent than for the preceding points (Table 12). Of course the fact that, in 2004, Toronto and Vancouver both posted results below the Canadian average suggests that within a diversified urban economy the recognition of entrepreneurial opportunities may have a different dynamic than in outer regions. Nevertheless, this is another area where Montreal trails behind Toronto and Vancouver.
MONTREAL ENTREPRENEURS

The GEM study also provides us with more information about the Montrealers who attempt to create businesses or who head established companies (in business for more than 42 months).

As shown by Figure 5, entrepreneurial activity is strongest among people aged 35 to 44: 12% of respondents in this age bracket were involved in the creation of a company, while just over 8% were owner-managers of an established company. That said, while the 35-44 year olds may be the most active, the younger generations are also trying hard to create businesses, but very few of them are able to successfully carry out their business projects. We also observe that the percentage of respondents who are active in established businesses tends to remain stable among the older age groups. We may thus suppose a certain degree of stability among entrepreneurs once they are established. Finally, we observe that among all age groups—with the exception of those between 55 and 64—more respondents were involved in creating businesses than in owning and managing established companies.

FIGURE 5

PRESENCE OF TOTAL ENTREPRENEURIAL ACTIVITY (TEA) AND OWNER-MANAGERS OF BUSINESSES, BY AGE GROUP MONTREAL AND LAVAL, 2004 AND 2005
Figure 6, which represents entrepreneurial activity by gender, seems at first glance to illustrate a situation that is no different from that seen elsewhere in the world: men are more likely to be involved in starting companies or heading established businesses than women; 12% of male respondents compared with 5.4% of female respondents for starting companies, and 8.1% of men compared with 2.7% of women for heading established businesses. Although Figure 6 paints a static picture of the situation in Montreal and Laval in 2004-2005, it is nevertheless interesting to observe this data from a sequential perspective. Analyzed from this perspective, Figure 6 presents a ratio between established owner-managers and people in the process of founding a company that is much more favourable for men than for women: 1 established male entrepreneur for every 1.5 in the process of founding a business compared with 1 established female entrepreneur for every 2 in the process of founding a business. In addition to the number of entrepreneurs, therefore, this data also suggests a success rate for the creation of companies that is higher for men than for women.
Whether individuals were born in Canada or immigrated here is another important factor to be considered when drawing the profile of entrepreneurs in Montreal and Laval. Figure 7 shows that immigrants actually constitute an important source of entrepreneurial effort: the percentage of people born outside Canada and engaged in an effort to set up a company is higher than of those born in Canada: 10.5% compared to 8%. Nevertheless, the situation is reversed when we measure the percentage of owner-managers of established companies within these two groups: the percentage of those born in Canada is higher than that of immigrants: 5.6% compared to 5%. Similarly to what we did with the previous figure, a look at the ratio of established entrepreneurs to new businesses starters suggests a significant gap between immigrants and non-immigrants in terms of the successful completion of initiatives: 1 established immigrant entrepreneur for every 2.12 in the process of founding a business compared with 1 established Canadian-born entrepreneur for every 1.43 in the process of founding a business.

**FIGURE 8**

% OF TOTAL ENTREPRENEURIAL ACTIVITY (TEA) AND OWNER-MANAGERS OF ESTABLISHED BUSINESSES, RELATIVE TO THE POPULATION, BY EDUCATION LEVEL, MONTREAL AND LAVAL, 2004-2005
Figure 8 allows us to draw several interesting conclusions concerning the education level of new business starters and established entrepreneurs. First of all, we observe that efforts to found a business tend to increase with the level of academic training. The share of the population in the process of creating a business jumps from 2.8% among those who did not finish high school to 4.9% among those with a high school diploma, and then to 9% among those with a post-secondary education and 11% among those with a university degree. Interestingly, the share of established entrepreneurs does not follow the same trend. In fact, at 7.6%, the share of people who claim to be owner-managers of an established business is highest among those with only a high school diploma. The share of established entrepreneurs is even higher than that of people in the process of starting a business within the two groups of people with the lowest level of education. On the other hand, the ratio of established entrepreneurs to new business starters is fairly low in the other two groups: 1 established entrepreneur for every 2.25 in the process of founding a company among those with a post-secondary education compared with 1 established entrepreneur for every 1.86 in the process of founding a company among those with a university degree.

These results suggest certain hypotheses that call for further study. Very likely these results are influenced by a generational effect: as we noted in last year’s Health report, the newer generations tend to be better educated than older ones. In all likelihood, young people are proportionally more present among the groups of respondents with a university education. But, as we saw earlier, young people do not achieve immediate success with their projects, and, while they are more likely to go into business for themselves, they do not immediately attain the status of established entrepreneurs. Conversely, the least educated groups likely include a larger number of older people, including many who have had time to bring their project to maturity.

We may thus suppose that the type of company will also vary in accordance with the education level attained by the entrepreneur. For example, it is reasonable to assume that service companies (such as those in various sectors of the construction industry) will more often be founded by members of the least well educated groups, and companies based on complex and innovative technologies will more often be founded by holders of university degrees. Based on this assumption, the data in Figure 8 raises an important question: what is the success rate of companies launched by holders of university diplomas? For, while it is natural for the business plans of such individuals to entail a higher degree of difficulty, they also have a particularly high potential for wealth creation, and it is generally this group that creates the global and innovative SMEs so vital to the economic competitiveness of Montreal and Quebec. Insofar as Figure 8 suggests that the success rate of entrepreneurs with university degrees is still limited, there is therefore good reason to investigate the means to ensure the long-term success of the companies they create.
NEW MONTREAL COMPANIES AND GROWTH POTENTIAL

As mentioned above, the creation of new companies is considered a valuable asset for an economy. Some of the data from the GEM study of Montreal and Laval confirms this perception and highlights the growth potential inherent in these new companies. This data comes from the answers provided by respondents claiming to be engaged in starting new companies or the owner-managers of new firms or established businesses. While the samples from which this data was drawn are somewhat fragmented, they can provide us with some general impressions.

In general, we can understand that companies that are just getting started will express greater ambitions than those already established. We find the first indication of this in the expectations expressed for job creation within the next five years. As illustrated by Figure 9, very few nascent and young businesses do not expect to create at least one job in the next five (5) years. A much higher percentage – 29% – of owner-managers of established companies don't expect to create any jobs at all. The share of entrepreneurs aiming to create twenty jobs or more in the next five years is fairly large for all categories of company. Described by GEM as “high expectation entrepreneurs,” they are considered particularly important for an economy, since they account for a large percentage of the new jobs created.25

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The significant growth potential of new companies is also indicated by the greater use of innovative technologies and a stronger orientation toward international markets. Figure 10 clearly shows, for example, that the share of companies using new or intermediate technologies is twice as large among nascent businesses as among the owner-managers of new and established companies (26% compared with 12%). Likewise, Figure 11 shows a clear trend wherein international clients represent a larger share of the clientele of nascent businesses than of established businesses.
OBSERVATION: MUCH POTENTIAL TO BE EXPLOITED

This profile of the Montreal population and its entrepreneurs can be summed up fairly well by the image of the glass that is either half full or half empty. On the one hand, comparisons of Montreal and the other cities included in the Health report reveal that Montreal consistently lags behind its Canadian competitors. From this perspective, the glass clearly seems to be half empty.

Nevertheless, the diagnosis is not entirely negative: available data suggests, for example, that Montreal’s entrepreneurial potential is very real. The perception of entrepreneurship within the population is generally favourable and their frequent efforts to launch new companies indicate that entrepreneurship is alive and well among young people, immigrants, and university graduates. Moreover new entrepreneurs seem to be more ambitious than those already established. In short, from this perspective, the glass seems to be half full.

The major limitation of the profile presented in this second section of our diagnosis is that it is frozen in time. In fact, as GEM’s study is relatively recent, it is impossible for us to go further back than 2000 to take a long-term look at the evolving attitudes and perceptions of Montrealers concerning entrepreneurship. Nevertheless, if we situate these observations within Montreal’s recent historical context, it is reasonable to suggest that whether the glass is half full or half empty, it is definitely filling up.

In some respects, Greater Montreal is still completing its transition from an economy based largely on the manufacturing sector to an economy based more on knowledge and creativity. This change is likely to open the doors a little wider for Montreal entrepreneurship since, as noted by the INRS-UCS researchers, “when economic growth in an economic sector is less vigorous, such as in the manufacturing sector, industrial specialization can hinder the birth of new establishments.” As Montreal completes this transition, therefore, its entrepreneurial potential should increase.

Another trend that should favour Montreal entrepreneurship is the attraction, training, and retention of talent within its population. The preceding Montreal health report noted that, between 1990 and 2000, Montreal saw a rapid increase (up 36.4% – to third place, after Toronto and Vancouver) in the percentage of university graduates within its population. Since it has been observed that, in Montreal, entrepreneurship tends to rise in accordance with the level of education completed, the continuing increase in the number of university graduates – whether from here or elsewhere – bodes well for the creation of companies.

Finally, if the entrepreneurial “glass” is filling in Montreal, it can also fill – and even more quickly – in competing cities. Of course Montreal’s situation is promising in some ways, but our city nevertheless lags behind its competitors. The issue of successfully implementing entrepreneurial proposals, discussed earlier, therefore cries out for attention. In short, the thought that the glass may be filling is certainly encouraging, but we must also be able to lift that glass to our lips.
CHAPTER 4

AVENUES FOR ACTION
4.1. A BETTER UNDERSTANDING, MORE COMPARISONS

The first avenue for action that emerges from the diagnosis of entrepreneurship in Montreal seems to go without saying. We must gain a better understanding and carry out more comparisons of the city’s entrepreneurial performance. In many respects, this is actually a priority action, since more precise observations will allow us to identify with greater certainty the correctives to be made.

The continuation of the study of the Global Entrepreneurship Monitor – and even its expansion at the Montreal level – therefore seems to us to be particularly desirable. Already the data gathered by GEM has enabled us to draw a much more nuanced profile of the entrepreneurial situation in Montreal. Applying the same research methodology in all of the countries included in the study makes it possible to make many comparisons – particularly between countries. These comparisons could be even more revealing if the samples of the metropolitan areas studied were enlarged. Moreover, the continuation of this project should eventually make it possible to observe trends over the medium term and provide valuable benchmarks for assessing the impact of the various efforts made to support entrepreneurship.
4.2. “CREATING” ENTREPRENEURS

As noted in the first part of this diagnosis, between 1998 and 2002 almost all of the metropolitan areas studied saw a decrease in the rate of new establishments created each year. In other words, the creation of new companies seems to be down in most of the cities covered in the Montreal health report, and this includes Montreal.

In this context, efforts aiming to “create” entrepreneurs are a promising approach to ensuring a sufficient — if not growing — number of entrepreneurial initiatives will be launched in the coming years. Moreover, the fact that Montreal is not lagging too far behind its competitors with regard to the share of new establishments created and the perception of the status of entrepreneurship may be one of the positive spin-offs of these initiatives. It is therefore important to continue efforts to enhance the status of entrepreneurship.

The promotion of entrepreneurship to the entire population is doubly important: in addition to promoting the emergence of potential entrepreneurs, a positive public perception of entrepreneurship facilitates the implementation of “pro-entrepreneurial” policies — an area in which, as we will see in the following pages — Quebec still has much to do. It therefore appears advisable to us to continue efforts to enhance the status of entrepreneurship not only to promote this option as a career choice but also to educate both the public and its institutions about the importance of entrepreneurial success to our prosperity. All in all, the idea is not only that entrepreneurs should be appreciated by society but that the environment in which they develop — as well as the way they are treated — should be seen as an important matter of collective concern.

From this perspective, the activities and studies of the Fondation de l’entrepreneuriat are particularly important since they help not only to develop an entrepreneurial culture but also to strengthen the foundations of entrepreneurship in Quebec. Moreover, events such as the Concours québécois en entrepreneuriat are also useful and will become even more so as they become better known to the general public.

Efforts to promote entrepreneurship among target clienteles appear to us to be equally promising with regard to those presenting greater potential for wealth creation. In light of the results of the GEM study, we may also suppose that such promotional efforts have met with a certain amount of success, particularly among young people and university graduates, since their entrepreneurial activity has increased. These efforts should thus be continued. In addition, greater targeted promotional efforts among women would also appear to be warranted. At the moment, women are less likely to start a business, but the predominant position they now occupy on university campuses could quickly lead to greater entrepreneurial activity. With this greater entrepreneurial “potential,” there is every reason to encourage women in Greater Montreal to take full advantage of it.
4.3. HELPING ENTREPRENEURS TO SUCCEED

That said, it is not so much the number of people who go into business for themselves that is the sticking point in Montreal as the inability of those entrepreneurs to reach the status of established business. For this reason, measures aiming to help them to succeed appear to be particularly important. Many initiatives of this type are already in place in the metropolitan area: as we saw in the second section of this report, a range of services are offered to entrepreneurs through both government and non-profit private organizations.

Nevertheless, the data showing the net growth in the number of companies in the metropolitan area indicates that the support needs of entrepreneurs are still not being fully met. What is required, therefore, is not necessarily to do more but rather to do better and to achieve more.

A WELL-KNOWN AND RECOGNIZED FIRST-LINE ORIENTATION SERVICE

Inevitably, the diversity of available programs and services makes it difficult for entrepreneurs to figure out which ones they really need. A service such as Info entrepreneurs, a member of the Canada Business Network, therefore seems to be fundamental since it offers a starting point providing an overview of all available resources and advice on how to use them. This approach is all the more valuable in that it “transcends” administrative jurisdictions and assembles information without regard for the identity of the service provider. The challenge is to ensure the service is so well known that beginning entrepreneurs will automatically choose to start their search there.

ENCOURAGING ENTREPRENEURS TO SEEK SUPPORT

However valuable it may be, the existence of an entrepreneurial assistance program does not guarantee that entrepreneurs will choose to use it. While some observations are anecdotal, it appears that the resourceful nature of certain entrepreneurs can sometimes get in their way when it causes them to look for solutions themselves rather than seek support from others.

From this perspective, it is as vital to make entrepreneurs aware of the importance of seeking support as it is to make the public aware of the importance of entrepreneurship. We must remember that fewer Montrealers count entrepreneurial role models among their acquaintances than do residents of other major Canadian cities. If immediate role models are not available to provide advice – even informally – it is necessary to turn to a third party – something that requires both extra knowledge and extra effort.
MAKING MENTORING THE RESPONSIBILITY OF ENTREPRENEURS

Mentoring is often mentioned, with good reason, as an effective way to guide and support new entrepreneurs in bringing their projects to maturity. But however beneficial the presence of mentors may be to new entrepreneurs, the implementation of an organized mentoring program is challenging, particularly in a city like Montreal. On the one hand, the formation of good mentor-mentoree duos is not easy in itself: personal and professional affinities are essential. On the other hand, we must acknowledge that the mentoring culture has not yet been fully developed in Montreal among either potential mentors or new entrepreneurs: both the supply and the demand are relatively marginal.

Faced with this situation, it might be more efficient for new entrepreneurs to treat mentoring as a requirement of their company, just like its funding. From this perspective, it would be up to new entrepreneurs to initiate the relationship: it would be up to them to find mentors just as they are responsible for finding funding. The reasoning behind this approach is very simple: entrepreneurs are the ones who best know their own needs. Often they are in the best position to identify the person or persons best able to advise and support them in their projects.

Moreover, businesspeople are not likely to make themselves available as mentors “sight unseen.” But they rarely refuse requests from new entrepreneurs who approach them for specific reasons. Finally, mentoring relationships that result from determined efforts initiated by entrepreneurs are likely to be far longer lasting and successful than those created from scratch by a third party.

If there are specific efforts to be made by support organizations, therefore, they are primarily to convince new entrepreneurs of the need to actively seek out mentors and to offer them the tools and environment to facilitate this effort. For example, the Fondation de l’entrepreneurship has developed guides that may be used by mentors and mentorees in developing their relationship. Another useful initiative for the Board of Trade would be to focus on mentoring during its activities, particularly its networking activities. In addition to being presented as valuable opportunities to forge business ties, these activities could also include the development of mentor-mentoree relationships among their objectives. Stronger efforts could then be made to increase the participation of new and established entrepreneurs.
SUPPORT TARGETING SPECIFIC CLIENTELES

As with “creating entrepreneurs,” supporting specific types of entrepreneur in their efforts to create businesses appears to be another particularly promising avenue for action. Young people, immigrants, and university graduates are all groups within which we find a high proportion of people engaged in creating businesses and relatively few established owner-managers. This discrepancy is so striking that it leads us to believe that these groups encounter specific difficulties and obstacles to their success. It would therefore appear logical to support them with custom-made service offers — as does, for example, the Services d’aide aux Jeunes Entrepreneurs (SAJE) in the Montréal Métro region.²⁶

DON’T NEGLECT THE CHAMPIONS

Nevertheless, however appropriate it may be to target clienteles that require special assistance, it is important not to neglect those entrepreneurs who are the most important to the metropolitan economy: those with solid business projects with a particularly promising future. In fact, many programs are developed for clienteles for whom entrepreneurship offers a needed path to improving their economic situation — what is often called necessity entrepreneurship. Without questioning the wisdom of supporting this type of entrepreneurship, we must also recognize the economic benefits of supporting potentially successful entrepreneurs, precisely because of their greater contribution to our economic vitality. From this perspective, we should examine the accessibility of support services for entrepreneurs not included in these target clienteles. In other words, while it is fair for new entrepreneurs with particularly solid projects to receive a different kind of support, they should not receive less attention. On the contrary: it is crucial that we actively support leading entrepreneurs, whether by reserving them a place in regular programs or, better yet, by treating them as a priority clientele.

²⁶ In many respects, the SAJE approach seems to provide excellent results. For example, in 2005-2006, SAJE Montréal Métro helped 466 entrepreneurs to launch their businesses and provided about 60,000 hours of training, consulting services, and support. Even more remarkably, after four years of operation, the survival rate of companies assisted by SAJE is 74% — well above the average.
4.4. PROMOTING THE DEVELOPMENT OF AN ECONOMY THAT NEEDS ENTREPRENEURS

Whatever the range of assistance measures we might deploy, the overall economic context is the most decisive factor in the creation of companies: a booming economy naturally generates greater demand for products and services, resulting in a multitude of business opportunities for new entrepreneurs. Calgary is an excellent example of the impact a rapidly expanding economy can have on entrepreneurship.

ENSURING THE SUCCESS OF THE CITY’S ECONOMIC DEVELOPMENT STRATEGIES

In 2002, the City of Montreal and the Montreal Metropolitan Community conducted a major inquiry to produce an economic development strategy for our metropolis. The goals of the strategies developed were extremely ambitious, including achieving annual GDP growth of 5.2% over the next twenty years, enabling Montreal to reach the sixth place among the top 26 metropolitan areas in terms of per capital GDP.

Reaching these objectives would clearly have a major revitalizing impact on Greater Montreal entrepreneurship. This is therefore one more reason the implementation of these economic development strategies should remain a top priority for economic players in the metropolis for many years to come.

MOVING TOWARD A FISCAL ENVIRONMENT THAT STIMULATES INVESTMENT…

That said, beyond direct government intervention, the economic vitality of Montreal would also be promoted by an environment encouraging maximum private investment. Quebec's fiscal environment would do well to move toward a distribution of the tax burden that would further encourage saving and reinvestment. At the moment, all of the tax burdens borne by Quebec companies make this province one of the least competitive fiscal environments in Canada and in the world. In fact, when you take into account all of the taxes levied on companies (income tax, capital tax, payroll taxes), Quebec requires the greatest effort of its businesses of all Canadian provinces.27

Moreover, the large percentage of income tax paid by individuals compared to that of consumption taxes strongly favours consumption activities at the expense of savings.28 Of course this ensures stronger domestic demand for goods and services of all kinds; nevertheless, it does not encourage the accumulation of capital for investment – something that is particularly important for business projects involving new technologies or major research and development expenditures. On this point, the Institute for Competitiveness and Prosperity observes that, "Overall, Canada has the highest marginal tax rates on business investment – dumb taxation – even though our tax rates are in the middle of the pack."29

---

27 See “L’impôt des sociétés au Québec : un paradis fiscal ?” a presentation by Luc Godbout, research chair for taxation and public finance at Université de Sherbrooke, during a symposium on corporate taxation organized by the Conseil du patronat du Québec, February 17, 2006.

28 Consumption taxes are the principal source of income for the majority of OECD countries (21 out of 30). In Canada, however, the greatest source of tax revenue comes from income tax, which represents 35% of all tax revenue, compared to an average of 26% for all OECD countries.

In many respects, the Board of Trade shares the recommendations of the Institute for Competitiveness and Prosperity and believes that Montreal and Quebec could stand out in North America by taxing in a more “intelligent” way – a way that most encourages investment. There are several models that could serve as examples for Quebec and Canada. Ireland is a particularly striking one, where all tax burdens – particularly corporate taxes – have been drastically reduced. One of the results of these changes was to attract major private foreign investment to Ireland and to propel the Irish economy from the rear to the front of the European pack. Another option – one likely more in line with Canadian values – is that implemented in Denmark and Sweden. Total tax revenues collected as a percentage of the GDP are among the highest in the world, allowing for the funding of extensive public services. Nevertheless, the tax rates applied to private investments are particularly low, and the consumption taxes are used to correct the deficit. In short, without necessarily reducing the overall tax burden, distributing it so as to stimulate investment in Quebec, both corporate and private, could help to create more wealth and, ultimately, fuel economic growth and increase business opportunities for entrepreneurs.

... AND REWARDS ENTREPRENEURSHIP

A review of the fiscal environment with a view to rewarding entrepreneurship appears equally important to us. For the moment, entrepreneurial initiatives are systematically focused on “creating” entrepreneurs and supporting their efforts. This completely sidesteps the whole aspect of “rewarding” entrepreneurial efforts.

However much assistance is available, successfully completing a business project will always require significant effort and investment and an unparalleled deployment of boldness and creativity. From this perspective, ambition and personal satisfaction are not sufficient motivation to pursue and, above all, to reach a business objective. A return on investment is also required.

For all of these reasons, we are left to wonder if the demanding fiscal environment specific to Montreal and Quebec is not a factor contributing to either the failure of entrepreneurial proposals or the relocation of entrepreneurs, who wish to obtain a better return on their investment by benefiting from a more generous fiscal environment.
APPENDIX 1

LIST OF KEY ORGANIZATIONS / ASSOCIATIONS / DEPARTMENTS AND AGENCIES
Alliance numériQC: http://www.numeriqc.ca/en/alliance
Alliance de recherche universités-communautés en économie sociale (ARUC-ÉS): http://www.aruc-es.uqam.ca
Association des maisons de commerce extérieur du Québec (AMCEQ): http://www.amceq.org
Association communautaire d'emprunt de Montréal - ACÉM: http://www.acemcreditcommunautaire.qc.ca/f_home.htm
Autorité des marchés financiers: http://www.lautorite.qc.ca/accueil.en.html
Association féminine d'éducation et d'action sociale: http://www.afeas.qc.ca
Board of Trade of Metropolitan Montreal: http://www.btmm.qc.ca
Carrefour jeunesse-emploi (CJE):
  CJE Ahuntsic-Bordeaux-Cartierville: www.ahuntsic.com
  CJE Anjou/Saint-Justin: www.cjeanjou.com
  CJE Bourassa-Sauvé: www.cjebourassasauve.com
  CJE Centre-sud/Plateau Mont-Royal/Mile End: www.cjemploi.org
  CJE Côte-des-Neiges: http://www.cjecdn.qc.ca/e_index2.htm
  CJE Hochelaga-Maisonneuve: www.cdest.qc.ca
  CJE Marquette: www.cjemarquette.qc.ca
  CJE Mercier: www.cjemermercier.org
  CJE Ouest de l'île: http://www.cjeouestile.qc.ca/cjeOUEST/frames_en.htm
  CJE Pointe-aux-Trembles et Montréal Est: www.saee.net/cje.html
  CJE Rosemont / Petite-Patrie: www.gcsd.qc.ca
  CJE Verdun: www.sipcje.org
  CJE Sud-Ouest de Montréal: http://www.cjeso-mlt.org/english/english.htm
  CJE Montréal Centre-Ville: www.cjemontréal.qc.ca
  CJE Viger / Jeanne-Mance: www.cjסט-leonard.com
  CJE Saint-Laurent: www.cjastealurent.org
  CJE LaSalle: www.cjelasalle.org
  CJE Rivièr-des-Prairies: www.cje-rdp.org
  Centre de recherche informative de Montréal (CRIM): http://www.crim.ca/fr
  Centre ePoly: http://www.epoly.pgymult.ca/english/eframeset.htm
  Centres locaux de développement (CLD): http://www.acldq.qc.ca
    CLD Anjou
    CLD Montréal-Nord: http://www.cldmn.qc.ca
    CLD Les 3 Monts: http://www.cldles3monts.com/intro-e.html
    CLD Verdun: http://www.cldverdun.org
    CLD Centre-Ouest / Centre West: http://www.destl.ca
    CDEC Ahuntsic/Cartierville: http://www.cdec.qc.ca
    CDEC Centre-Nord: http://www.cdec-centrenord.org
    CDEC Centre-Sud/Plateau Mont-Royal: http://www.cdec-cspm.org
    CDEST (Corporation de développement économique de l'Est) de l'Est: http://www.cdest.qc.ca
    CDEC NDG/CDN: http://www.cdecndnq.org/indexEn.htm
    CDEC Rosemont / Petite Patrie: http://www.cdec-rpp.ca
    CDEC Lasalle Lachine: http://www.cdec-lasallelachine.ca
    CREC de Saint-Léonard: http://www.crec-stleonard.qc.ca
RESO du Sud-Ouest: http://www.resomtl.com
SDE Ville-Marie:
Société de développement économique
Rivière-des-Prairies / Pointe-aux-Trembles (SODEC): http://www.sodec.qc.ca

> Fonds de solidarité FTQ:
http://www.fondstfq.com
> Fondation (CSN):
http://www.fondaction.com
> Groupement des chefs d'entreprise:
http://www.groupement.qc.ca
> Info entrepreneurs –
Member of the Canada Business Network:
http://www.infoentrepreneurs.org
> Inno-centre:
> Info opportunité:
http://www.info-opportunites.qc.ca/english/index.htm
> Institut québécois pour les familles en affaires:
http://iqfa.ca/FRANCAIS/accueil.html
> Investissement Infosoft (GTI Capital):
> Investissement Québec:
> Jeune Chambre de Commerce de Montréal:
> Junior Achivement:
http://www.jequebec.org/index.cfm
> Local employment centers:
http://www.mess.gouv.qc.ca/services-a-la-clientele/centre-local-emploi/Index_en.asp
    CLE d'Ahuntsic
    CLE d'Anjou-Montréal-Est
    CLE de Crémaillére
    CLE de Fleury
    CLE de Hochelaga-Maisonneuve
    CLE de la Côte-des-Neiges
    CLE de Lachine
    CLE de LaSalle
    CLE de Lorimier
    CLE de l'Ouest-de-l'Île
    CLE de Mercier
    CLE de Montréal-Nord
    CLE de Notre-Dame-de-Grâce
    CLE de Parc-Extension
    CLE de Pointe Saint-Charles
    CLE de Pointe-aux-Trembles
    CLE de Rivière-des-Prairies
    CLE de Rosemont-Petite-Patrie
    (Bureau Avenue du Parc)
    CLE de Rosemont-Petite-Patrie
    (Bureau Beaubien)
    CLE de Rosemont-Petite-Patrie
    (Bureau Iberville)
    CLE de Sainte-Marie-Centre-Sud
    CLE de Saint-Laurent
    CLE de Saint-Léonard
    CLE de Saint-Michel
    CLE de Verdun
    CLE de Ville-Émard
    CLE du Plateau-Mont-Royal
> Maison des hautes technologies:
http://www.mht.qc.ca
> Mentorat Québec:
http://www.mentoratquebec.org/index.php
> Montréal International:
> MSBI Capital: http://www.msbi.ca/index-e.asp
> Office franco-québécois pour la jeunesse (OFQJ):
http://www.ofqj.gouv.qc.ca
> Precarn-Crim Alliance:
http://precarn.crim.ca/precarn/en/index.jsp
> PROMPT-Québec:
http://www.promptquebec.com/?Lang_id=E
> Québec Entertainment Investment:
Reseau Capital: http://www.reseaucapital.com/Home_Eng_FrameSet.html

Regroupement des jeunes gens d'affaires du Quebec (RJGAQ): http://www.rjgaq.com/acceuil.php


Reseau inter logiQ: http://www.interlogiq.ca


SAJE Montreal-Metro, Siege social et Centre de suivi: http://www.sajemontrealmetro.com/english

Societe de developpement des entreprises culturelles (SODEC): http://www.sodec.gouv.qc.ca/inter_exportation.php

Societe d'Investissement Jeunesse (SIJ): http://www.sij.qc.ca/?Lang_id=E

Societes locales d'investissement dans le developpement de l'emploi (SOLIDE):
  SOLIDE d'Ahuntsic-Cartierville: http://www.cdec.qc.ca
  SOLIDE du Centre-Sud/Plateau Mont-Royal: http://www.cdec-cspmr.org/ta.html#solide
  SOLIDE de Cote-des-Neiges/Notre-Dame-de-Grace
  SOLIDE de Mercier/Hochelaga-Maisonneuve
  SOLIDE de Riviere-des-Prairies/Pointe-aux-Trembles
  SOLIDE de Rosemont/Petite-Patrie
  SOLIDE du Sud-Ouest de Montreal: http://www.resomtl.com
  SOLIDE de Ville-Marie
  SOLIDE de Villeray/St-Michel/Parc-Extension

Sous-Traitance Industrielle Quebec (STIQ): http://www.stiq.com/anglais/index.cfm


Young Bar Association of Montreal: http://www.ajbm.qc.ca/index-e.shtml

Youth Cafe: http://www.yeune-youth.cafe.gc.ca

Youth Employment Services: http://www.yesmtl.org/yes.php

Women Entrepreneurial Center of Quebec: http://www.cefa.ca/pregenerate/cmsFrameMain_EN_CEFQ.html?Lang=EN&ParentID=CEFQ


World Trade Centre Montreal: http://www.bttm.qc.ca

Government of Quebec

Affaires municipales et Regions: http://www.mamr.gouv.qc.ca

Agriculture, Pecheries et Alimentation (MAPAQ): http://www.mapaq.gouv.qc.ca/fr/accueil

Culture et des Communications (MCC): http://www.mcc.gouv.qc.ca

Developpement durable, de l'Environnement et des Parcs (MDDEP): http://www.mddep.gouv.qc.ca

Developpement economique, de l'Innovation et de l'Exportation (MDEIE): http://www.mdeie.gouv.qc.ca

Emploi et Solidarite sociale: http://www.mdeie.gouv.qc.ca

Immigration et Communautes culturelles: http://www.micc.gouv.qc.ca/fr/index.asp

Ressources naturelles et Faune: http://www.mrnfp.gouv.qc.ca

Revenu Quebec: http://www.revenu.gouv.qc.ca/fr/ministere/index.asp

Sante et Services sociaux: http://www.msss.gouv.qc.ca


Government of Canada

foreign Affairs and International Trade Canada: http://www.international.gc.ca

Canada Revenue Agency: http://www.cra-arc.gc.ca

Canadian Space Agency: http://www.espace.qc.ca/asc/index.html

Agriculture and Agri-Food Canada: http://www.agr.gc.ca


Citizenship and Immigration Canada: http://www.cic.gc.ca

Canada Council for the Arts: http://www.canadacouncil.ca

National Research Council Canada: http://www.nrc-cnrc.gc.ca

Canada Economic Development for Quebec Regions: http://www.dec-ced.gc.ca

Environnement Canada: http://www.ec.gc.ca

Farm Credit Canada: http://www.fcc-fac.ca

Industry Canada: http://www.ic.gc.ca

Human Resources and Social Development Canada: http://www.hrdcc.gc.ca

Service Canada: http://www.servicecanada.gc.ca

Canada Border Services Agency: http://www.cbsa-asfc.gc.ca

Public Works and Government Services Canada: http://www.tpsgc-pwgsc.gc.ca
APPENDIX 2 - INRS URBANISATION, CULTURE ET SOCIÉTÉ

COMPARATIVE STUDY OF THE BIRTH OF NEW ESTABLISHMENTS IN TWELVE NORTH AMERICAN METROPOLISES
Study submitted to the Board of Trade of Metropolitan Montreal

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INRS Urbanisation, Culture et Société

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Including a technical report on Canadian cities prepared by Desmond Beckstead and Mark Brown of Statistics Canada

June 2006
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<td>2</td>
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<td>Share of jobs created by new establishments, 2002</td>
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<td>Montreal CMA Establishment Birth Rates versus CMA 1M+, 1992-2004</td>
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<td>52</td>
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</table>
1. METHODOLOGICAL NOTE

1.1 COMPARABILITY OF AMERICAN AND CANADIAN DATA

A methodological note regarding the analysis and interpretation of data in this document is in order. While data regarding the birth of new establishments comes from reliable statistical sources in both the United States and Canada, they nevertheless have significant limitations. First of all, the comparison of Canadian and American data poses certain problems: Canada and the United States do not exclude precisely the same establishments from their business registers (see Appendix A).

Another problem is that the NAICS classification (North American Industry Classification System) of establishments may encompass very different realities. For example, a new U.S. policy aiming to promote the development of retail trade establishments through the granting of subsidies may encourage some wholesale trade establishments to classify themselves as retail trade establishments. This could, hypothetically, affect the comparability of U.S. and Canadian data, even though the same classification system is used by both countries.

1.2 ENTREPRENEURSHIP BY THE NUMBERS

Entrepreneurship is defined by Hitt, Ireland, Camp, and Sexton (2001) as being:

[...] the identification and exploitation of previously unexploited opportunities. As such, entrepreneurial actions entail creating new resources or combining existing resources in new ways to develop and commercialise new products, move into new markets, and or service new customers (p. 4).

To understand entrepreneurship, it is therefore important to study the entrepreneurs themselves (their skills and aptitudes), their establishments, and the socio-economic context in which they are developing. Readers should be aware that the variables used here do not take into account all of the aspects of entrepreneurship. Our data does not enable us to draw conclusions concerning the skills or entrepreneurial abilities of Montrealers compared with those of others. That would have required specific studies of each of the twelve metropolises, something that greatly surpasses our means.

---

1 For further details about the sources of Canadian and American data, please see Appendix A.
2. EVOLUTION OF THE BIRTH OF NEW ESTABLISHMENTS BETWEEN 1997 AND 2002

The birth rate of new establishments is defined as the following ratio:

\[
\text{Birth Rate} = \frac{\text{New Establishments in the period } T_0 \text{ to } T_1}{\text{Establishments in time } T_0}
\]

Table 1 shows that, in general, Canadian metropolitan areas performed better than American metropolitan areas with regard to the birth of new establishments between 1997 and 2002. Relatively speaking, Greater Calgary, followed closely by Greater Toronto, created the largest number of new establishments during this period. The birth of new establishments in these areas thus closely reflects their economic growth. In fact, as shown in Table 2, Greater Calgary and Greater Toronto rank first and second among the twelve metropolitan areas studied in terms of employment growth between 1997 and 2002. Greater Montreal ranks seventh among the twelve metropolitan areas studied, but last among the Canadian metropolitan areas – still a strong performance compared to those of Chicago, Philadelphia, and Boston. Moreover, Beckstead and Brown (2006) arrived at similar conclusions in their study. As shown in Figure 1, there is a persistent gap between the birth rate of establishments in Greater Montreal and that in other Canadian metropolitan areas with more than one million inhabitants. Montreal’s poor performance compared to those of other Canadian cities may therefore be due to its industrial structure. Indeed the raw data used is highly aggregated, and the results must be interpreted with caution since they may be affected, even biased, by the industrial structures of the metropolitan areas in question. In particular, there are far fewer entry barriers for establishments in the service industry than in the more heavily capitalized manufacturing sector. This may explain, at least in part, why Greater Montreal and Greater Philadelphia, two heavily industrialized regions, rank last in their respective countries, while Greater Calgary and Greater Miami rank first.

---

2 This is the crude birth rate, meaning that we have taken into account gains but not losses.

3 You will find the results of this study in Appendix 3.
During the period under study, the share of new establishments dropped in all Canadian metropolitan areas. Greater Montreal was no exception, its share of new establishments dropping two percentage points. Interestingly, fluctuations in U.S. metropolitan areas were less pronounced than those in Canadian regions, their share of new establishments remaining fairly stable throughout this period. This may be due in part to the fact that larger metropolitan areas are less sensitive to economic cycles. The majority of the metropolitan areas maintained their relative ranking during this period, except for Greater Miami and Greater Atlanta, which rose from 7th and 6th places respectively between 1997 and 1998 to 2nd and 3rd places between 2001 and 2002, while Greater Montreal dropped from 5th place between 1997 and 1999 to 7th place between 2000 and 2002.

**TABLE 1**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>17.28</td>
<td>18.26</td>
<td>18.37</td>
<td>19.01</td>
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<tr>
<td>Miami</td>
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<td>14.31</td>
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</tr>
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<td>14.72</td>
<td>14.63</td>
<td>14.93</td>
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<td>15.76</td>
<td>17.60</td>
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</tr>
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</tr>
<tr>
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<td>13.02</td>
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<tr>
<td>Seattle</td>
<td>12.93</td>
<td>12.48</td>
<td>12.94</td>
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<td>New York</td>
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</tr>
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<td>Chicago</td>
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<td>Boston</td>
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<td>11.27</td>
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<td>Philadelphia</td>
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<td>11.04</td>
<td>10.45</td>
<td>10.57</td>
<td>10.69</td>
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TABLE 2

<table>
<thead>
<tr>
<th>Metropolitan area</th>
<th>% jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>22.85</td>
</tr>
<tr>
<td>Toronto</td>
<td>16.24</td>
</tr>
<tr>
<td>Ottawa-Hull</td>
<td>13.15</td>
</tr>
<tr>
<td>Atlanta</td>
<td>12.19</td>
</tr>
<tr>
<td>Montreal</td>
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<tr>
<td>Vancouver</td>
<td>9.94</td>
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<tr>
<td>Boston</td>
<td>6.74</td>
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<td>Philadelphia</td>
<td>5.64</td>
</tr>
<tr>
<td>New York</td>
<td>5.26</td>
</tr>
<tr>
<td>Seattle</td>
<td>5.08</td>
</tr>
<tr>
<td>Chicago</td>
<td>2.71</td>
</tr>
<tr>
<td>Miami</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Source: Beckstead and Brown (2006)
2.1 SHARE OF JOBS CREATED BY NEW ESTABLISHMENTS

With regard to the share of jobs created by new establishments between 2001 and 2002, Table 3 reveals that, once again, Canadian metropolitan areas generally performed better than American metropolitan areas. Greater Montreal ranked sixth, with new establishments creating 7.9% of jobs between 2001 and 2002. But, once again, Greater Montreal ranked last among Canadian metropolitan areas.

<table>
<thead>
<tr>
<th>Metropolitan area</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>10.91</td>
</tr>
<tr>
<td>Toronto</td>
<td>9.50</td>
</tr>
<tr>
<td>Vancouver</td>
<td>9.19</td>
</tr>
<tr>
<td>Ottawa-Hull</td>
<td>8.71</td>
</tr>
<tr>
<td>Atlanta</td>
<td>8.19</td>
</tr>
<tr>
<td>Montreal</td>
<td>7.90</td>
</tr>
<tr>
<td>New York</td>
<td>7.08</td>
</tr>
<tr>
<td>Miami</td>
<td>6.99</td>
</tr>
<tr>
<td>Boston</td>
<td>6.17</td>
</tr>
<tr>
<td>Chicago</td>
<td>6.15</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>6.11</td>
</tr>
<tr>
<td>Seattle</td>
<td>5.60</td>
</tr>
</tbody>
</table>
3. NET GROWTH

The net growth rate is the number of new establishments less the number that had ceased operations or had relocated by the end of year $t$, divided by the number of establishments at the start of the period. Given the data at our disposal, this rate may be calculated as follows:

\[
\frac{\text{ESTABLISHMENTS IN TIME } T_1 - \text{ESTABLISHMENTS IN TIME } T_0}{\text{ESTABLISHMENTS IN TIME } T_0}
\]

Table 4 shows that between 2000 and 2001, Greater Calgary, Greater Ottawa, and Greater Toronto posted the highest net growth. Greater Montreal lagged far behind in 11th place, even though it ranked 7th in terms of the birth rate of new establishments, leading us to surmise that, compared to the other CMAs, establishments in Greater Montreal had a lower survival rate, or a stronger tendency to relocate in their first year of operation. The analysis carried out by Beckstead and Brown, which excludes establishments that did not survive a full year, nevertheless shows that Greater Montreal establishments had an average two-year survival rate equivalent to that of establishments in other Canadian metropolitan areas (figure 2). This seems to indicate that Greater Montreal establishments have a lower short-term survival rate or a greater tendency to relocate than establishments in other areas, which may explain, in part, the difference between Montreal and the other metropolitan areas. The data at our disposal does not allow us to compare the survival rates of American and Canadian establishments, however. We also observe that, for Greater Montreal, the net growth declines between 1998 and 2001, falling from 2.69% between 1998 and 1999 to 0.04% between 2000 and 2001. This same trend is observed in all Canadian CMAs except that, unlike in Montreal, there is no negative growth in the other Canadian CMAs. Moreover, Greater Montreal dropped from 5th place between 1998 and 1999 to 11th place between 2000 and 2001.
### TABLE 4

**ESTABLISHMENTS NET GROWTH RATE, 1998 TO 2001**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>4.04</td>
<td>4.44</td>
<td>4.88</td>
</tr>
<tr>
<td>Ottawa-Hull</td>
<td>1.83</td>
<td>3.63</td>
<td>4.86</td>
</tr>
<tr>
<td>Miami</td>
<td>1.80</td>
<td>-0.06</td>
<td>-0.74</td>
</tr>
<tr>
<td>Toronto</td>
<td>1.67</td>
<td>3.80</td>
<td>3.37</td>
</tr>
<tr>
<td>Atlanta</td>
<td>1.58</td>
<td>2.13</td>
<td>2.69</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>0.51</td>
<td>0.61</td>
<td>0.37</td>
</tr>
<tr>
<td>Vancouver</td>
<td>0.32</td>
<td>1.91</td>
<td>0.84</td>
</tr>
<tr>
<td>New York</td>
<td>0.09</td>
<td>1.71</td>
<td>0.82</td>
</tr>
<tr>
<td>Boston</td>
<td>0.03</td>
<td>1.52</td>
<td>2.15</td>
</tr>
<tr>
<td>Chicago</td>
<td>-0.01</td>
<td>0.85</td>
<td>1.08</td>
</tr>
<tr>
<td>Montreal</td>
<td>-0.04</td>
<td>1.21</td>
<td>2.69</td>
</tr>
<tr>
<td>Seattle</td>
<td>-0.25</td>
<td>1.07</td>
<td>1.04</td>
</tr>
</tbody>
</table>

**Source:** Beckstead and Brown (2006)

### FIGURE 2

**MONTREAL VS CMA 1M+, 2-YEAR ESTABLISHMENT SURVIVAL RATES**

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4. FACTORS INFLUENCING THE BIRTH OF NEW ESTABLISHMENTS

In this section, we attempt to determine which industrial structure is most favourable to the birth of new establishments. To do so, we ran simple regressions where the independent variable was the birth rate of new establishments between 2001 and 2002 and the dependent variables were the levels of industrial specialization, as follows:

\[
\text{SPEC}_{IM,T} = \frac{E_{IM,T}}{E_{MN,T}/E_{N,T}}
\]

| \( E_{IM,T} \) | employment in metropolitan area i, in industrial sector m |
| \( E_{LT} \) | total employment in metropolitan area i |
| \( E_{MN,T} \) | employment in industrial sector m at the national level |
| \( E_{N,T} \) | total employment at the national level |

**THE INDUSTRIAL SECTORS ARE AS FOLLOWS (BASED ON THE SCIAN CLASSIFICATION):**

1. Mining and oil and gas extraction
2. Utilities
3. Construction
4. Manufacturing
5. Wholesale trade
6. Retail trade
7. Transportation and warehousing
8. Information and cultural industries
9. Finance and insurance
10. Real estate and rental and leasing
11. Professional, scientific, and technical services
12. Management of companies and enterprises
13. Administrative, support, waste management, and remediation services
14. Educational services
15. Health care and social assistance
16. Arts, entertainment, and recreation
17. Accommodation and food services
18. Other services, except public administration
19. Public administration
With just twelve observations, it was difficult to obtain statistically significant results, so these must be viewed as rough estimates and treated with great caution. Of all the major industrial categories, only industrial specialization in the mining and oil and gas extraction, and the manufacturing sectors had a significant impact on the share of new establishments created. In the first case, the industrial specialization had a significantly positive effect on the birth of new establishments while, in the second case, the industrial specialization had a significantly negative effect. This leads us to believe – and this is perfectly logical – that industrial specialization in sectors experiencing strong economic growth creates an environment favourable to the birth of new establishments; on the other hand, when economic growth in an economic sector is less vigorous, such as in the manufacturing sector, industrial specialization can hinder the birth of new establishments.

5. CONCLUSION
Overall, compared to metropolitan areas such as Chicago, Philadelphia, and Boston, Greater Montreal is performing well in terms of the birth of new establishments. It nevertheless ranks last among Canadian metropolitan areas, which may be due in part to its industrial structure. In addition, it ranks lowest among all the areas studied in terms of the net growth of establishments, likely due to a lower one-year survival rate. In addition, our results lead us to believe that industrial specialization in sectors of strong economic growth creates an environment favourable to the birth of new establishments, while industrial specialization in sectors of slower economic growth tends to hinder the birth of new establishments.

6. BIBLIOGRAPHY
APPENDIX A

The Canadian data is derived from the business register. The Statistics Canada study of the birth and survival rates of establishments (Technical Report on Census Metropolitan Area Establishment Birth and Survival Rates, 1992-2004) excludes establishments that are not employers and all establishments in the health, education, and public administration sectors. The U.S. data is derived from Statistics of U.S. Businesses (SUSB), which is based on the business register. It excludes establishments that are not employers as well as all establishments in the agricultural and railroad sectors as well as most establishments in government sectors.

APPENDIX B

In Table 5, we show the results of simple regressions, where the independent variable is the birth of new establishments in 2001-2002 and the dependent variables are the industrial specialization. The regressions were estimated using the ordinary least squares (OLS) procedure. The bolded values represent the value of the estimated parameters, and the values in parentheses represent the probability that a random variable drawn from a Student’s t-distribution would be higher than the statistic obtained for that parameter. The lower the value, the higher the confidence level for the value of the parameter obtained empirically. Table 5 shows the only two cases where the estimated parameter is statistically significant with a 90% confidence level.

<table>
<thead>
<tr>
<th>Specialization : Extraction</th>
<th>Specialization : Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.85</td>
<td>-0.089</td>
</tr>
<tr>
<td>(0.0660)</td>
<td>(0.0442)</td>
</tr>
</tbody>
</table>
APPENDIX 3

TECHNICAL REPORT ON CENSUS METROPOLITAN AREA ESTABLISHMENT

BIRTH AND SURVIVAL RATES, 1992-2004
INTRODUCTION

The purpose of this report is to provide a brief overview of the nature of the data and measures presented in the attached Excel workbook, which includes two data sheets and a series of illustrative figures. We also provide some limited interpretation of the data. We do so to help facilitate the users understanding of the measures presented.

DESCRIPTION OF THE BUSINESS REGISTER

The data for the tabulations presented are all derived from Statistics Canada’s Business Register (BR). The BR is a central repository of all business establishments in Canada, be they part of the business or non-business sector or employers or non-employers. Given entrepreneurship theme of this study, we have limited our set of establishments to those that are part of the business sector. We have also limited our set of establishments to those that are employers.

Business establishments form the basic unit of analysis for defining birth and survival rates. Technically, an establishment is an organizational or smallest group of production units in a firm that (a) produces as homogeneous a set of goods and/or services as possible, (b) operates within one province and (c) is able to provide data to measure value added—this would include measures on output, principal intermediate inputs used and the cost and quantity of labour input. It is this labour input measure that we use to represent employment. Since this labour measure is done individually for businesses, there is the possibility that individuals can be employed by multiple businesses; hence the more appropriate label would be jobs, but in this report we have used the terms “employment” and “jobs interchangeably.”

For the measures presented, we have not used the data on the BR to distinguish between (a) the birth of new enterprises (firms) and (b) the expansion of existing firms through the creation of new establishments within the firm. We should note, however, that the vast majority of establishment births are associated with the birth of new firms.

Since the BR provides a census of business establishments that is updated on a regular basis, it allows us to measure both rates of entry and survival. That is, we are able to identify when an establishment is new (it has entered or been birthed) and whether it has survived to a particular point in time.

We use images of the BR for the years 1991-2004 and, as such, provide entry (birth) rates for the period 1992 through to 2004, and survival rates for the period 1994 through to 2004.

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1 This subset excludes establishments that are classified to health, education, and public administration
2 For simple, single-establishment firms the update is monthly and for more complex, multi-establishment firms the update is done on a more infrequent basis (usually every one to three years).
GEOGRAPHY

In addition to providing a means of identifying whether an establishment has entered and how long it has survived, the BR also allows us to identify the geographic location of the establishment. For this study we provide data on 27 Census Metropolitan Areas (CMAs), utilizing their 1996 Census boundaries for the years 1992-2002 and the 2001 Census boundaries for 2003-2004. Data are also provided for the 27-CMA aggregate and two additional sub-aggregates. These sub-aggregates are:

1 Million +: CMAs with a population of one million or more (based on their 2004 intercensal population estimate), with Montréal excluded. CMAs in this group include Toronto, Vancouver, Ottawa, Calgary and Edmonton; and

500,000 +: CMAs with a population of 500,000 or more (based on their 2004 intercensal population estimate), with Montréal excluded. CMAs in this group include Toronto, Vancouver, Ottawa, Calgary, Edmonton, Winnipeg, Quebec City, and Hamilton.

BIRTH RATES

We calculate two kinds of birth rates: (1) establishment birth rates and (2) employment-weighted establishment birth rates.

1. The establishment birth rate is defined as the number of establishments present in year t but not present in year t-1 divided by the total number of establishments in year t. As an example, 20% of Montréal's employer establishments present in 1992 did not exist or were not employers in 1991.

2. The employment-weighted establishment birth rate is defined as the total number of jobs in establishments present in year t but were not present in year t-1 divided by the total number of jobs in year t. For instance, about 12% of jobs in Montréal in 1992 were in establishments that did not exist or were not employers in 1991.

Note that we have smoothed the employment-weighted establishment birth rates using a 3-year moving average. This procedure makes it easier to identify longer term trends rather than idiosyncratic shifts in the data.
Birth rates for establishments and employment are calculated for the years 1992 through 2004, inclusive. Figure 1 plots Montréal’s birth rates over time for both series. Both measures indicate a tendency for birth rates to decline over time. However, we should note that this trend is not limited to Montréal. Figure 2 plots Montréal’s establishment birth rate against that of the 1 Million+ sub-aggregate. Both show a declining birth rate, albeit with a consistently lower birth rate for Montréal.

SURVIVAL RATES

Survival rates are defined as the proportion of the cohort of new entries in year t that survive to time t+n. The period n references a 2-year, 4-year, 6-year, and 12-year survival period. As with birth rates, we define survival rates in terms of the number of establishment that survive (establishment survival rate) and the proportion of jobs in cohort of establishments that survive (employment weighted survival rate).

We use several different intervals for survival rates to measure the short-, medium-, and long-term.

- We use a 2-year survival rate, rather than a 1-year rate, to measure the short-run because this ensures establishments have lasted at least a year. A 1-year survival rate will include establishments that are in some cases only a month or two old. As a result, it would not provide us with a measure of survival over a meaningful period for a significant proportion of establishments.

- Medium-term rates (4-year) are included in order to measure survival over long enough periods to capture a particular part of the economic cycle. For instance, you might wish to measure the effect Montréal’s economic turnaround after 2000 by using the 4-year survival rate for the 2000 base year and comparing this to the previous 4-year period using 1996 as the base year.

- Longer-term survival rates (6-year and 12-year) are included, in part, to facilitate the comparison of survival rates (in terms of levels) across cities. Our research has indicated that over long periods of time, differences in survival rates across industries tend to disappear. As a result, we can worry less about the effect of differing industry structures across cities on their respective long-term survival rates.
To illustrate the interpretation of survival rates, Figure 3 presents 2-year establishment survival rates for Montréal. For 1992, the 2-year rate represents the proportion of establishments born in 1992 (the base year) that survives two years (to 1994). Similarly, the rate for 1993 is the proportion of establishments born in 1993 that survive to 1995. Plotting the two-year rates over time illustrates how entry cohorts from different years perform. Changes in the survival rates reflect the changing conditions facing each cohort (e.g., macro-economic) and possibly the changing nature of the cohort itself (e.g., change in managerial talent or industrial composition—e.g., ICT firms). Hence, for Montréal, we see increasingly favourable short term (two-year) survival conditions after 1996.

Also plotted in Figure 3 are the 4-, 6-, and 12-year survival rates. Not surprisingly, the longer the period in question the lower the survival rate. Figure 4 plots employment weighted survival rates for Montréal over the study period. As with employment weighted birth rates, we have smoothed the employment weighted survival rates using a 3-year moving average. The two-year trends differ from the establishment survival rates, with declining (rather than flat) employment survival rates until 1998. Employment weighted survival rates will decline, while establishment survival rates remain flat, if the composition of existing establishments shifts towards larger employers and/or establishments shed jobs at a faster pace.

Like birth rates, we can also compare survival rates in Montréal to other cities. Figure 5 plots two-year establishment survival rates and Figure 6 the employment weighted survival rates for Montréal and the 1 million+ sub-aggregate of CMAs. Figure 5 illustrates that there is a close match between the establishment survival rates for Montréal and similar sized metropolitan areas. However, Figure 6 illustrates from 1993 to 2001, Montréal's employment weighted survival rates lagged behind those of the 1 million+ sub-aggregate.
ESTABLISHMENT COUNTS

As requested, we have also included a sheet in the Excel workbook that provides counts of business sector employer establishments for each CMA, as well as the CMA aggregate and its sub-aggregates. These data are provided for the period from 1992 through 2004.

FIGURE 1

MONTREAL CMA ESTABLISHMENT BIRTH RATES, 1992-2004

- Birth share of establishments
- Birth share of employment (smoothed)
**FIGURE 2**

MONTREAL CMA ESTABLISHMENT BIRTH RATES VERSUS CMA 1M+, 1992-2004

**FIGURE 3**

MONTREAL 2-, 4-, 6-, AND 12-YEAR ESTABLISHMENT SURVIVAL RATES
FIGURE 6
MONTREAL AND CMA 1M+, 2-YEAR EMPLOYMENT (WEIGHTED) SURVIVAL RATES (SMOOTHED)

Survival rate

Base year

0%
10%
20%
30%
40%
50%
60%
70%
80%
90%


Montreal
CMA 1M+

APPENDIX 3