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# Supercharging Canadian SMEs with AI: Unlocking Productivity and Competitiveness

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## Ability is Competitive Advantage

Canada has faced persistent productivity challenges, which have contributed to slower GDP growth compared to other advanced economies. Despite its rich natural resources and well-educated workforce, Canadian firms have been slower to adopt new technologies and scale up innovative practices, leading to a productivity gap. SMEs, in particular, struggle with limited resources and slower technology integration. As a result, Canada's GDP growth has lagged behind countries in the OECD, highlighting the need for better digital transformation, innovation incentives, and workforce development to boost competitiveness and economic output.

This is not just a problem it's a crisis according to a recent TD bank report which highlighted that declining productivity threatens the standard of living in Canada, leading to stagnant wages and worsening public services. Without interventions, Canada risks falling behind other advanced economies. This is a serious problem, this is a national emergency.

Despite their critical role in the economy, Canadian SMEs often face productivity challenges, such as limited resources and slower technology adoption. Reports from the Business Development Bank of Canada (BDC) highlight the need for SMEs to adopt new technologies to streamline operations and stay competitive in the global market.



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## There are ways to supercharge in a modern context

In Canada, small and medium-sized enterprises (SMEs) make up more than **99%** of all businesses, and they play a crucial role in the economy. They account for **88% of private sector employment**, employing **8.4 million** individuals. Despite their importance, the contribution of SMEs to Canada's GDP is only **52.5%**. This is particularly evident in industries like agriculture and construction, where SMEs contribute over **85%** of the sector's GDP. However, across the broader goods and services sectors, their contribution is more modest, reflecting productivity challenges in scaling operations and adopting new technologies.

These productivity challenges, such as limited resources and slower technology adoption, have significant implications for Canada's economic growth. When SMEs struggle to improve efficiency and embrace innovation, the overall competitiveness of the Canadian economy is affected, especially when compared to other OECD countries that have made more strides in digital transformation and productivity enhancements. Addressing these issues by helping SMEs adopt AI and other advanced technologies is crucial for boosting their productivity and, in turn, the broader economic output of the country

Canadian small and medium-sized enterprises (SMEs) are at a pivotal moment in the fast-evolving economy. With Artificial Intelligence (AI) offering a transformative opportunity to boost productivity, drive

innovation, and enhance competitiveness, SMEs must find ways to leverage AI for rapid ROI and market leadership. Although challenges exist, embracing AI—particularly in marketing—can lead to substantial long-term gains. By fostering collaboration and education around AI adoption, SMEs can amplify productivity, compete at a larger scale, and play a crucial role in strengthening Canada's economic future.

## AI: The Engine of Productivity

Studies, such as *Artificial Intelligence and Firm-Level Productivity*, demonstrate AI's positive impact on firm productivity. Companies adopting AI experience higher sales, operational efficiency, and faster innovation. For Canadian SMEs, AI can automate routine tasks, optimize operations, and free up valuable resources for strategic planning and improved marketing a traditional weakness of Canadian Firms.

## Actionable Solution Design

AI is a vast category of possibilities and frankly it can be overwhelming. Our thoughts are simple, focus on where we can scale knowledge that can have an immediate impact on SMEs in the short term. This is the proverbial teach and someone to fish argument. The first steps to change always involve inspiration coupled with action.

The greatest impact we can have in the short term is to help level up marketing expertise



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and reach for Canadian SME and this is where AI can have a tremendous impact.

Peter Drucker famously stated that the primary functions of business are marketing and innovation. In his view, marketing focuses on understanding and meeting customer needs, while innovation creates new value and products. He emphasized that all other aspects of a business, such as production and administration, are costs—only marketing and innovation contribute directly to business success by driving growth and creating competitive advantages.

Another guiding principle comes from Eric Hoffer: "In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists." In a rapidly changing world, lifelong learning is not just important—it is essential. We must focus on building capacity and adding value to stay relevant.

For Canadian SMEs to thrive and grow, addressing both productivity challenges and GDP decline requires a shift in focus toward practical solutions. By fostering a passion for adapting to the new rules of the modern economy, we can help SMEs evolve and remain competitive in this fast-changing landscape.

## AI as a Game-Changer

AI presents a general-purpose technology that can revolutionize business operations. Studies show firms adopting AI see improved productivity and innovation. However, these gains might not be immediate—SMEs need to invest in

complementary assets and adjust processes to maximize AI's potential. Though the initial investment may be substantial, the long-term benefits, such as automation of routine tasks and supply chain optimization, are significant.

Canadian SMEs and the traditional creative class must embrace AI through platforms that foster collaboration, innovation and workforce education.

- **Enhance Productivity:** Equip SMEs with practical AI solutions to streamline operations.
- **Drive Innovation:** Encourage knowledge sharing and strategy development to push boundaries.
- **Maintain Competitiveness:** Ensure businesses continue evolving in a rapidly changing environment.

## Grasping AI's Capital Amplification

AI doesn't just improve processes—it amplifies resources by unlocking new capabilities. This capital amplification means that AI investments can drive disproportionate gains in productivity and profitability. This is important for cash strapped Canadian enterprises. It empowers them to make money go further with more meaningful impact. However, effectively leveraging AI is crucial to creating value. SMEs that invest in learning and adopting AI will not only enhance their operations but also contribute to Canada's overall competitiveness.

AI offers significant potential for improving competitiveness and productivity in



Canadian companies, which could help reverse the country's declining per capita productivity. Advanced technologies, particularly AI, are tools that empower people, and teaching the workforce how to operate within this new business paradigm is essential. The goal is to level up the workforce, enabling them to harness cutting-edge technological innovations to empower SMEs and startups.

These skills are crucial for building a modern workforce and addressing the challenges Canadian companies face, such as global competition and limited access to capital. Embracing evolving business paradigms provides Canada with an opportunity to reset declining GDP trends and revitalize the SME sector.

## AI-Powered Marketing Playbooks

We think we can make a powerful impact by teaching Canadian SMEs how to use AI to amplify marketing capability. We see creating these types of programs as a gateway to greater specialization and more innovation for Canadian SME as the further understand the positive impacts of AI.

Marketing is a crucial battleground for SMEs, and AI offers transformative capabilities:

1. **Immediate ROI:** AI tools can quickly analyze trends and behaviors, allowing SMEs to craft effective, data-driven marketing strategies.
2. **Personalization at Scale:** AI enables businesses to deliver personalized

customer experiences without the traditional high costs.

3. **Data-Driven Decisions:** AI-driven analytics help SMEs refine marketing actions to continuously for maximum relevance and impact.
4. **Concept and Market action prototyping:** AI can help create plans and approached allowing SMEs to rapidly evaluate new concepts and ideas.

By adopting AI in marketing, Canadian SMEs can level the playing field and compete with larger firms more effectively.

## Start with Inspiration, Educate on playbooks and follow-up with coaching

improving marketing performance is a logical and measurable way to enhance the state of Canadian SMEs. To support this, we are developing the following initiatives:

1. **An Inspiring View of AI for Canadian SMEs:** Framing AI from the perspective of its unique benefits for small and medium-sized businesses in Canada.
2. **AI-Amplified Playbooks:** Practical, action-oriented guides that enable companies to take real steps forward in their AI learning journey.
3. **Community and Coaching:** Offering support and mentorship to empower companies as they amplify their growth with AI.

This initiative is focused on real-world actions that deliver tangible benefits and measurable value, not high-level theories.



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The tools we are building will inspire action, drive results, and provide clear returns on investment.

Our goal is to scale this knowledge to reach as many of the 1.3 million SMEs in Canada as possible. This grassroots effort will empower those who have the most to gain and potentially lose. Boosting revenue is a universal goal for all businesses, and teaching SMEs how AI can help achieve this will resonate broadly, serving as a catalyst for embracing new ideas and mitigating risk. Supercharging marketing ability is a logical power step. Ultimately, this will drive real productivity growth, which is the mission we are all working to solve. By focusing on the **98%** of businesses with 1-99 employees, we believe we can create a ripple effect that will benefit the entire economy.

We want to teach Canadian SMEs how to thrive in this new world and we want to do it by helping them to level up their game with knowledge.