

# Shaping Immigration to Canada: Learning from the Past and a Vision for the Future

Pathways to Prosperity

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## Immigrant businesses in Canada: Unlocking their Potential

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Everyone Makes a Mark

# Some well-documented **evidence** on immigrant businesses in Canada

- When compared with the Canadian-born population, relatively established immigrants—10 to 30 years of permanent residence in Canada—are more likely to either **own** a **private incorporated business** or become **self-employed**;
- Recently established businesses with an immigrant owner are more likely to engage in **export activity** than other Canadian businesses;
- When immigrant businesses export, they are more inclined to **target global markets** than other Canadian businesses.

# Immigrant business owners as innovators

Immigrant business owners are **less likely** than their non-immigrant counterparts to develop novel products or services that rest on **formal or legally-protected** technological knowledge (i.e. patents) or marketing intangibles (i.e. registered trademarks); instead:

*Immigrant business owners **tend to engage in less formal innovations** (e.g., development of novel marketing approaches or distribution channels) that facilitate the placement of high-quality, branded products or services in global markets.*

# Why are immigrant entrepreneurs more **globally-oriented** than others?

Key **human** and **social capital** sources of their advantage:

- Foreign language skills;
- Cross-cultural knowledge;
- First-hand knowledge of: foreign customers' needs, how to serve such needs, regulations & social structures in their country/region of origin.
- Trusted social and business relationships through global ethnic networks.

# Key areas in which immigrant businesses seem to be **underperforming** relative to their Canadian-born counterparts

- The relatively fast rate of business formation among more established immigrants is partially offset by their relatively **low rate** of **job creation**:
  - *Over a 10- to 30-year period, incorporated immigrant businesses have an average of 4 employees compared with 7 for their Canadian-born counterparts.*
- Although immigrant businesses are more likely to export to markets outside the U.S., the **scale** of their **export activity** appears to be relatively **small**.

# The “Small Size” problem

**The relatively **small size** of financially viable **export-oriented immigrant businesses** could **limit** their contribution to the Canadian economy.**

# Why the **government** has a **role** to play in scaling up immigrant exporters

- Export market **diversification** beyond the U.S. has been recognized as a national priority.
- Immigrant businesses have the potential to **re-orient** Canada's exports toward relatively fast-growth **global markets**.
- **“Market failure”**:
  - Even financially viable immigrant exporters may be underserved, or served under less favourable terms, by private business service providers and Canadian financial institutions.

# Major groups of immigrant exporters with alternative business models

- **Immigrant exporters in knowledge-/technology-intensive industries (e.g., software engineering) :**
  - Likely to compete on the basis of an *innovation-based strategy*.
  - Profitable and have strong growth potential.
- **Immigrant exporters in retail trade:**
  - Likely to compete on the basis of a *low-pricing strategy*.
  - Exhibit low profitability, and limited growth potential.

# What **mix** of government-sponsored **business support services** should be offered to (**innovative**) immigrant exporters?

- Finance
  - credit guarantee programs
  - co-investment in angel investor networks and private venture capital funds
- Mentorship
- Networking
- Business advisory support
- Market research
- Low-cost shared office space

What **model** should be employed to **deliver** business support services to (**innovative**) immigrant exporters?

## An emerging model:

All levels of government have been involved in:

- **Funding** third-party, not-for-profit providers of business support services (e.g., incubators);
- providing **referral services** to entrepreneurs seeking professional advisory services.

# Need for specific program objectives

- ***Government-sponsored business service providers should be guided by clearly articulated **objectives**:***

e.g., To help immigrant exporters satisfy their need for:

- *information and advice*
- *local connections*
- *financial resources*

# Key elements of business support services that might contribute to the economic integration of immigrants

- A more deliberate and structured approach to **network development** is needed:
  - immigrant entrepreneurs need to become more socially-embedded in the leading industry clusters or business ecosystems across Canada.
- Immigrant entrepreneurs need more accessible professional advice on:
  - how to obtain, protect, monetize and strategically deploy their **intellectual property rights** (e.g., patents, trademarks and/or industrial designs).
  - how to expand **ethnic business operations** into **mainstream local markets**.
- Government agencies need to develop more **integrated online platforms** to improve the dissemination of information on government-sponsored business support services across the three levels of government.

# Thank you!



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