



Focus Québec

Third edition

**Together to
build the future**

Opinions and insights
of Québec entrepreneurs



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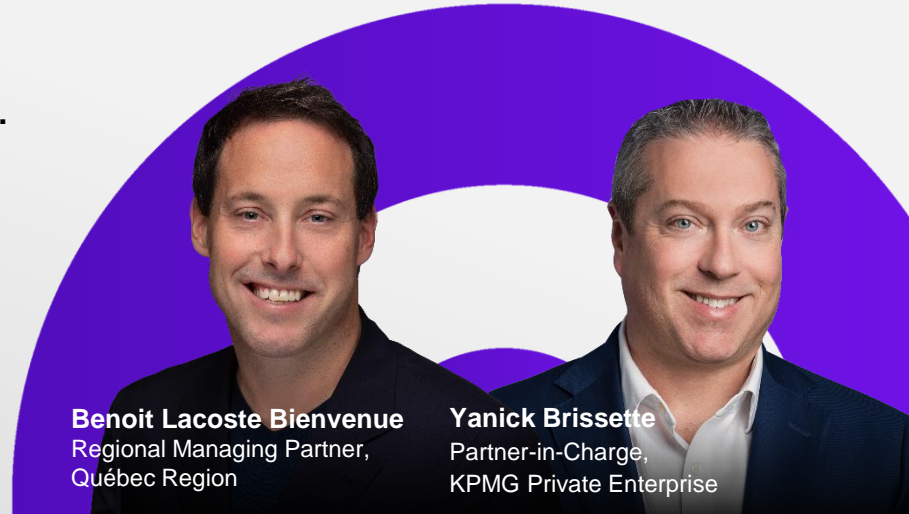
01

Introduction



Focus Québec study

This guide presents survey findings and concrete solutions for businesses.



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Regional Managing Partner,
Québec Region

Yanick Brissette
Partner-in-Charge,
KPMG Private Enterprise

The **Focus Québec survey**, launched in fall 2021 by **KPMG in Québec**, aims to explore the key challenges facing Québec entrepreneurs. This initiative aims to deepen our understanding of how businesses and organizations are responding to fluctuations affecting business and society at large. The goal is to help them support their operations and thrive.

In fall 2023, KPMG surveyed 373 business community leaders across the province. Detailed survey methodology is available at the [end of the report](#).

This year, the survey is tackling a diverse range of critical issues:

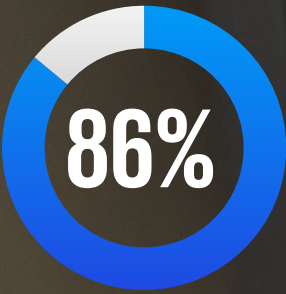
- Economy and entrepreneur confidence
- Transition and succession plans
- Skilled talent optimization and management
- Digital transformation and emerging technologies
- Cybersecurity and data protection
- Climate change and ESG

Each section of this edition includes a summary of our findings based on the survey data. The market outlook is interpreted by seasoned professionals, offering valuable insight into the challenges facing businesses and available opportunities.

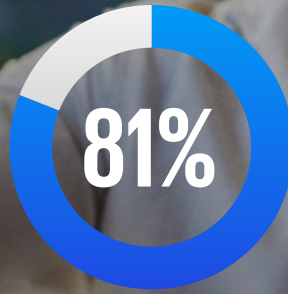


Key findings

Economic outlook



86% of CEOs express strong confidence in global economic growth for the next three years.



81% of CEOs agree that actions by their business to prepare for a recession resulted in lost growth opportunities.

Transition and succession plans



82% of CEOs are bringing succession plans forward.



71% of CEOs do not consider the next generation to be fully ready to take up the reins.



76% of businesses have entered, or will enter, into acquisition, joint venture or joint arrangement projects set to close in the next 12 months.

Skilled talent optimization and management



60% of businesses are planning to gradually expand their workforce over the next three years.



83% of CEOs plan to actively recruit talent for help in deploying artificial intelligence (AI).



88% of businesses report a persistent talent shortage in Canada.



84% of CEOs are encouraging their workforce to gain knowledge in areas like AI.

Digital transformation and emerging technologies

86%

of businesses consider issues about using AI, machine learning and generative AI to be essential.

76%

of CEOs say their business has no idea where to start to prepare for AI.

84%

of CEOs believe generative AI can help detect cyberattacks but also generate exposure to new attack strategies.

62%

report that the lack of qualified talent is a major obstacle preventing their business from fully leveraging digital technologies.

Cybersecurity and data protection

93%

of **Canadian** CEOs fear generative AI will generate more cyberattacks.



44%

feel ready to face them.

79%

of CEOs acknowledge that their infrastructure or systems are outdated and leave them vulnerable to cyberattacks.

70%

of businesses admitted to having paid a ransom in the past three years.

Climate change and environmental, social and governance (ESG)

87%

of CEOs think climate change should be treated as an actual emergency.

74%

of businesses are seeking to reduce their climate impact but have no idea where to start.

8/10

79% of entrepreneurs are determined to reduce their environmental impact and invest more to support their climate-related goals.

83%

of businesses are actively looking for “green” suppliers or seeking to position themselves as a “green” business.

02

Economic outlook

Québec entrepreneurs take a cautious short-term but optimistic long-term view

Québec CEOs face a significant number of complex obstacles. The threats they face are constantly evolving, including climate change, emerging technologies and changes in government regulations. With an ever-changing economic environment, entrepreneurs have some crucial decisions to make. Invest in their business to drive growth? Optimize their margins and assets to ensure sustainability?

86%

of CEOs express strong confidence in global economic growth for the next three years.

Québec CEOs were optimistic about the economic growth outlook, with 89% foreseeing expansion for their business, 86% for the province and 92% for Canada.

88%

of Québec CEOs fear a recession, showing a transition from optimism to near-term prudence.



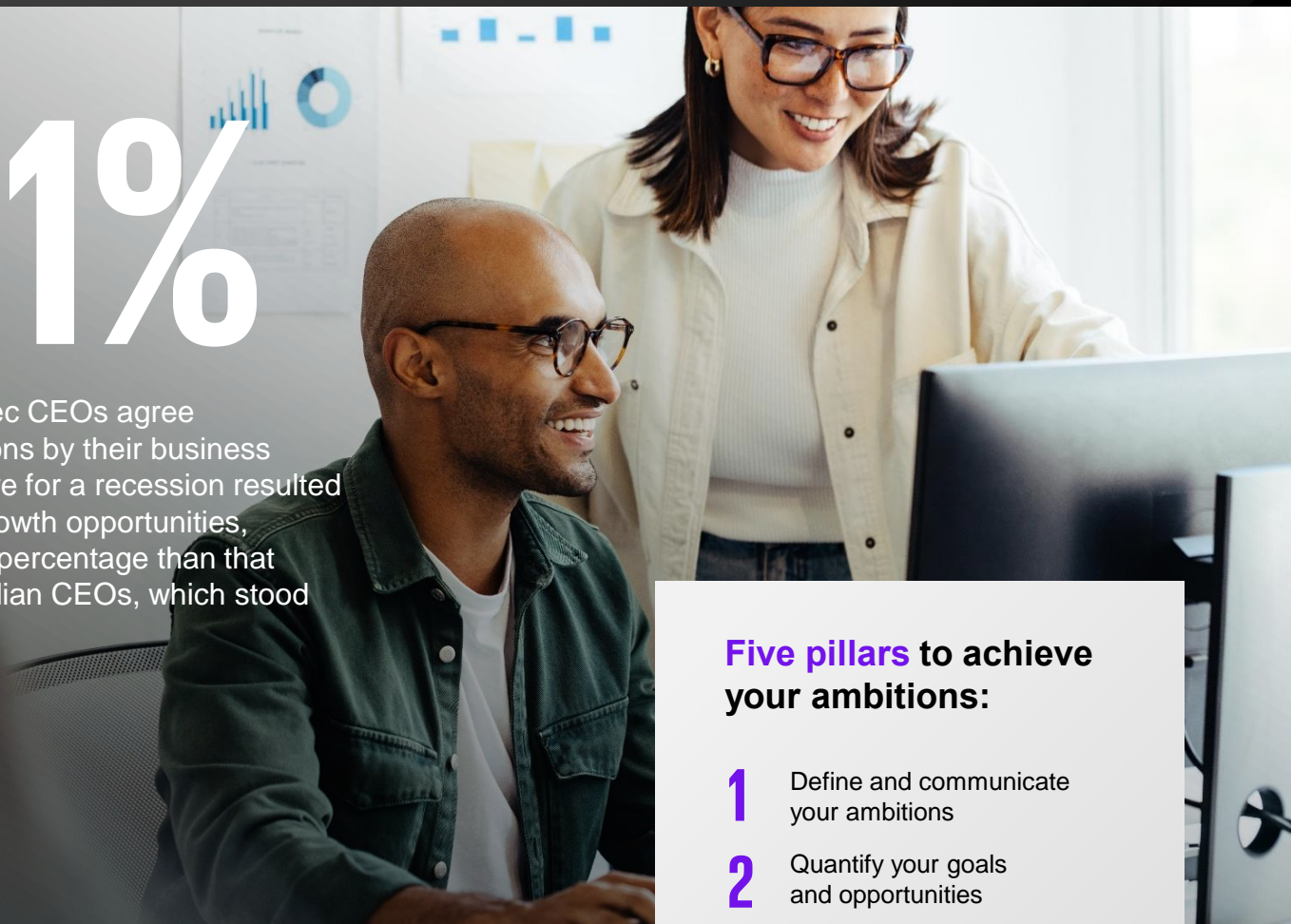
“To deal with the anticipated economic downturn, CEOs are recommended to take a proactive approach by implementing cost reduction measures. By opting to balance long-term optimism with near-term prudence, they will successfully navigate a volatile economic environment.”

Caroline Charest
Partner, Strategy and Economics,
and National Leader of KPMG's
Economics practice



81%

of Québec CEOs agree that actions by their business to prepare for a recession resulted in lost growth opportunities, a higher percentage than that of Canadian CEOs, which stood at 67%.



Five pillars to achieve your ambitions:

- 1 Define and communicate your ambitions
- 2 Quantify your goals and opportunities
- 3 Plan and prioritize
- 4 Allocate resources and accelerate execution
- 5 Continuously measure your results



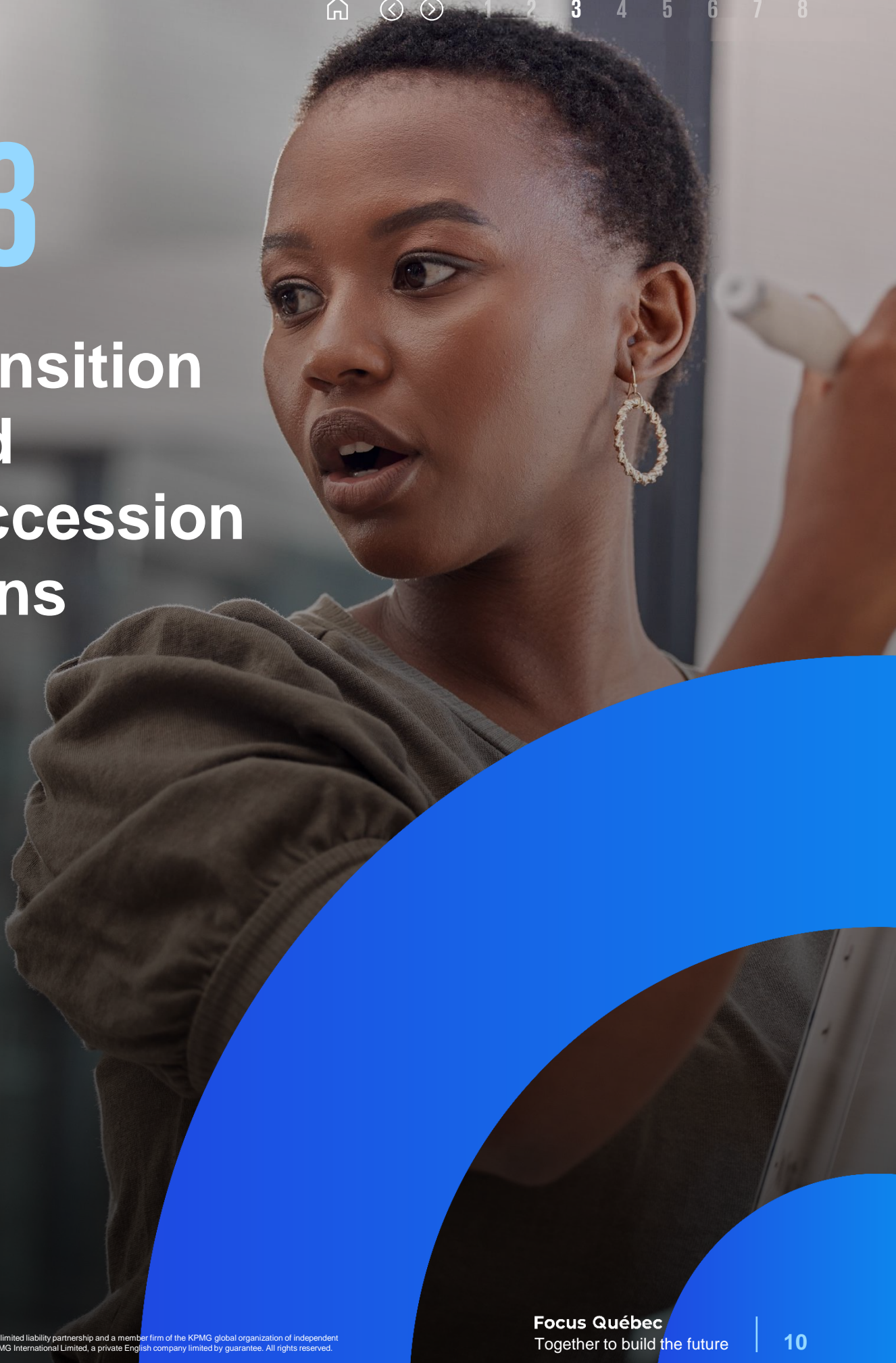
“The key to success is defining your needs and concerns. Engaging in improvement, process optimization and automation lays strong foundations for sustainable growth, maximizing growth drivers.”

Violaine Paquette
Partner-in-Charge, Advisory,
KPMG Private Enterprise, Québec Region



03

Transition and succession plans



Entrepreneurs consider various types of transition and succession

Many entrepreneurs fret about business continuity due to growing concerns caused by economic uncertainty, pressure from various ESG stakeholders and changes driven by technology development. Is it the right time to invest, sell, grow or secure their assets?

82%

of Québec CEOs are bringing succession plans forward.

71%

of Québec CEOs do not consider the next generation to be fully ready to take up the reins.

Three key advantages of being well prepared

- 1 Capitalize on the time and money invested
- 2 Optimize growth opportunities
- 3 Secure the future of your business



“Many clients tell us they are completely open to the transition plans available. Whether considering a family transfer, a third-party takeover or an employee trust, Québec entrepreneurs are resilient about the future of their businesses.”

Jean-Philippe Parent
 Managing Director, KPMG Corporate Finance Inc.
 and Partner, Deal Advisory



76%

of businesses have entered, or will enter, into acquisition, joint venture or joint arrangement projects set to close in the next 12 months (65% in Canada).



Québec's financial ecosystem values these types of transition plans, offering support to entrepreneurs in these processes, through access to a lower cost of capital than the rest of the country and government assistance for multiple years. According to the private equity report of the Canadian Venture Capital and Private Equity Association ([CVCA](#)), Québec recorded 184 mergers and acquisitions in the first half of 2023, representing 58% of the total Canadian flow.

Québec, like Canada, has a tradition of family businesses handed down from generation to generation. This year, 47% of respondents are family-owned businesses. Of that group, 76% of Québec CEOs aspire to keep the business in the family.

Your transition plan is as unique as your business. In short, how you plan depends on the environment you operate in.

Three tips for a successful transition

- 1** Build a plan that is tailored to the specific needs of your business
- 2** Develop a clear execution plan with specific dates
- 3** Optimize your enterprise value assessment by working hard on your processes, costs and margin management



“For the portion of respondents considered ready to embark on the next chapter of the business, the wealth and breadth of the Québec financial ecosystem can be harnessed to make this transition smoother and simpler, given the higher value attached to such transitions. This will allow the new administration to aim for maximum post-closing enterprise value.”

Jean-Philippe Parent

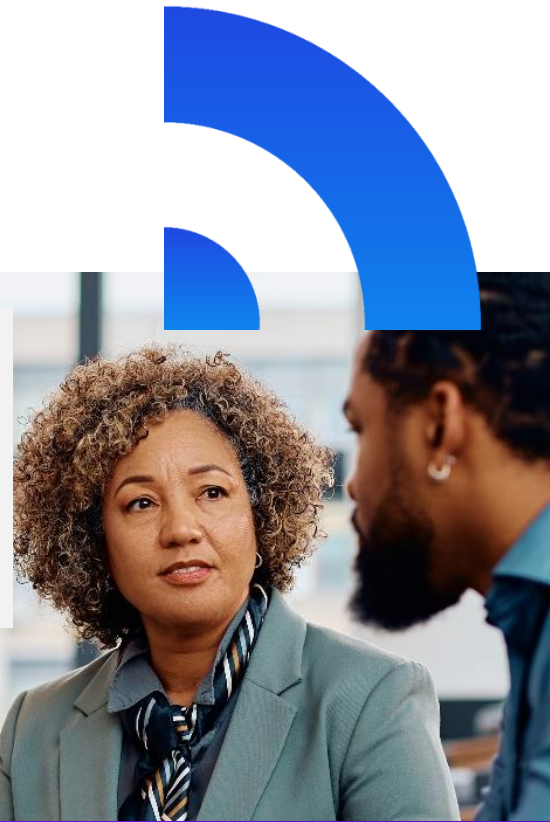
04

Skilled talent optimization and management



CEOs are looking for a workforce that can adapt to change

Québec businesses express the need to train and hire a highly specialized workforce to meet growing market demands. **While 87% report a persistent shortage in Canada, hiring highly skilled talent abroad (83%) and training up existing resources are the apparent solutions.**



Laetitia Debout
Partner, Advisory, Management Consulting, People and Change



60%
of businesses are planning to gradually expand their workforce over the next three years.

“SMEs looking to thrive have little choice but to adapt to the challenges of an ever-changing world. CEOs are looking for a workforce that can adapt to change and be agile in the face of future waves of transformation. To this end, 83% of businesses have stepped up their efforts, confirming plans to more heavily invest in developing the skills and capabilities of their talent.”

Four tips to help optimize your workforce of the future

- 1 Upgrade and reskill your workforce to drive engagement and generate more value for the business
- 2 Enable new ways of working by adopting technology to improve collaboration and productivity
- 3 Design inclusion, diversity and equity programs to attract and retain high-performance teams
- 4 Accelerate the digital transformation of your HR function to automate mundane tasks, create efficiencies and empower data-driven decisions



Four steps to make generative AI a talent ally

1 Assess human and organizational impacts of using generative AI in your environment

2 Identify key challenges and pain points to adopting generative AI

3 Predict the influence of generative AI on the future of talent in your industry

4 Prepare your employees to integrate generative AI into their everyday work



“Investing in the talent of tomorrow requires a comprehensive, transparent and transformative training program to empower talent to fully leverage the opportunities unlocked by new technologies, such as generative AI. Integrated adoption can only be built on a solid foundation. A prudent approach is best, taking one step at a time and ensuring feasibility and success with a pilot project.”

David Marotte
Québec Leader, Data and Artificial Intelligence

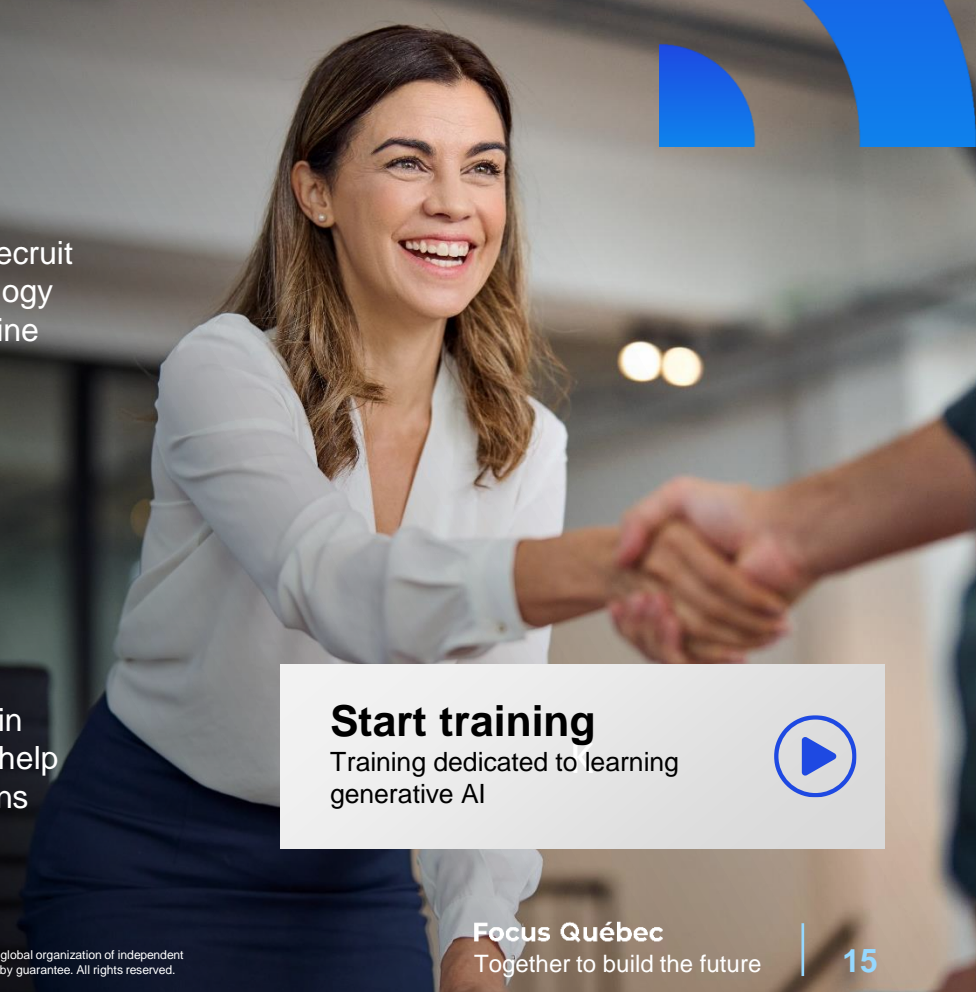


83%

of Québec CEOs plan to actively recruit talent for help deploying AI technology (technical, data science and machine learning experts, etc.).

84%

of Québec CEOs are encouraging their workforce to gain knowledge in areas like AI and data analytics to help them make more informed decisions to improve their operations.



Start training

Training dedicated to learning generative AI



05

Digital transformation and emerging technologies

Québec, an active player in advancing emerging technologies

Québec entrepreneurs are aware of the need to invest in digital technologies and the importance of making their management team aware of the possible benefits and business opportunities unlocked by these technologies. They agree that bridging the digital divide could help them meet their growth goals and improve employee productivity.

86%

of businesses consider issues about using AI, machine learning and generative AI to be essential.

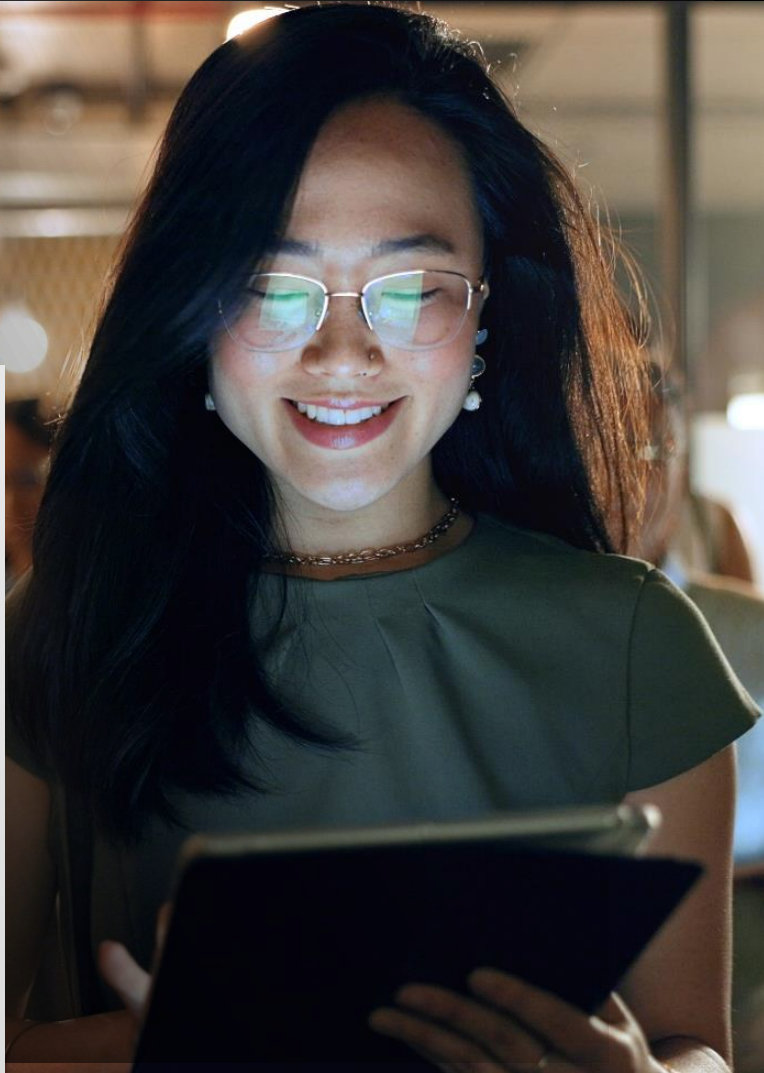
76%

of CEOs have no idea where to start to prepare for AI or even if they should embark on that path.



Six steps to ensure responsible and effective AI execution

- 1 Educate, communicate and raise awareness
- 2 Prepare a current-state and desired-state assessment
- 3 Develop an AI strategy
- 4 Ensure strong, data-driven project governance
- 5 Start small with a proof of concept
- 6 Adapt to the future of continuous work



In real-life terms, what can AI do for your business?

- Reduce, optimize, and control costs
- Enhance your customer and employee experience
- Drive productivity and collaborative teaming to ensure everyone has full access to the knowledge they need for their job
- Improve operational efficiency and reduce the risk of human error
- Develop strategic agility using data-driven analytics
- Set your business apart from the competition

“Québec entrepreneurs are actively advancing new business technologies. They increasingly leverage the increased efficiency and productivity delivered by innovations such as generative AI. These aspects as well as faster data analytics monitoring and improving innovation are considered the key benefits of these transformative technologies. In fact, 76% of entrepreneurs say they use data analytics software effectively to home in on new business opportunities and new customers.”

David Marotte

Your talent. Emerging technologies. It all starts with training.

Implementing new technology has its share of challenges.

84%

of Québec CEOs believe generative AI is a double-edged sword that can help detect cyberattacks but also provide new strategies for attacking opponents or malicious actors.

62%

of Québec CEOs report that the lack of qualified talent is a major obstacle preventing their business from fully leveraging digital technologies.

Training to get a handle on innovation: Operational Risk Skills Development Centre

A new pilot project, proposed by KPMG in Canada and Microsoft Canada, the Operational Risk Skills Development Centre offers free hands-on training to help businesses and governments build cybersecurity protections, navigate the opportunities and challenges of generative AI, and implement them responsibly.



Check out our two courses designed to help develop your cybersecurity and generative AI skills.

Cybersecurity

- Finding the right support
- Understanding your cybersecurity role in your business
- Integrating the *Act to modernize legislative provisions as regards the protection of personal information (Act 25)*
- Staying up to date on recent types of cyber threats
- Managing cybersecurity in times of crisis

Workshop: Proactive management scenario and security incident

Generative AI

- Discovering what generative AI is and its practical applications
- Demystifying reality beliefs
- Mitigating risk through sound governance
- Preparing your business to adopt generative AI
- Looking at the steps of an AI journey
- Gauging the impact of generative AI on human beings
- Assessing ethical, business and legal issues raised by generative AI
- Introducing responsible AI governance

Start your training ▶



06

Cybersecurity and data protection



Cybersecurity: the greatest risk to growth

93% → 44%

of Canadian CEOs fear generative AI will generate more cyberattacks.

feel ready to face them.

79% of Québec CEOs acknowledge that their infrastructure or systems are outdated and leave them vulnerable to cyberattacks.



“A well-protected business has the potential to be confident and the most innovative. As cyber threats grow and become more sophisticated, your business has to adapt its defences. Effective cyber risk management can support your growth ambitions and even deliver a significant competitive edge. Sometimes small changes generate the greatest impact.”

Guillaume Néron
Partner, Risk Consulting,
Cybersecurity



Why integrate cybersecurity into your business?

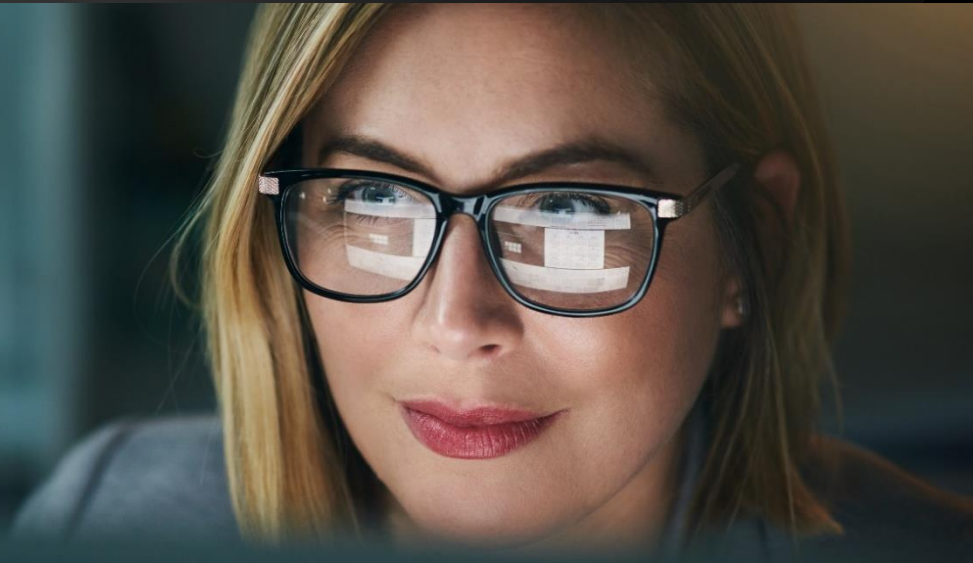
- Secure the technology ecosystem
- Ensure business continuity in the event of a cyber attack
- Preparing your business to qualify for cyber insurance



70%

of Québec businesses admitted to having paid a ransom in the **past three years**, a striking statistic given that 70% do not consider cybersecurity to be a business priority.

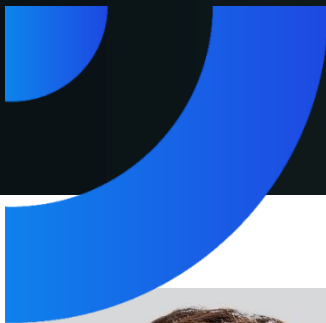
It goes without saying that paying a ransom does not qualify as a cybersecurity best practice.



Don't wait for an incident to justify change!

The **first three steps** to implement:

- 1** Integrate security into your projects now: small adjustments and investments can pay off in the long run
- 2** Update your security incident detection processes: it could strengthen your posture
- 3** Reduce data collection and limit data retention so that you can restrict the attack surface



Mtre. Jean-François De Rico
Partner, Risk Consulting, Cybersecurity and Québec Leader for Privacy



“The interest in the security measures provided by external entities shows that Québec CEOs grasp the importance of managing security risks more effectively. With the new requirements under Act 25, appropriately assessing third-party risks provides key inputs for sound data protection management and, in turn, limiting legal, financial and reputational consequences.”

Act 25: comply and avoid penalties

- Identify and close your compliance gaps
- Avoid significant financial penalties and reputational damage
- Maintain the trust of the employees and customers who share their personal information with you



07

Climate change and ESG



ESG: A value creation driver

In recent years, public expectations of businesses have changed, and many consider it their responsibility to focus on social challenges such as inclusion, diversity, equity, climate change and/or social justice.

Today, a majority of entrepreneurs recognize the importance of environmental, social and governance practices in their business strategy. In fact, 78% of them perceive a strong link between an effective ESG strategy and favourable financial performance.

87%

of Québec CEOs think climate change should be treated as an actual emergency.

What are the benefits of an ESG strategy?

- **Business differentiation:** Showing your commitment to your employees, your customers and society can improve how the value of your business is perceived
- **Cost reduction:** Optimizing your resources and achieving long-term savings can improve your overall valuation
- **Risk management:** Integrating ESG factors into your strategy can strengthen your resilience to climate risks, and social and governance issues

“Businesses are under constant pressure from suppliers, investors and various stakeholders, who are demanding greener products. Even when the direct impact on the business may seem limited, it’s essential to recognize the knock-on effect throughout the ecosystem. In fact, 73% of respondents even report being willing to sell or part with business units that harm their reputation.”



Sonia Hernandez
Partner, ESG



Where to start?

Four steps to integrate ESG into your organization:

- 1 ESG Immersion**
Ensure your teams acquire an in-depth understanding of the factors, benefits and specifics of an ESG approach.
- 2 Assess maturity and priorities**
Collect and analyze market and stakeholder data to prioritize ESG themes.
- 3 Program implementation**
Develop an ESG structure and initiatives aligned with your key areas of focus to reduce risk and seize on opportunities.
- 4 Measurement and disclosure**
Implement an ESG program to take action, monitor performance and transparently disclose results.



74%

of businesses are seeking to reduce their climate impact but have no idea where to start.

80% of Québec entrepreneurs are determined to find ways to reduce their environmental impact and invest more to support their climate change-related goals, such as decarbonization and climate risk mitigation.

83% are actively looking for “green” suppliers or seeking to position themselves as “green” businesses and actively disclose their decarbonization initiatives and goals to their suppliers.

Take advantage of government assistance programs that provide financial support for sustainable initiatives.



“It’s encouraging to see that 84% of the Québec CEOs surveyed are aware of the government support available to subsidize their climate-related goals. This statistic, which handily exceeds the national average of 77%, highlights the growing awareness of the business and financial benefits of ESG in Québec.”

Éric Thibault
Executive Director,
Government Assistance Practice Leader



08

Survey sample and Internal Advisory Committee



Survey sample

About the KPMG Focus Québec study

In September 2023, KPMG in Canada surveyed 700 small and medium-sized businesses in Canada, including 154 in Québec. The survey was conducted in Québec until October 17, 2023 to collect the opinions of 219 other organizations, for a total of 373. Half (50%) of the 373 Québec businesses reported annual revenues of \$100–499.9 million, 29% reported revenue of less than \$100 million and 20% of between \$500 million and \$1 billion. No businesses with reported revenues of less than \$10 million responded to the survey. All respondents are business owners or executives. The interviews were conducted by leading business research firm Sago.



The businesses surveyed operate in various industries:

- Automotive
- Consumers and retailers (including restaurants)
- Financial services (e.g., banking, insurance, securities, asset management, intermediaries)
- Health care and social assistance
- Life sciences (e.g., pharmaceuticals, biotechnology, medical research and testing, nutraceuticals, plant sciences)
- Manufacturing
- Mining
- Professional, scientific and technical services
- Oil and gas
- Construction and real estate
- Renewable energy
- Technology, media and telecommunications
- Transport and warehousing
- Energy and public utilities



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