



Executive Summary

CONTEXT

Innovation is a key driver of economic growth and a potential source of major disruptions

Innovation is the main driver of productivity gains and economic growth in our societies¹. Many economists, including Nobel Prize winner Robert Solow, have demonstrated that up to 85% of economic growth in modern economies cannot be attributed to growth of inputs (capital and labour), but rather is linked to productivity growth and innovation².

More recently, innovation has not only been a key driver of wealth creation and technological transformation, it has also become - at an accelerating pace - a potential major source of economic disruption. It is now well understood in the general public that “software is eating the world”, as disintermediation is spreading and a growing number of sectors become disrupted by tech innovation: books, music and film distribution, advertising and media, financial services, retail, taxis and transportation, travel and hotel businesses and the list keeps growing. But the magnitude at which technology innovation is already disrupting - with the same impact - all sectors of the economy, including those perceived as “traditional” thus seemingly impermeable to “technology”, is unfortunately not well enough understood. Profound transformations in the fundamentals of our economy are coming at a speed that will make it challenging for any society to adapt.

In sum, tech innovation is not just an opportunity to create societal benefits and wealth; it is also a serious and immediate threat for societies ill prepared to face it. Societies that are preparing to take advantage of tech disruption will be well positioned to reap the benefits of innovation in terms of productivity gains, jobs and wealth creation, and will be able to minimize the costs of disruption.

So far, unfortunately, Canada is distinguishing itself from most advanced countries by its inability to adapt to a world whose wealth is increasingly driven by innovation as detailed in the next section. This is a serious and important national challenge.

¹ For a discussion of the links between innovation, productivity gains and economic growth, see Jenkins Report, “Innovation Canada: a Call to Action”, chapter 2.

² Josh Lerner, Harvard Business School and National Bureau of Economic Research, “Alberta Venture Capital Review”, February 2007, pages 9-11.

Canada: lagging and under prepared

Canada is facing a well-documented and persistent productivity and innovation gap: “Relative to the United States, labour productivity in Canada’s business sector has fallen from approximately 93% of the US level in 1984, to 71% in 2009”³.

This gap is not the result of the sector composition of the Canadian economy (Canada lags behind the US in nearly every sector)⁴, nor of the relatively smaller size of Canadian companies⁵. Neither can it be attributed to workforce composition (changes in the level of education, training and experience of the workforce) nor to capital deepening (growth in the amount of capital used to support workers). Rather, it is due to a growing gap in multifactor productivity which is the aspect of productivity that is related above all to innovation of all kinds (product, process, organization and markets)⁶. Recent surveys also document that most Canadian businesses are under prepared to face the disruptions induced by the current rapid technology advances⁷.

A deep rooted situation that is about to change

There are deep historical reasons explaining “why Canadian business has never shown much inclination to adopt innovation-focused business strategies”⁸. These reasons mostly pertain to Canada’s role in an integrated North American economy as an “upstream supplier of both commodities and cost-competitive manufactured products” that for a long time has brought prosperity to the country.

However, the situation may be about to change:

“Now, because circumstances are becoming radically different from those that have shaped Canadian business culture and strategic behaviour for more than a century, business will have to embrace innovation-focused business strategies to compete and survive. This creates the conditions where public policies to support business innovation can be more effective than in the past because innovation policy objectives and business motivation will finally be aligned”⁹.

Accelerating the change: focusing on tech innovation ecosystems

Addressing every aspect of the innovation gap issue in Canada is obviously beyond the capacity of any single organization. However, one area in which this new alignment of interest for change can be particularly leveraged and that is directly related to the mission of the PPF¹⁰, is the development of vibrant tech innovation ecosystems based on open innovation models feeding a pipeline of serial entrepreneurs and high growth companies that become drivers of innovation for the whole economy.

³ Jenkins Report, “Innovation Canada – A Call to Action”, page 2-3

⁴ Deloitte, “The Future of Productivity – Clear Choices for a Competitive Canada”, 2012, p.2

⁵ Idem

⁶ Jenkins Report, “Innovation Canada – A Call to Action”, pages 2-3 and 2-4

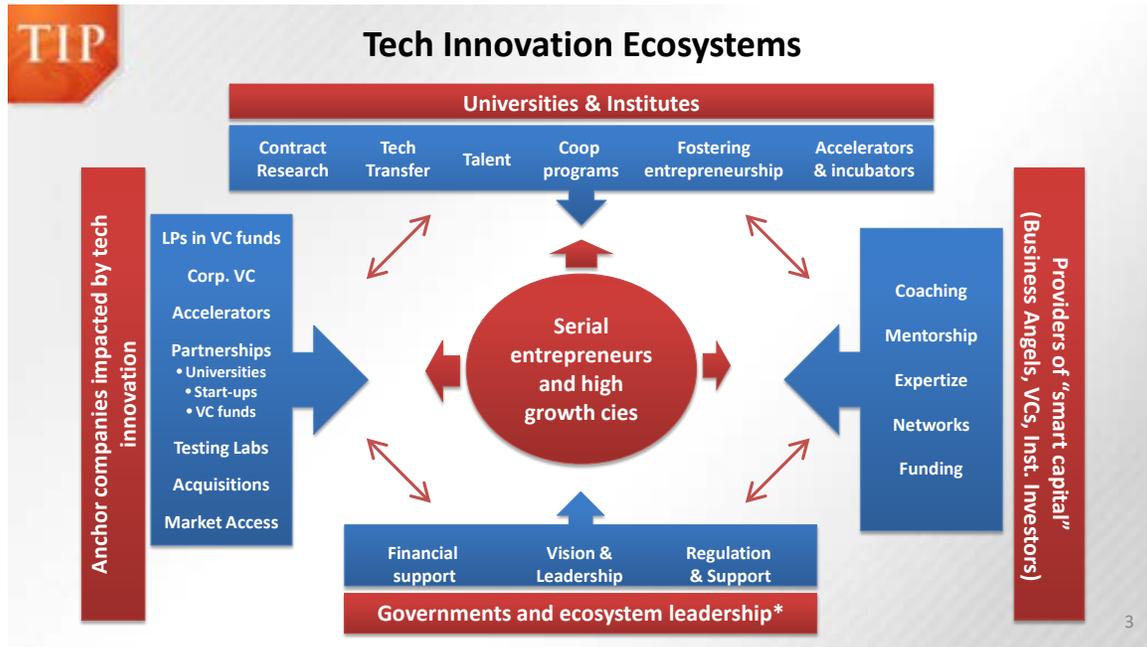
⁷ Deloitte, “Age of Disruption – Are Canadian Firms Prepared?”, 2015

⁸ Council of Canadian Academies, « Paradox Lost – Explaining Canada’s Research Strength and Innovation Weakness », 2013, p.7.

⁹ Ibid. p.32

¹⁰ For the last eight years, the Public Policy Forum on Venture Capital and Innovation (PPF) has been focusing on the financing chain for tech start-ups.

As illustrated in the graph below, innovation ecosystems involve many groups of stakeholders: universities venture capitalists and business angels, corporations, governments and finally institutional investors and, to succeed, they require a high level of collaboration among these groups of stakeholders.



A need for structured and continuous collaboration among stakeholders groups

In places like Silicon Valley, there is a critical mass of start-ups, investors (VCs and business angels) and tech corporations, a culture of innovation within large corporations and a wide circulation of talent among all stakeholders. Collaboration among the main groups of stakeholders impacting the tech innovation ecosystem is intense and always reinventing itself. In most other places including Canada, the intensity of interaction among these groups is much lower; collaboration is far less efficient and best practices are adopted at a much slower pace.

Breaking the silos, building trust and finding the right way to create links has benefits for each group of stakeholders and is essential to accelerating the pace of innovation in the whole ecosystem. Such an endeavour however does not fall under the direct responsibility of any group of stakeholders in particular and if many recognize the need, it is difficult for any one organization to take the lead individually and build these bridges.

As a result, there is a need for a platform aiming at creating a structured and continued interaction among the main groups of stakeholders impacting the Canadian tech ecosystem in order to identify how collaboration could be fostered and accelerated and lead to tangible results for participants and the ecosystem.

TIP MISSION

The Tech innovation platform is an independent, not-for-profit and by-invitation only platform for leading stakeholders of innovation ecosystems (companies impacted by tech innovation, universities, investors, governments and industry experts). Its mission is to support collaboration among them to:

- Reach a common view on what has to change;
- Share experience about what has worked;
- Design and implement work plans to achieve change with on-going secretarial support of TIP's resources;
- Build relationships of trust and develop communities of interest that will lead to tangible outcomes.

TIP is the successor to the Public Policy Forum on Venture Capital and Innovation ("PPF"). It remains focused on public policies and best practices related to financing and capacity building issues. However, it will differ from the PPF in the following ways:

- It is more selective in its invitations, focusing on high level strategic leaders that can participate in the elaboration of collaborative solutions;
- It aims more explicitly at developing ongoing relationships of trust among regular participants in order to support long term collaboration;
- It operates both strategically (long term), working with participants to elaborate a multiyear agenda, and in the short term to produce concrete outcomes on an ad hoc basis;
- It has the capacity to support ongoing interactions between meetings.

TIP is an independent, not-for-profit and by-invitation only platform. It is the initiative of the QCC Foundation. It follows on the steps of the PPF that since 2007 has developed a community of public policy designers and industry leaders who have convened annually to discuss how best to support and fund innovation. It also builds on the experience of the QCC in launching the Institutional Investors Roundtable ("IIR"), an independent platform exclusively set up for strategic leaders of large scale global long-term institutional investors (pension funds and sovereign wealth funds) to (i) explore ways of improving collaboration among them, (ii) consider tangible and innovative ways to co-invest, especially by leveraging one another's expertise and maximizing efficiencies; and (iii) foster relationships of trust, key to their long-term cooperation.

TIP FORMAT

- (i) TIP's agenda, format, guest list and content are determined the QCC team with the support of the advisory Committee. The team will consult with participants to prepare the agenda. No participant or group of participants has disproportionate rights or influence in TIP.
- (ii) No promotional or sales activities are permitted within TIP Meetings.
- (iii) TIP is apolitical in its activities and does not engage in any political advocacy nor does it speak on behalf of participants;
- (iv) All discussions held at TIP meetings are confidential so as to allow participants to openly explore ideas and opportunities of collaboration in depth.
- (v) Sponsors of the QCC Conference are not allowed to participate in TIP meetings. They are allowed to participate in the QCC Conference on the second day but are not allowed to influence the agenda.

ABOUT THE QCC FOUNDATION AND THE QUEBEC CITY CONFERENCE

The QCC Foundation is a not-for-profit organization whose mission is to support private investment activities producing societal benefit by addressing a specific need in the market place. Its modus operandi is to create customized by-invitation-only forums (including the Quebec City Conference, the IIR and the TIP) aiming at solving specific market dislocations and to support them logistically and financially.

The Quebec City Conference is an annual two-day event:

- On the first day, customized forums are held in parallel from 8:30 am to 5:30 pm. In the evening, attendees are invited to a cocktail reception and a private dinner.
- On the second day, participants are invited to continue the discussions and network with leading members of the private market investment community (institutional investors, family investment offices, international venture capital and private equity firms and leading industry experts and academics) in a format intended for high-level exchange and reflection. Private meetings among participants are facilitated while distinguished keynote guests are invited to address the group on major topics relating to private market investment.

The QCC Foundation is supported by the governments of Quebec, Ontario and Canada and by private sponsors. More information is available at: <http://qcconference.com/>.