

## 69. Fuelling Job Growth through Innovation

### Issue

Technological changes offer diversification opportunities and strengthen existing industries for the long-term growth of the Canadian economy. As innovations happen within industries, those innovations often are a result of new or enhanced forms of technology. As Marc Andreessen of Houston-based venture capital firm Andreessen Horowitz once remarked, "Software is eating the world." When looking at almost any vibrant industry in today's economy, it is usually technology that underpins opportunity and growth within the industry.

Having a focus on innovation in all sectors and the Canadian technology sector in particular can better balance and grow the Canadian economy by increasing employment, increasing export revenue, better situate Canada to attract new talented immigrants, and re-engage Canadian talented science and technology workers once lost to more attractive employment opportunities most notably in the U.S.

### Background

In 2015, Science, Technology & Innovation Council (STIC) Chair, Kenneth Knox said, "Proactively pursuing – and achieving – a sustainable competitive advantage in ST&I [Science, Technology & Innovation] is the path to higher living standards and a superior quality of life for Canadians. Success requires that all players in the ST&I ecosystem work more closely together in a "systems" approach. It requires better integrating organizations, activities and funding mechanisms in a more coherent, coordinated whole to help us realize more impact from the investments we make."

It's important that Canada makes progressive decisions now that can support future success for our companies and economy. In the same STIC report – State of the Nation 2014 – the government-mandated group concluded that Canada "was not globally competitive" and that "it is falling further behind global competitors and facing a widening gap with the world's top five performing countries."

There are many hurdles that prohibit technology companies from growing in the Canadian landscape. Some include:

- A lack of funding programs for digital technology incubation and acceleration at a federal level.
- Inadequate programming infrastructure to help established mid-sized – approximately \$2-20M – Canadian based innovative companies grow to become global leaders. Many of these companies remain in this mid-sized range or choose to sell their companies to foreign private equity groups. Many of these established companies find it difficult to find the right peers or mentors in their regions. In a 2015 Kauffman Foundation report titled *Guidelines for Local and State Governments to Promote Entrepreneurship*, it reads, "They [entrepreneurs] often find it difficult to find other entrepreneurs or meet investors in their regions, and investors have trouble identifying local entrepreneurs."
- Cumbersome, redundant and time-intensive application procedures for government-sponsored loans and/or grants.
- Some funding sources are centralized which may not always distribute the money to the companies that have the highest chance of success.
- An ongoing loss of skilled workers and future entrepreneurs to countries like the US limits future opportunities.

### Recommendations

That the federal government:

1. Distribute more funding programs through already established regionalized efforts (e.g., Regional Innovation Centres (RICs), post-secondary, etc.) and establish local panels - with adequate successful entrepreneur

representation - for awarding such funds to better match funding with the best companies capable of growing. Meeting the entrepreneur and understanding the underlying opportunity should be a requirement when issuing grants to ensure the funding is providing maximum impact to the economy.

2. Create new funding programs that are designated for established innovative technology companies that are in growth-mode. Supporting proven companies lowers the risk of funding defaults, lowers the amount that will leave Canada or sell to foreign companies, and maximizes the overall benefits to the Canadian economy.
3. Match funding programs with clear measurement targets built against key metrics that improve the Canadian economy. Efforts should be made to ensure federal funding in this area is results-oriented and -driven to reliably grow the Canadian economy.
4. Lower the burden on Canadian entrepreneurs by creating a harmonized system and eliminate duplication between provincial and federal funding program applications.
5. Create or help enhance a national network(s) that is committed to established Canadian companies - typically in the \$2-20M revenue range - in the acceleration stage, connecting them not only with funding sources but programming opportunities which include mentorship, formalized education, peer-to-peer learning, and export opportunities.