



Under clouds of economic gloom, Alberta's entrepreneurs defend turf

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In the face of negativity swirling around the economy, Albertan entrepreneurs are steadfastly defending their turf, albeit with a little dose of reality.

Economic predictions are getting worse as GDP growth steadily declines. The provincial government's current 2015 growth forecast, 0.6 per cent, is well below the previous estimate. The Conference Board of Canada has even warned that Alberta may stagger into a recession this year, its ability to recover contingent on the oil industry.



TURNING POINT

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Against this backdrop, a recent Canadian Federation of Independent Business (CFIB) index **showed** confidence in Alberta is the lowest in the country. In **a separate survey**, roughly one out of every four small business owners believes the so-called 'Alberta advantage' has vanished.



THE AMAZING SPACE

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The Alberta Advantage banner is a legacy slogan, hoisted on the premise that energy could build the province into a powerhouse for years to come. As many may recall, former Premier Ed Stelmach scrapped that Ralph Klein-era slogan, which lasted 15 years, in favour of the aspirational "Freedom to Create. Spirit to Achieve" in 2009 to be more emphatic of Alberta's reputation as a place to do business.

But behind the scenes, the pessimism is tempered with the rugged endurance that Albertans take pride in, and a belief that business can ride out the rough patch.



VIDEOPLAYLIST

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"Are there ups and downs? Yes. I'm not too worried about it, at least not on a macro level. Relative to the rest of the country, we still have a lot of strengths," said Gord McCallum, founder and CEO of **First Foundation**, an Edmonton-based brokerage and financial adviser.

It's a discussion that agitates Kyle Gronning, owner of women's fitness apparel retailer **Believe Fit**. "There's this fear mongering going on in the media: Alberta's economic blows. Alberta's downturn. I read it almost every day."

Over the past three years, his company's revenue has more than quadrupled to \$2.6-million last year.

Many believe the 'Alberta Advantage' branding is outdated. "A lot of people put that falsely on oil. Lots of places have oil," said Mr. McCallum, who grew up in Alberta's shadows in neighbouring Saskatchewan. "I think it refers to creating the conditions for growth."

Indeed, Alberta has long had a reputation for being a low-tax haven. Premier Jim Prentice said he doesn't have plans to raise corporate tax rates and has deflected calls to implement a provincial sales tax. Yet there's still caution, to some degree, amongst Canadian investors.

"Until Edmonton has seen some big exits, until there's a lot more stimulation in the investor ecosystem, [it's] going to be a much longer road," said James Neufeld, the founder of social media platform [Social Asset Management \(SAM\) Inc.](#)

Still, startup founders are finding ways to climb higher. For one, the private investor network seems to be buzzing. Mr. Neufeld said angels accounted for most of the \$400,000 he raised in Dec. 2013. Ben Block, founder of social venture [GozAround](#), recently closed an angel round of \$250,000.

Despite the fundraising success locally, Mr. Neufeld insists he'll have to flee the nest one day for capital. "We can't be a small Edmonton company on a few hundred thousand when we have competitors that are raising millions," he said. "We need to go toe-to-toe and raise millions."

While he sees limits to investment activity here, Mr. Block's gauge of interest tells him a different story. Mr. Block, a former corporate lawyer, says his ex-colleagues in the legal community are busy vetting negotiations.

"There are still lots of deals coming in. There's still a lot of confidence. I don't think it's dissolved, yet," he said.

Kevin Swan, who works out of Silicon Valley for [iNovia Capital](#), the second-most active venture capital firm in Canada last year, is busy on his home turf, Alberta. Out of iNovia's 70 deals since its inception around North America, five have been with startups in this province.

It's iNovia's mandate to look for early-stage technology breakthroughs and while tech startups in Alberta are "a drop in the ocean," as Mr. Swan admits, the space is somewhat shielded from broader economic conditions. He wasn't actively looking for opportunities here, but his ties to the province gave him an early-mover advantage.

"Tech entrepreneurship is built on outliers," said Mr. Swan from his Bay Area home. "Every once in a while one takes off."

In contrarian fashion, Mr. Swan feels there's a silver lining for the tech sector amid all the gloom hanging over the oil patch. Engineers are scarce, and layoffs are freeing up talent, he said.

Labour is perhaps the forgotten quotient in the Alberta's equation. Mr. McCallum feels its scarcity is dragging down the province. "We would have had way more investments, way more projects, a ton more capital coming into this market if we had the people."

Mr. McCallum's views reveal a paradox: talent in some industries is hard to find, but engineers who already live here aren't waiting for Alberta's startup scene to find a more prominent place on the map and neither are startup founders.

“What I’m trying to build goes beyond Alberta,” said Mr. Block. “No matter what, there’s going to be non-profit and there’s always going to be somebody finding a way to volunteer or do something that matters.”

Mr. Neufeld, who launched SAM last June, isn’t sentimental when it comes to leaving his roots to expand his media tech company. “[Alberta] is not the first place you think of when you say that’s your business,” he said. “There will be natural limitations that you’ll hit.”

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