(*in order*) David Ross, Carl Rodrigues, Amer Matar & Andrew Dixon

Industry Panel

Moderator: Tom Corr, President & CEO, OCE
Andrew Dixon, COO, Igloo Software
Amer Matar, CTO, Moneris Solutions
Carl Rodrigues, President & CEO, SOTI
David Ross, CEO, Ross Video

Each of the panelists introduced themselves and offered a brief description of their respective enterprises. Dixon explained that his Kitchener-Waterloo-based Internet solutions company emerged from a research project designed to connect academics across international borders. Since 2008 this capability has been expanded to provide similar networking assistance to mid-sized firms around the world. "We're doing very well," he said. "We're also at the cusp that so many companies of our size are at, in needing to scale up globally to compete with much larger

Matar described Moneris as a collaboration between the Royal Bank and the Bank of Montreal with some 1,800 employees, which handles a significant proportion of North American electronic payment transactions. The company handles such business on behalf of major retailers across Canada, ranking among the top 10 providers of such services around the world.

Rodrigues presented the heart of SOTI's business as enterprise mobility management, overseeing complex systems such as those handled by American Airlines to track passengers, luggage, aircraft, and all other associated documentation on a real-time basis. With about 500 employees and offices in countries around the world, the company has about 2,000 partner firms and some 15,000 customers.

Ross explained that his firm makes almost all of the equipment found in a television or video production control room. That means their clientele consists not only of all the familiar broadcasters around the world, but other video operations such as big screens found in major sports facilities.

Corr then asked members of the panel to comment on whether medium-sized firms that are neither start-ups nor major anchors have been overlooked by Canada's innovation policies. Ross asserted that this was exactly the case. "It's almost like there's nothing more we could do to make it harder for mid-sized companies to grow," he said, pointing to examples such as the shrinking cut-off limits for SR&ED programs. "They think you're a big company at half the size that they used to think you're a big company 20 years ago. If you make more than $3 million — regardless of the size of your company — they start to grind you down. They take away your SR&ED money and you don't start seeing the same cash flow until you make $7 million in profit. That's more than double."

Matar echoed this sentiment, indicating that SR&ED was of some value early on in the experience of Moneris but it is no longer helpful to them. "I think there's a huge missed opportunity in partnering with mid-sized enterprises," he said, noting that smaller firms can benefit from working with larger ones that have the talent and resources to drive their growth.

Rodrigues confirmed that his experience was similar, adding that the software world is especially beset by IP issues, such as patent trolls that can generate onerous legal costs. Dixon further pointed to the scale-up limitation posed by sales and marketing as they compete directly against giants like Microsoft. "I stay awake at night wondering about how many deals I'm not in because nobody knows about me," he said. "I just don't have the resources to promote myself to the same extent that some of these organizations do."

Corr then asked if the United States had developed programs to address some of these problems, which Canada might do well to emulate or adapt to our needs. Rodrigues suggested that the American government had signalled its affinity for the technology industry when President Obama personally toured many companies. Ross agreed that this reflected a distinctively different mind-set. "Canadians, for better or worse, as soon as we get to a certain size, we get scared and we sell out," he said. Among the novel strategies that might counteract this tendency would be to provide additional support to firms taking the ambitious and daunting step of exporting, perhaps by increasing SR&ED limits in such cases. "If SR&EDs work, why do we cap them? Mid-sized companies are selling around the world, trying to beat Microsoft, trying to beat Sony, trying to beat Google. If it worked for the three-person company in the garage someplace up in Gatineau, why doesn't it work for mid-size companies that are kicking butt around the world?"

Rodrigues suggested that the answer to that question goes a long way toward explaining the absence of Canadian brands on the global economic scene. As these companies are scaling up, they are far more likely to find the support they need from American investors than Canadian ones. "Canadian tech is alive and well," he concluded. "It's just living in a US company." He added that this observation hits even closer to home with respect to talent, as American firms snap up the best and brightest educated at Canadian expense. "Give them reason to stay in Canada," he said, explaining that public support for up-and-coming mid-sized firms would go a long way toward retaining this expertise.

Ross underscored this point by maintaining that most "innovative" entrepreneurial ideas were variations of those found elsewhere around the world, making it incumbent on Canadian entrepreneurs to prove their worth by beginning to compete in that larger arena. Only by growing will that be possible.

Dixon cited the need for members of the Canadian business community to begin working closely with government policymakers, something US firms take for granted, so much so that many of those firms are better at working with the Canadian government policymakers than most Canadian firms. Such interactions make it possible to sort out miscommunications and misunderstandings that can interfere with business success.

Corr asked about whether questions around innovation needed to be framed in a new way and what that indicates about problems with the current approach to this subject. Dixon replied that there is no shortage of innovative ideas and innovations, but a lack of effort at implementing these innovations on a global basis. He returned to Rodrigues' earlier point about retaining talent, as well as attracting foreign talent through immigration policies. This is especially important to him, since the Kitchener-Waterloo region where Igloo is based turns out some of North America's top talent that is prized globally, as evidenced by the fact that it is one of Microsoft's leading recruitment sites.

Matar added that keeping talent is more important than attracting it in the first place. Moreover, many of the best people are being lost just as they are reaching their peak contributions, so that the loss is all the more keenly felt. Rodrigues related stories from software engineering students who tell him about the pull that Silicon Valley exercises on them, despite efforts to offer them equally attractive opportunities in Canada through mechanisms such as incubators. "The incubators are incubating, I think, talent for the US," he said, noting that government investments in these operations does not prohibit them from gearing up an enterprise for a quick sale to some American interest. "The goal is not to use that capability to make money for Canada," he said. "The goal is to incent those companies to stay in Canada." Nor is this easy, he insisted; it is expensive to make your business as appealing internationally as Google has become to students and prospective partners. Even so, it must be done if Canadian innovation is to thrive. "It

takes money, it takes commitment, and it also takes some passion. You've got to want to be Canadian."

Ross acknowledged that American firms had repeatedly tried to buy him out, but he prefers living in Canada. However, he reiterated that the current government strategy mitigated against this attitude, since even as his firm has grown several times the size it was a couple of decades ago, he still has no more access to talented individuals than he did then, which makes it difficult for him to take on the task of keeping these people in Canada as well.

Corr followed up on this point by asking Ross about the specific problems mid-sized companies have raising capital. He suggested that such difficulties set these companies up to resolve their financial problems by turning to American investors and start down a slippery slope of losing control to outside shareholders or owners. "My question is: why the hell isn't there competition to the BDC? It's the one institution that does not want to screw you over financially. Why isn't there an Ontario version of the BDC?" Nor is this a matter of adding to the province's tax burden by giving away money, he added, but instead a means for the province to bring in new money from its investments, as opposed to venture capital firms that are eager to take money away.

Matar argued that immigration contributes vitally to the way forward, not simply in providing a larger talent pool for new enterprises, but also in shoring up the growing size of markets where those enterprises can sell.

Dixon related his own experience of having his firm being turned down repeatedly by prospective Canadian backers while being eagerly sought out by American ones, which was typical of a pattern that sees so many firms head south simply because that is where the most opportunity can be found.

Corr asked about the panelists' experience in collaborating with universities and the role of universities in encouraging such collaboration. Ross acknowledged that he had had mixed results in this sphere, as many researchers are most interested in the subject matter of their work as opposed to whether that work can be turned into something that could be commercialized. "Most of the time it's almost faster to put an engineer on it in your own company to get something done on a timeline exactly as you want, to make sure you own the IP and you have regular meetings than to shuttle people back and forth to universities if it's somebody who doesn't quite get it and isn't really in the commercialize viewpoint. I would say it's not always very efficient."

Rodrigues suggested that a greater incentive for companies to collaborate with universities is to engage in the ongoing hunt for talent. "Half the time the money that is spent on research is wasted," he said, especially since in any dynamic firm there are already a number of potentially outstanding research ideas that have been generated by

interactions with customers that are far more likely to lead to commercial results. On a related note, he returned to the importance of a clear immigration policy that not only helps firms bring in the talent that they need but also to discourage those same firms from setting up shop outside Canada in order to gain easier access to such talent.

Matar picked up on the notion that customers can promote valuable research as much as any university collaboration. "Some of your best innovations around finding solutions or evolving solutions are going to come from your customers. Your customers tell you what their problems are and if you can solve it for them that's some of the best innovation." As for working with universities, he cautioned that the ownership of IP sometimes poses a stumbling block to commercialization.

Dixon suggested that companies bear some responsibility in helping universities contribute to the success of collaboration, as exemplified by a major donation Research in Motion founder Mike Lazaridis made to the business school at Wilfrid Laurier University. Dixon interpreted this move as an attempt to cultivate the next generation of CEOs, something that would benefit the entire business community. "The private sector needs to be willing to give back to the community as well, and step in to help with the guidance and mentorship of those schools, to be able to provide real-life examples of what it's like to run a company and help to foster growth there."

Margaret Dalziel of the University of Waterloo suggested that the regularly repeated complaint about promising graduates leaving Canada can be linked to their education, which focuses excessively on technology. "All of the aspirations that they develop are technically related, so they want the jobs that are most exciting technically. They don't have a broad enough education where they're thinking 'how can I contribute to the

Dixon responded that this tendency might be overcome by promoting Canada as a more innovative country where this technical excitement can in fact be found. "We develop incredible things in this country yet what are we known for: natural resources, maple syrup, not the things that we really do." Ross recalled his own experience as a recent graduate when his own father had to talk him into joining the family firm, which Ross regarded as being too small and challenging to be worthwhile. "We really need to build name-brand — not just medium companies — we need to build some large companies," said Ross. "If we can't even support mid-size companies, I don't know how we're going to get big companies." In that light Rodrigues emphasized the need to help firms ramp up their sales and marketing to the same level as other major contenders for the attention of talent, who might then begin to look at Canada in a new light.

On a somewhat different note, Ross explained that acquiring smaller firms can be an effective approach for growing a company, something he has done many times. However, the appeal of a dynamic small firm for such an acquisition is diminished if that

step means it will lose its SR&ED eligibility, which will sap the momentum of any pre-existing R&D effort.

Matar noted that the problem of attracting talent becomes somewhat less daunting after realizing that the real competition is not the entire US but just the extraordinary draw represented by Silicon Valley. "It just takes something around how you brand Canada, or certain destinations in Canada, as Silicon Valley North."

Another questioner noted that Canadians regard Silicon Valley as a single entity when it is effectively more diverse than that, while Canada might be able to present a single hub that could be positioned to compete with it. Matar suggested that he was most comfortable with Toronto as the centrepiece of his operations. "It's probably the proximity and ease of access that causes me to do that." An interaction with Waterloo, in contrast, struck him as being more cumbersome, especially if physical access to that centre eats up a day just sitting in traffic. Ross confessed his own biases in having good proximity to Ottawa, which he said gets short shrift from a government more intently focused on affairs in Toronto and southern Ontario. He recalled surprising the premier by noting that Ottawa has no fewer than 1,700 technology firms, more than four times as many as are found in Kitchener-Waterloo.

Bettina Hamelin of NSERC suggested that young people are much more open to risk than is usually assumed, meaning many of them would be pleased to work with a small, nimble firm. She harkened back to the previous day's discussions about how to optimize the talent being produced in Canada, which led her to ask this panel if they are finding the talent they need in Canada and if not, how that talent could be produced here.

Rodrigues replied that there was no outright shortage, but instead the challenge of keeping it in Canada. That means allowing companies here to keep more of their income so they can become more profitable or widening accessibility to incentives like SREDs. "We have to create some of those iconic firms here and in the short term that's going to take a lot of investment," he said. "Those companies that are ready to do that and willing to do that, the government should support them to actually create that brand to keep them here. It's not a production issue, it's more about a series of policies that work together in combination with things like immigration, with taxation, with funding, with motivating our kids. It's not an easy question."

Dixon made specific reference to the challenge of keeping people with PhDs in Canada, which is a matter of matching the interest of such individuals in working on deep problems, which often requires resources beyond that of most Canadian enterprises.