

20  
YEARS  
YOUTH  
STRATEGY

# PORTRAIT OF YOUNG ENTREPRENEURS IN QUEBEC

## HISTORY OF THE YOUTH STRATEGY

OUR YOUTH STRATEGY IS CELEBRATING ITS 20TH ANNIVERSARY THIS YEAR. LET'S USE THIS OPPORTUNITY TO TAKE A LONG LOOK BACK AT THE PAST AND REMEMBER HOW THIS WONDERFUL ADVENTURE STARTED...

### HISTORY

The first milestone was achieved by youth in the Amiante region. The sad reality of high unemployment among young people in the region was leading to their exodus towards major centres, which motivated various resources and partners to work together to find a sustainable solution.

At the same time, the SADCs that had been present in Quebec's rural communities since 1981 embarked on a business relationship with a new partner, the Federal Office of Regional Development – Quebec (FORD-Q).

During a visit to Thetford-Mines in September 1996, Martin Cauchon, Secretary of State responsible for FORD-Q, felt compelled by this local problem among youth. In response, the Secretary of State challenged the community to propose a solution that would ensure the future of young people and the region.

One thing quickly became apparent: the situation in the Amiante region was the same in the majority of rural regions in Quebec. The resources of the Réseau des SADC et CAE then united their efforts to design a custom-made strategy that would target the problem at its core.

This was the first initiative implemented in collaboration with FORD-Q, and it set the stage for a new way to work with our new partner. The time where programs and initiatives were developed by the department and then offered to SADCs was over, and a new era started where initiatives were developed in cooperation with the communities, to their greatest advantage.

### CONCEPT

A comprehensive strategy was built in response to the identified problem. The goal was to raise the awareness of school students about entrepreneurship opportunities, encourage young people who want to make a project proposal, support young people in getting project financing, provide part of the funding, offer youth training and networking events, and also, provide personalized follow-up based on the unique needs of each proponent.

# 20 YEARS OF YOUTH ENTREPRENEURSHIP

## FINANCIAL PRODUCT

The financial product was quite innovative in 1997, and it still is today. You could even say that it's a sort of loan on trust. We trust that young people will be proud enough to repay their loan because someone believed in them one day!

We offer young entrepreneurs a personal loan that can be used as an initial investment so they can apply to a financial institution to complete their project's financing.

The loan is interest-free for a period of two years. Little or no collateral is required, and the loan is granted based on an assessment of the merits of the project and entrepreneur.

Two young people can partner together in the same business project.

## SUPPORT

Tools were needed to ensure the initiative's success, so each SADC received a budget envelope of \$42,000 to hire a resource dedicated to ensuring the effective delivery of the Strategy as a whole.

A youth advisor was also hired at the regional level. To maintain collaboration between the Réseau des SADC et CAE and FORD-Q, the advisor's time was split between the Réseau in Québec and FORD-Q in Montréal.

## READY, SET, GO!

The concept was approved but had yet to be confirmed. Secretary of State Martin Cauchon came back to Thetford-Mines on September 19, 1997, to proudly announce the regional deployment of the Youth Strategy along with a budget envelope of \$6 million to finance projects. This pride was shared by all SADCs.

## RESULTS BEYOND OUR IMAGINATION

Since 1997, 48,575 financial assistance applications have been submitted to SADCs, and 8,048 businesses have been created by 9,751 young people. Overall, SADCs have invested \$125,503,987 in projects that generated investments of \$1,123,628,970, which represents a multiplier effect of 8.9. In addition, 11,789 direct jobs have been created, and 23,156 other jobs have been maintained. And beyond all our expectations, the historical loss rate after 20 years sits at 4.3%.

## YOUNG ENTREPRENEURS OVER TIME

For the past 20 years, the majority of young entrepreneurs have been male, representing nearly 7 out of 10 participants in the Youth Strategy. The average age of participants has been increasing, with a majority of participants being more than 29 years old. In terms of education, the trend has remained steady over the years; the average clients of the Youth Strategy hold a college diploma or a vocational diploma. The status of entrepreneurs has not changed much over the past 20 years, with young business leaders making up a majority of participants.

Although financing is the need most often expressed by young people, they also often face issues with integrating technologies into the management of their business and with employee recruitment and retention.

One aspect that has considerably changed is the reasons stated for starting a business. While the high unemployment rate at the end of the 1990s motivated young people to start a business as a last resort, entrepreneurship is now a choice made after acquiring various types of professional experience.

Twenty years later, Youth Strategy participants can be defined as follows: they are informed, more connected, independent and capable of finding the information they need online. They are well prepared and aware of the importance of marketing and the visual appearance of products. They care about social media. They are equipped to understand and meet their clients' needs. And they know how to adapt to rapid economic and trend changes.

They value having a good quality of life, and they want time for themselves and their family. They are open to the world, and their business projects are often audacious and go beyond our borders.

## QUEBEC'S ENTREPRENEURIAL PROFILE

Here are the findings of the provincial tour of the Réseau des SADC et CAE that visited ten regions, based on the ReGain™ approach created by Quebecer Renée Rivest that proposes five types of business leadership: visionary, expert innovator, strategic analyst, self-starter and coach.

The data gathered in the ten regions from March 2013 to December 2015 by Isabelle Déry from the firm ID Entrepreneurship, in partnership with the Réseau des SADC et CAE, was analyzed in order to better understand the motivations, obstacles and conditions for taking action among entrepreneurs in Québec.



## A CLOSER LOOK AT BUSINESSES

The portion of start-up projects has decreased compared to acquisitions and takeovers. Nevertheless, the number of start-ups is increasing, and SADCs are obviously among the most active and effective financing organizations for budding businesses. The number of acquisition, takeover and modernization projects has grown over time. We notice that some Youth Strategy clients are soliciting a second or third loan when they are expanding their businesses or starting new projects. Participant loyalty is being built.

The service sector is still the most represented sector among business projects, with an average of around 60%. Applications for the primary sector have fluctuated along with changes in the economy, including applications from agricultural businesses, which have decreased since funding for the agricultural sector has been properly structured.

Total project costs have grown exponentially from \$17M in 2003 to \$91M in 2015. The portion of funding received from the Youth Strategy has declined over time from 16% to 11%. The average loan amount increased from \$11,638 to \$17,209 due to an increase in the maximum loan from \$15,000 to \$25,000 in 2011–2012.

Typical project financing is made up as follows: 11% from the Youth Strategy, 6% from regular SADC funds, 15% investment from the entrepreneur and 68% from other sources. The portion received from other sources for youth projects has declined over time because these sources have made their funding criteria more stringent, which may explain why access to capital is more difficult for young people under the age of 30. The use of various other funding sources makes it possible to complete a project's financing.

Although they were very popular around 2005, the use of the Jeunes promoteurs subsidy and the Soutien au travail autonome (STA) measure has considerably decreased over the past few years. Entrepreneurs are now older and more experienced, and are better equipped to finance their initial investment.

Around 70% of businesses financed by the Youth Strategy have sales of less than \$500K. Despite a small percentage (4%) of businesses with over \$2M in sales, we note that the scope of the projects has been growing along with business sales these past few years.

## FREEDOM-HUNGRY VISIONARIES

Our young entrepreneurs in Quebec are freedom-hungry visionaries who have chosen to do things differently and to stand out through their expertise and innovation. They are in tune with the world, well informed and self-sufficient.

They are stimulated by projects they believe in, and they are engaged and perseverant, with a bit of idealism that often makes people call them "big dreamers." They want to make things change and experiment with different ways of doing things. If they don't believe in their project or stop believing in it, they can easily become disengaged and move on to another project.

## FROM INTENTION TO ACTION: A FEW WINNING CONDITIONS FOR ENTREPRENEURS

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These freedom-hungry visionaries need to believe in their current or upcoming project and to be surrounded by allies who share their vision and values. They also need to feel free and to have the required expertise to make their project or business evolve.

Their main obstacles are their doubts about their skills and their lack of knowledge or know-how, which can make them feel like they aren't up to the task. They need to believe in themselves, in their project and in the proposed vision to move forward.

## YOUTH ADVISORS: THE CORNERSTONE OF THE YOUTH STRATEGY

Over the past 20 years, the profile of youth advisors has remained stable. The advisors are mostly female and have held their positions for over 10 years. Their role has remained fairly unchanged, with personalized support remaining the central aspect of their services. Their responsibilities have remained the same, but technological tools have changed how they work. Promotional activities are facilitated by the use of the Internet and social media. We generate less paperwork than we did 20 years ago. Advisors work to raise the awareness of increasingly younger clients about the power of entrepreneurship, sometimes even at the elementary level. It's never too early!



## ENSURING BUSINESS SUCCESSION

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Thinking about business succession with entrepreneurs means looking at the short-term side of things. They need time to progress at their own pace. We shouldn't impose anything or anyone on them.

The experts who want to support them should be open-minded, curious, solutions-driven and patient. These entrepreneurs like to question themselves and hate non-constructive criticism. Taking the time to discover their values and properly understand what drives them is an effective way to offer them support.

Business successors aren't lacking. Out of the 173 young entrepreneur profiles drawn up in the regions and among members of the ACEE's Clubs entrepreneurs étudiants, 74% said they were interested in taking over a business. We need to ensure right from the start that the values and vision of the people involved mesh together, and that the successor will have the flexibility to implement their own vision and methods. If the successor doesn't believe in the project or in the vision or values of the transferring owner, their chances of success could be compromised.

Finally, it's especially important to avoid putting pressure on these young people. In this context, we can foresee the emergence of young serial entrepreneurs whose projects won't be limited to their region. They will know how to surround themselves with trustworthy allies who also want to set their own schedules so they can have time for themselves and travel and who want to explore other ways of doing things. The world is a vast playground!



## CONCLUSION

This retrospective leads us to conclude that entrepreneurship has changed over the past 20 years. In Quebec, the number of people who want to be entrepreneurs and who take action is increasing. While it stood in last place in those areas among Canada and other industrialized countries in the 2000s, Quebec came out on top of the ranking in 2017. The promotional campaigns and numerous awareness initiatives that were led have yielded results. Entrepreneurship has become more attractive.

Young entrepreneurs have also changed, mainly in terms of their reasons for choosing entrepreneurship; they do it out of passion, not out of necessity. They use the tools, technologies, information and communication methods available to them.

The number of start-ups is increasing, and so is the number of business succession projects, which is good news. However, the regions lack specialized resources; fibre optic lines, which act as economic drivers, are not available everywhere; and employees are generally difficult to recruit.

Although young entrepreneurs are known to be very self-sufficient, some human contact and personalized support remain sure-fire values. The more entrepreneurs have access to these services, the more they can grow their businesses, become profitable and create jobs. The surveys that Statistics Canada has conducted among businesses financed by SADCs show that this support helps businesses grow their sales, staff and payroll more quickly. And the survival rate after five years is 20 points higher than the Quebec average.

## ACKNOWLEDGEMENTS

Thank you to all those who have directly or indirectly contributed to the success of the Youth Strategy over the past 20 years. Special thanks to our network of advisors who continue to serve new generations of future entrepreneurs and make youth entrepreneurship a reality among communities on a daily basis.

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