

TOPIC

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Building a new culture of entrepreneurship in Canada

What's keeping Ontario from being "Silicon Valley North"?

Walk into a coffee shop in the right corner of Silicon Valley and you are likely to bump into any number of people with the expertise and support you need to get that great idea of yours off the ground. That reflects a critical mass of entrepreneurial energy to which Ontario can, at this point, only aspire.

The problem isn't just money. In Silicon Valley, an

investor noted recently, there's a large contingent of repeat entrepreneurs who know their way around. In a market like Toronto, however, most startups are run by first-timers who don't have that savvy.

"Building a successful innovation ecosystem is a long-term endeavour. ... a buoyant venture capital industry is one of the important ingredients.... But building a large pool of successful technology entrepreneurs, venture capitalists and company managers takes decades."

-Canada's Venture Capital & Private Equity Association, 2009

A phrase often heard is a lack of "pre-venture support" – access to the business skills, advice and guidance needed to get a budding entrepreneur ready to meet potential angel investors. Beyond that, there is simply the lack of ongoing contact with other people who are also driven by a vision of starting and growing their own company (see Figure 1), or who are willing to take a chance on those who do.

The most promising go south or get sold

As a result of all these challenges, the Council of Canadian Academies noted in a recent report, "too many innovative start-ups fail to mature in Canada."

"Persistently low rates of return highlight that new innovative ventures underway are not as successful in Canada as the United States."

- TD Economics, 2010

What would help start-ups and entrepreneurs

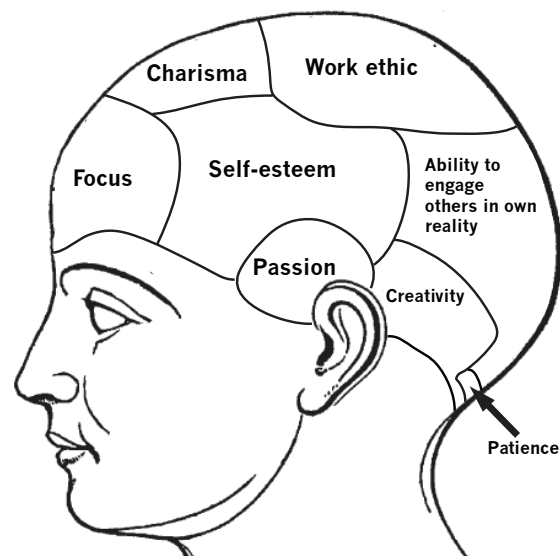
- Translate the outstanding research undertaken in Canada's universities into opportunities for Canadian business
- Encourage the commercialization of academic innovation
- Provide mentors for start-ups
- Focus support on strong Canadian sectors (automotive, aerospace, ICT)
- Promote technology transfer through research support and incentives

Source: Council of Canadian Academies, 2009

QUICK STAT: Canada ranks 9th globally in university-industry collaboration

-TD Economics, 2010

Figure 1. Anatomy of an Entrepreneur



Pathways to Productivity

ECONOMIC SYMPOSIUM

Worse, the Council charges that “the most promising are acquired or move to the U.S.,” draining Canada’s capacity for entrepreneurship in the long run.

And it isn’t just a lack of talent or financing that drives start-ups south: they also need customers, and it seems big corporations in the U.S. are far more willing to open the door to their new ideas.

Taken together, these factors may help to explain why start-ups are slow to get going in Canada and why small companies tend to stay that way.

Keep looking outward?

Much attention has been focused in recent years on the idea of clustering companies within a city or region to drive innovation and entrepreneurship. That may work in an economy like that of the U.S., where most firms can thrive off a large and prosperous domestic market. But a recent study from Europe’s Centre for Economic Policy Research underlines that companies in other countries must keep an eye on the bigger picture.

Analysis of more than 1,000 companies in Norway’s five largest cities found that regional and national clusters are “irrelevant for innovation.” In fact, in smaller centres they may simply lead to the recycling of stale ideas. Instead, the study identified international linkages as the main driver of innovation. For product development, adding just one new international relationship improved a firm’s odds of successfully introducing new ideas by 26 per cent, the study found.

“Municipalities want these clusters to happen,” one of the study’s authors noted. “But the most successful clusters tend to happen naturally without political interference. You can’t really legislate innovation.”

Source: “When Local Interaction Does Not Suffice: The Sources of firm innovation in urban Norway”

QUICK STAT: MIT’s annual Entrepreneurship Competition has launched over 149 companies and raised more than \$1.2 billion in capital

- The Globe & Mail, 2011

“(The) Chinese government has unveiled plans to drastically increase production of patents... to two million by 2015... Last year 480,000 patents were filed across the entire U.S.”

-Globe & Mail, 2011

Resources:

- OECD: Entrepreneurship and Innovation, OECD Studies on SMEs and Entrepreneurship
- CVCA, Canada’s Venture Capital & Private Equity Association: Why Venture Capital is Essential to the Canadian Economy
- Council of Canadian Academies: Innovation and Business Strategy: Why Canada Falls Short
- Centre for Innovative Entrepreneurship: Stimulus Needs to Address Communities: Learning, Innovation and Entrepreneurship in Communities Should be Cornerstone of Economic Recovery
- Globe & Mail: Entrepreneurship just needs ‘rich people and nerds’