



Wealthsimple Financial Inc., founded by Michael Katchen in 2014, is focused on making “investing easier for millennials.” *iStock photo*

How do We Build an Innovation Economy? Support the Winners

Michael Katchen

Canada has had a tradition of supporting innovation by spreading the incentives in an effort to float all the innovation boats. Former Silicon Valley entrepreneur and Wealthsimple founder Michael Katchen, who has been called an Industry Mover by the Financial Post, a Change Agent by Canadian Business Magazine, and one of Toronto’s 50 most influential people by Toronto Life, as always, has other ideas.

Canada has many of the right ingredients to develop innovation, we just haven’t quite perfected the recipe. And one key ingredient we consistently lack is “naive ambition”—the belief in one’s success, despite any evidence to the contrary. We have a culture of favouring fairness over unbridled competition—and that’s not a culture that’s conducive to building globally competitive companies and sectors. This attitude extends to government and institutions as well.

Canada already has some of the crucial components to build globally competitive sectors, including excellent schools producing world-class talent. But there is a lot more that can and should be done if Canada is serious about transitioning to an innovation economy. Here are some examples of how government can effectively support the type of innovation that will ensure our future as an ambitious, globally competitive economy.

As Canadians, our instinct toward fair play means we don't want anyone to miss out—the right attitude when it comes to many programs, but not the key to developing innovation. From a policy perspective, this approach results in resources being spread too thinly across sectors, geographies and organizations to ensure everyone gets a little piece of the pie. But the reality is that the best way to construct a prosperous innovation economy is on the backs of a few winners.

Building up a sector to the point where it's mature enough to compete and win globally is a resource-intensive undertaking, and it will require that we choose and invest—heavily. It's inevitable that there will be losers: sectors in which it does not make strategic sense to invest because there aren't the same odds of producing leaders. This can be a tough thing for Canadian policy makers to accept.

Canada has the opportunity to be a true global leader in a few areas right now. These include artificial intelligence and machine learning, quantum technologies and life sciences. Investing heavily in these high-potential sectors should be a priority and the government has in fact made commitments to investing in these areas. While this is the commendable, my concern is that we'll see what we often do when it comes to the allocation of resources: in an effort to be fair, resources will be divided into smaller and smaller pieces. And what starts out as a meaningful amount of funding will be spread among multiple sectors, and then

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across every province, and then several innovation centres within those provinces, until it's no longer a significant enough investment to really move the needle. It feels safe to not put all our eggs in one basket. But if we really want to win on a global scale, we have to place big bets.

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Canada reportedly has over 100 innovation incubators across the country, backed by various government, not-for-profit, academic and private-sector organizations. And that is simply spreading ourselves too thin. The federal government appears to recognize this: the 2017 federal budget includes \$950 million over five years to support the innovation “superclusters” that have the most potential to accelerate economic growth. This is the right approach, and if implemented well, could have a significant positive impact.

According to an estimate by McKinsey & Co. based on data from leading technology clusters worldwide, building a Canadian supercluster could have enormous economic benefits: a \$50-billion increase in equity

value, a \$17.5-billion annual increase in GDP and more than 170,000 high-quality jobs. The long-term value of an investment like this would be significant to the nation.

Talent is the most important resource needed to build an innovation economy. And Canada needs to be ruthless in ensuring we can attract and retain the best talent in the world.

There are three key components to ensuring we have the best-in-class talent required for a thriving innovation economy. The first is developing the talent we have here through our educational system and initiatives such as STEM programs. The government has made it clear that this is a priority, and will be investing significantly in skills development over the next four years.

The second component is retaining the skilled talent we have. We have institutions such as the University of Waterloo and the University of Toronto producing some of the best graduates in the world, but we lose too many of them—traditionally to the United States, though the Trump administration's immigration policies may mitigate that trend. We need to be far more competitive in keeping these graduates here. International students should be able to easily transition from student visa to permanent resident, so we don't lose graduates due to immigration uncertainty.

We should also look critically at why graduates leave and how we can counter it. Often the motivation is financial—there's typically more money to be made south of the border. Tax breaks for recent grads and other financial incentives could go a long way to retaining talent in the years immediately after graduation, which

are key—if we don't keep them then, we will likely lose them forever. It may not be “fair” to implement an incentive like that, but it is competitive.

The third component to building a world-class talent pool is attracting global talent to come here. With the current political climate in the United States, Canada seems to have a unique opportunity to attract the top minds to come here and work on the most interesting problems of our time. It's imperative we don't squander this opportunity. Canada already has a brand that is well-known around the world. The livability of our cities, quality of our education systems and inclusiveness of our society are lauded around the world. We need to leverage this brand to market Canada internationally.

Supporting the innovation that is already successful is key to building an innovation economy. This can feel counterintuitive, because it is exactly the opposite of what support typically means from a policy perspec-

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tive, where extra assistance is given to those who are doing less well to bring them up to the level of those doing better. Typically support is given to the “losers,” not the “winners.”

However, a better strategy when it comes to driving innovation is to support the organizations, companies, and entrepreneurs who are already succeeding, and help them scale to the

point where they can compete globally. It takes a lot of resources to become a global company, but these global powerhouses are what we will need to win in an innovation economy.

I moved back from Silicon Valley to found Wealthsimple in Toronto because I saw the potential that existed here—a potential already demonstrated by the success of homegrown technology companies such as Shopify and Hootsuite. There are more companies, more capital and more talent here than ever before. We are at a moment in history when the opportunity exists for Canadian innovation to thrive. There is no reason Canada shouldn't be a global leader in innovation—we just need the ambition that will allow us to win. **P**

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