Leading Innovation
Accelerators, Incubators and Networks

Summary
March, 2012
The Public Policy Forum is an independent, not-for-profit organization dedicated to improving the quality of government in Canada through enhanced dialogue among the public, private and voluntary sectors. The Forum's members, drawn from business, federal, provincial and territorial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada’s competitiveness abroad and quality of life at home.

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ABOUT THIS INITIATIVE

*Leading Innovation* is a Public Policy Forum initiative seeking to better understand and advance the foundation elements needed to strengthen Canada’s innovation system.

*Leading Innovation* focusses on three key themes:
- Early stage risk capital
- Accelerators, networks, and incubator organization, and
- Regional innovation systems.

The *Leading Innovation* initiative has held five regional roundtables across Canada (20 - 35 participants each) in the York Region, Montreal, Calgary, St. John’s and Saskatoon, focused specifically on fostering and developing local innovation systems, and the necessary policy frameworks to lead innovation at a local level. Two larger sessions (40 participants each) were held in Toronto focusing on early-stage financing as well as accelerators, incubators and network organizations.

**Leading Innovation Partners**

![BMO Financial Group]

![Deloitte]

![BDC]

![Canadian Tourism Commission]

![Commission canadienne du tourisme]

![Ontario]

Date of Release: March 9th, 2012

This summary has been prepared by Ryan Conway, Research Associate, Public Policy Forum. This document is a product of the Public Policy Forum.
OVERVIEW
On February 3rd, 2012, the Public Policy Forum convened the seventh and final roundtable session of the Leading Innovation series. This session, acting as the capstone discussion, focused on accelerators, incubators and networking organizations and the role they can play in regional innovation systems and in financing of new ventures.

The roundtable was held at the Toronto offices of Gowlings. Participants included heads of accelerator funds, university vice-presidents leading incubator and accelerator initiatives, network directors, international legal experts and top voices from innovative companies.

The Hon. Kevin Lynch, Vice Chair of BMO Financial Group co-chaired the session with David Mitchell, President and CEO of Canada’s Public Policy Forum. In opening the final session of the Leading Innovation series, the co-chairs pointed the key themes of collaboration that had emerged in other discussions. Canada, there is a sense, is a cooperative country, but we do not often build upon this transactional cooperation and develop truly collaborative ventures. Accelerators, incubators and networks play key roles in advancing this collaboration, and their integral role in building regional innovation excellence necessitates that greater attention be paid to making these organizations as effective as possible.

Welcoming remarks to the session were delivered by Scott Jolliffe, Chair and Chief Executive Officer of Gowlings. He noted that the discussions on innovation have two unique elements – how to strengthen on-the-ground work in unique regions, but also how to build this success and tap into the international marketplace. Innovation is international, and in developing a Canadian approach to innovation, we must create leaders who can act locally, and take advantage of opportunities globally. Charles Morand of BDC also spoke about the new instruments BDC is employing in the accelerator space, and how these strategic investments will directly target the needs of entrepreneurs as they seek to advance their startups. Mario Pinto, Vice President Research, Simon Fraser University, gave the opening remarks on university-supported accelerators designed to advance the strongest businesses cases. Mario Thomas of the Ontario Centres of Excellence offered the final opening comments on the importance of networking in key innovation functions, such as the International Commercialization Alliance which was founded through an effort launched in Canada last year.

WHY INNOVATION, WHY NOW?
This question has been asked throughout the Leading Innovation initiative but its importance is not diminished. The challenges confronting Canada which have been discussed throughout the series, including early stage funding, collaboration and mentorship, are all directly related to the theme of accelerators, incubators and networks. These organizations can have a profound impact in addressing these issues, and as such, greater attention must be paid to how to best leverage these organizations throughout Canada to tangibly advance Canadian innovation. Our national prosperity depends on improving our productivity and innovation outcomes – accelerators, incubators and networks can help us do this.

ACCELERATORS
The notion of acceleration varies slightly from incubation. Both are effective and important components in regional innovation systems, but acceleration has a direct focus on quickly moving ventures from the preliminary startups phase into successful businesses. Accelerators function to link together mentors, financiers and innovators
developing their businesses. The defining feature of accelerators is the drive to test the business case of proposed companies. No venture should rest while linked to an accelerator. The goal is to test the businesses model to see if it is viable and if so, to quickly advance it and graduate the company beyond the accelerator into a position to become a strong international competitor. As one participant noted, in an accelerator context, the goal is to find the viable ventures and to quickly kill the unviable ones. Developing a strong element of entrepreneurial experience in accelerated companies is also important, so as to ensure their continued success one they graduate.

Key elements of success in development of accelerators include adapting agile and unconventional approaches in the institutions which house them. In the case of post-secondary institutions, this requires removing cross-disciplinary boundaries to allow for more cross-pollination research. Silos are simply unacceptable in this approach. It also requires being open and flexible to the approaches which private sector partners bring to the table. Accelerators also have strong focus on the end goal for their client ventures: becoming globally competitive. All steps throughout acceleration are geared towards this objective, and ventures which don’t have the potential to grow into this capacity are likely not prime candidates for acceleration. Mentorship is a critical function as well. The best means to obtain effective mentorship regarding the acceleration process is through companies that have already graduated. Successful ventures are often brought back to provide insight and guidance to new companies. Maintaining an active pipeline of potential acceleration candidates is also key. This can be done by ensuring ongoing interaction between accelerators and students, as well as established researchers, in order to have the notion of commercialization of research through a startup venture remain top of mind.

Canada has a growing field of accelerators, with leading examples including FounderFuel, GrowLabs and Extreme Ventures. Working to build upon this foundation is important, and new support from large institutional investors in this space, such as BDC, will be key to seeing accelerators become stronger agents of innovation in Canada.

INCUBATORS
Incubators differ somewhat from accelerators, although within both categories there is a wide variation of models both domestically and internationally. However, physical space is essential to the concept of incubation. While accelerators may operate solely through programming, incubators tend to have a physical space component. This is essential to incubation because it facilitates the open, collaborative work that nascent innovators require. Maintaining the right mix of companies is also important in order to create the best opportunities for creative collisions. The Digital Media Zone at Ryerson University is a prime example. The space contains dozen of companies led by student entrepreneurs, and their co-location allows for these companies to collaborate in developing new technology and business models.

Incubators also serve a mentorship function. Particularly in facilities which cater to students, or recent graduates, mentorship is critical. While the focus may not be exclusively on fast-paced growth, as in accelerators, mentorship housed within incubators offers valuable insight on both technical and business aspects of new ventures. Angel investors can also be co-located at incubator facilities, such as the model employed at MaRS in Toronto.

Some argue that the incubator model is especially effective for young entrepreneurs who may have longer lead time required in acquiring business and innovation skills. Incubators with specific focus areas are also necessary as the requirements for space and support vary greatly by sector. In the life sciences, for example, specific types of research space are needed, as well as longer timelines for business development due to the nature of the business and regulatory environment.

NETWORKS
Effective networks are necessary on the regional, national and international scale. However, it is equally important that effective regional networks are able to provide the international connectivity that all firms in the modern economy require. Innovation is a local game with a global objective, and both areas must be well tended.

In establishing effective networks, it is important to know what others have done so that duplication can be avoided, and best practices can be spread. The leadership of the Ontario Centres of Excellence in the International Commercialization Alliance (ICA) demonstrates these principles effectively. Knowing that no single organization
has a universally effective model for supporting innovation (in this case, commercialization specifically) the ICA was created as a space in which to share best practices in commercialization and build a strong network of innovation support organizations. Continuous interaction of partners in the network is important in order to keep connections strong, and to help break down silos which may exist domestically and internationally.

Accelerators and incubators can, and should, be part of international networks themselves. This can enhance sharing of effective practices, and increase opportunities for ventures supported by these organizations to create international linkages and collaborations.

RESPONSIVENESS TO MARKET
Acceleration, incubation and networking are critical to innovation success, but only if they are geared towards ensuring responsiveness to the innovation needs of the marketplace. This is why it is of the highest importance that industry serves as a key player in accelerators, incubators and networks. Programs such as entrepreneurs in residence and linkages between student incubators and established companies are critical. The speed of innovation to market is a key flaw in Canada’s innovation system, and efforts to develop new companies should bear in mind the need to address this challenge.

ROUNDTABLE CONCLUSION
The final session of the Leading Innovation initiative yielded numerous insights into how accelerators, incubators and networks can enhance our regional and international innovation outcomes. Key points regarding innovation policy were also reinforced including the need to be global in our orientation, and the need to focus on creating solutions which can be shared throughout the world. Cultural challenges were also discussed, and the need to support entrepreneurial culture was reaffirmed.

FOLLOW UP
While the entire discussion which took place on this theme will inform the final Leading Innovation report, several action items are worthy of consideration for leaders in all sectors as they seek to enhance innovation:

- Accelerator capital is key to testing business models and helping to grow effective companies. In accelerators, only ideas which have business viability should succeed.
- Accelerators, incubators and networks all enhance collaboration functions. Within these organizations, every effort must be made ensure an open collaboration orientation across all sectors.
- While models and structures are important, it is ultimately people who will advance innovation. Mentorship and talent development must not be ignored.
Session Co-Chairs

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President and Chief Executive Officer, Public Policy Forum

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