



THE FUNDING OF INNOVATION IN CANADA

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ACKNOWLEDGEMENTS

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. We are particularly grateful to our research partner, Alma CG, without whom this study would not have been possible.

A handwritten signature in black ink, appearing to read "Christian Bellavance". The signature is fluid and cursive, with the first name being more legible than the last.

Christian Bellavance
Vice President, Research and Communications
FEI Canada

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THE FUNDING OF INNOVATION IN CANADA

EXECUTIVE SUMMARY

Whether viewed through the lens of cutting-edge product and service development or the imaginative retooling of companies' internal organizational and operating cost strategies, innovation drives competitiveness and inspires an atmosphere of workplace creativity. It's hard to imagine a company that would argue an innovative mind-set is not crucial to enterprise success.

Curious then, that Canadian companies, big and small, can be reticent about seeking innovation funding or are unaware of the breadth of funding programs available. As the results from this study by the Canadian Financial Executives Research Foundation (CFERF) reveal, much of this seeming diffidence finds root in an understanding that success in procuring such funding can be time-consuming, onerous and in the end, applications for direct and indirect innovation funding may well fall short of approval.

A significant number of Canadian organizations believe that their commercial activity does not qualify them for such funding consideration or tax relief programs. No fewer than 1,200 Canadian government (federal and provincial) innovation-related funding programs are presently available, with \$8.75 billion allotted to a kaleidoscope of research & development initiatives – of which \$4.6 billion is slated for scientific research & experimental development (SR&ED) tax credits.

Of the 103 respondents to CFERF's innovation funding survey, 90% rate expertise in innovation as crucial to their competitive success (42% rate it as very important and 48% as important). As to defining what "innovation" in business is, respondents were asked to choose two statements that accurately reflect their understanding of the concept. 54% of respondents believe it relates to those who keep a finger on the pulse of a continuous refining of their company's organization and processes. The next largest groups (at 45% and 29%) believe an innovative company is one that encourages creativity from its employees and creates unique breakthroughs of value to its market. 16% link innovative thought and action to their greater competitive nature vis-à-vis other companies in their market. And as a

“I'm from IBM, so in our industry, ignoring innovation is not an option. If you don't innovate, you become irrelevant. I joined the company 18 years ago, and three of the units that I worked in no longer exist at IBM because they became commodities and therefore less strategic in the technology we were selling. The money we are spending on innovation is directed largely towards the growing segments of our business including cloud, analytics, mobile, social and security capabilities which create new business value for our customers. For us, if we don't continuously transform we will quickly fall behind and become less relevant in a very competitive marketplace.”

Shenif Visram – CFO, Global Technology Services, IBM Canada

EXECUTIVE SUMMARY

baseline, which does not speak to seeking external sources of funding, 19% believe they are innovators because of their commitment to investing in R&D.

“One of our core values is working fearlessly. If you create a culture in which people try a new idea and they’re negatively impacted for not being successful, then people will soon learn it doesn’t make sense to try something new. Another thing we talk about is quick, crisp decision making. So you need to make the calls on the ideas that are likely to have the greatest impact.”

Bob Hill – VP Finance, Biogen Idec Canada Inc.

A key aspect to the Canadian business world’s perspective on, and interest in, financing innovation via government can be found in the study’s delineation of “direct” and “indirect” funding. Over the years, Canada invested more in indirect tax credit and tax reduction opportunities for applicants. Though it cannot be said that direct funding proposals will be any less difficult to develop – and then be efficiently processed by Ottawa and the provinces – governments are making steady progress in investing more in direct financing. The expectation is to foster a more progressive and involved government that may well offer critical innovation support in areas such as HR and training, business development strategies and, of course, greater capital investments and eventual return on investment. This better balance between direct and indirect funding was introduced in the 2012 federal budget and initiated in 2013-14. Therefore, given the lag-time in approval processes, its full effect has yet to generate numbers for comparison against pre-2012 programs. Still, the federal government committed \$500 million to venture capital (VC) funding and greater commitment to research – with \$1 billion in direct R&D funding into 2016. Indirect funding was reduced and a new and more rigorous eligibility and justifying SR&ED application process and claim form was introduced in late 2013.

Although Canada is one of the world’s more generous indirect tax incentive funders of innovation, all is for naught in today’s fast-paced and globally competitive marketplace if:

1. the application and approval process (including untimely audit and final realization of credits) is overly demanding, and
2. if companies who do qualify for funding believe they do not.

“We are talking to the government, they’re extremely slow. We are talking to commercial banking, they are slow as well. It is challenging to go from the first-stage to the second-stage. It is a choice, return on time invested. Should I invest my time in growing relationships with the right partners and the right banking relationships, or should I invest it with the government? I choose the first not the latter because the process has been extremely limiting.”

Jad Jebara – President and CEO, Tuangru Inc.

THE FUNDING OF INNOVATION IN CANADA

This study is looking at a moving target when it comes to divining exactly how innovation funding programs will look in the coming years. The gap between direct and indirect funding may be closing, but both program areas are evolving, with compliance to indistinct rules being the rule, and an auditing regime that is not fully at speed with the programs' new administration.

In the end, we find that the money is there for start-ups, the funding programs spark entrepreneurial genius, and long-standing Canadian organizations have been galvanized by a commitment to competitive-driven innovation. Developing effective strategies for getting at the funding is the challenge.

“We have a market cap of about \$2.5 billion dollars listed on Toronto, listed on NY, so we're the antithesis of a start-up. We've been around for 50 years, but our whole story has been about innovation. But you will never see research and development as a line-item on our financial statements. You won't hear us talk about how much we spend on innovation because it's just part of our culture.”

Rob McLeod – CFO, Ritchie Bros. Auctioneers

“We like to use the phrase “they need to learn to kill the puppy.” Because lots of companies have lots of ideas. They need to focus on the right ones.”

**Bertrand Derome – Director General,
Institute for product development**

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

The funding of innovation in Canada was prepared by the Canadian Financial Executives Research Foundation (CFERF), the research arm of FEI Canada, and was sponsored by Alma CG, a world leader since 1986 in global innovation funding and operational cost consulting. The report encompasses the insight and opinions of 103 financial executives to an online survey and an executive research forum connected by video-conference held on April 9 with two dozen senior financial executives in Vancouver, Toronto and Montreal.

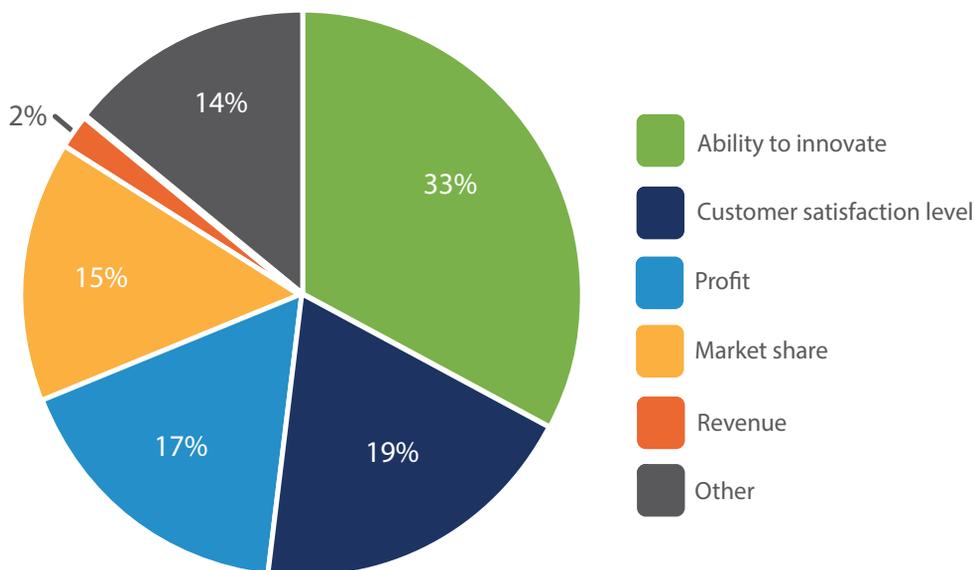
A productive dialogue was achieved through this forum, with representatives from telecommunications and computing, the food industry, manufacturing, consulting, retail and venture capital investors weighing in on the challenges of garnering innovation-specific funding and where Canada stands in comparison to funding strategies in other countries.

The study encapsulates the responses from a broad cross-section of experienced financial executives from both public and private companies, and innovation/entrepreneurial experts and consultants whose reach extends from local to large multinational organizations.

MARKET COMPETITIVENESS AND THE INNOVATIVE COMPANY

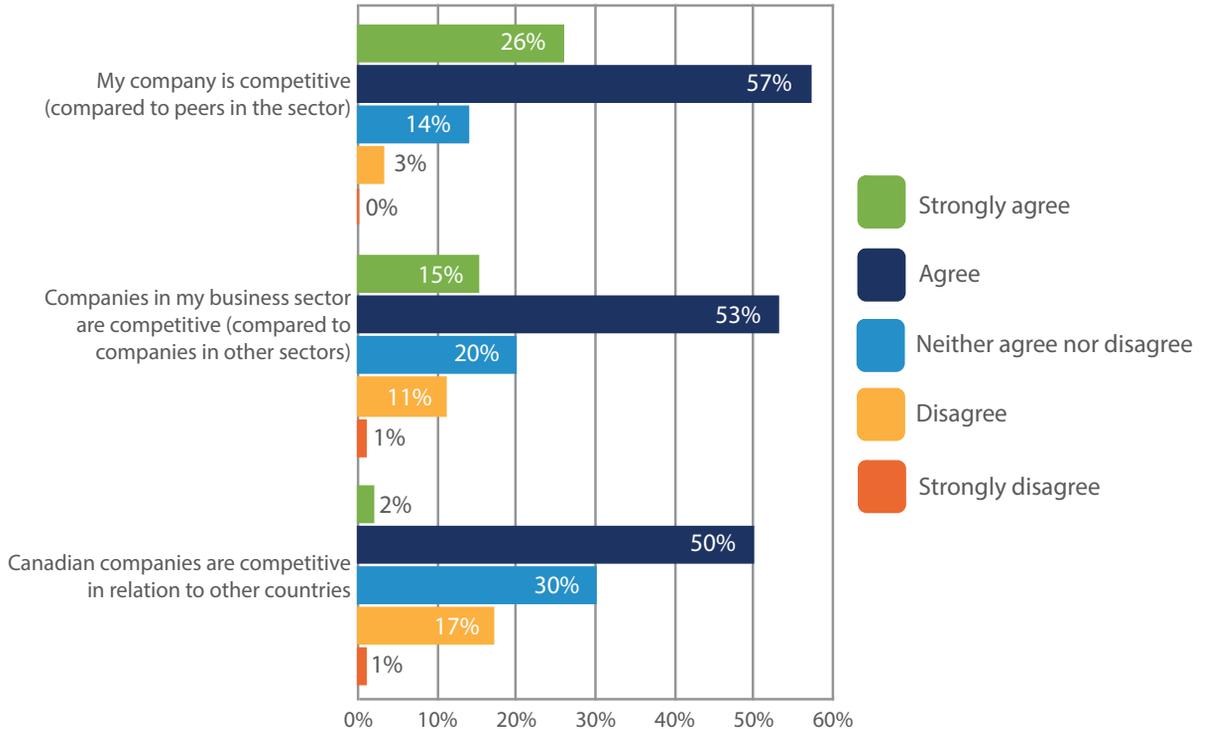
Notions of an innovative bent – however defined – far outstripped all other assessments of what the study’s respondents believed most important in a competitive company. 33% deemed the ability to innovate (as well as likely the need to innovate) as their priority. Profit (17%), customer satisfaction levels (19%) and market share (15%) rounded out the respondents’ assessments for what makes their companies competitive.

CHART 1: IN YOUR OPINION, WHEN ASSESSING THE COMPETITIVENESS OF A COMPANY, PRIORITY SHOULD BE GIVEN TO:



MARKET COMPETITIVENESS AND THE INNOVATIVE COMPANY

CHART 2: RATE YOUR AGREEMENT WITH THE FOLLOWING STATEMENTS:

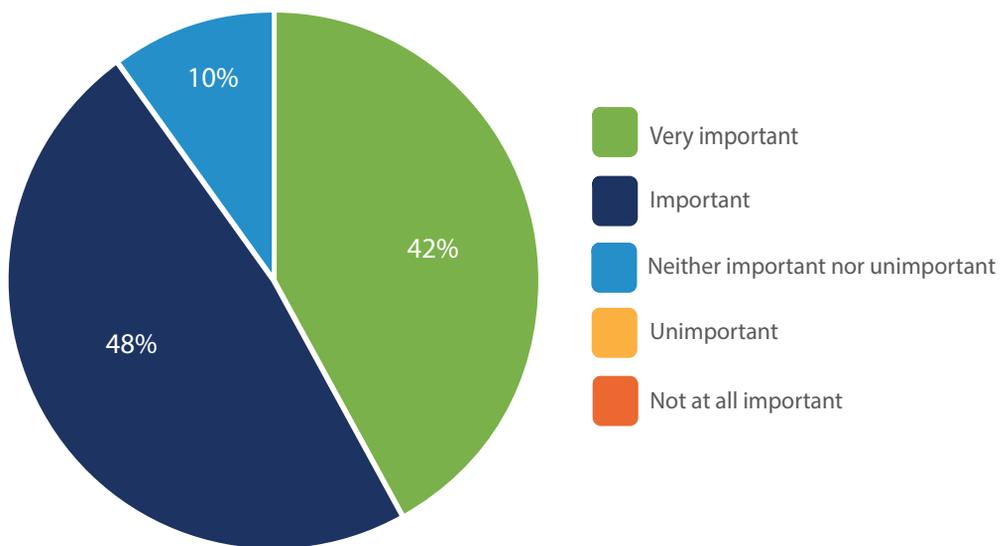


The requirement that a company be competitive, the sense that one's industry or sector is rolling in a competitive spirit and that Canadian companies are competitive in relation to the global scene, overwhelms ideations that respondents think they innovate outside of any influence from their market sectors. Interestingly, only 2% "strongly agree" that Canadian companies are competitive when compared to other countries, while 50% simply "agree". Yet, 17% disagree and 1% strongly disagree that Canada is on a competitive equal footing with the world. 83% are confident (strongly agree and agree) that they compete well with those within their national sectors, while 14% admit to not being competitive. A firm 68% (15% strongly agree and 53% agree) believe their competition level is on par with those in other industry sectors.

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Yet, as discussed before, all respondents connect competitive success to the ability to innovate. 90% deem it important to have innovative expertise as part of their arsenal, particularly as it pertains to being competitive. Only a soft 10-11% demure, finding neither important nor unimportant.

CHART 3: HOW WOULD YOU RATE THE IMPORTANCE OF INNOVATION TO THE COMPETITIVE SUCCESS OF YOUR COMPANY?

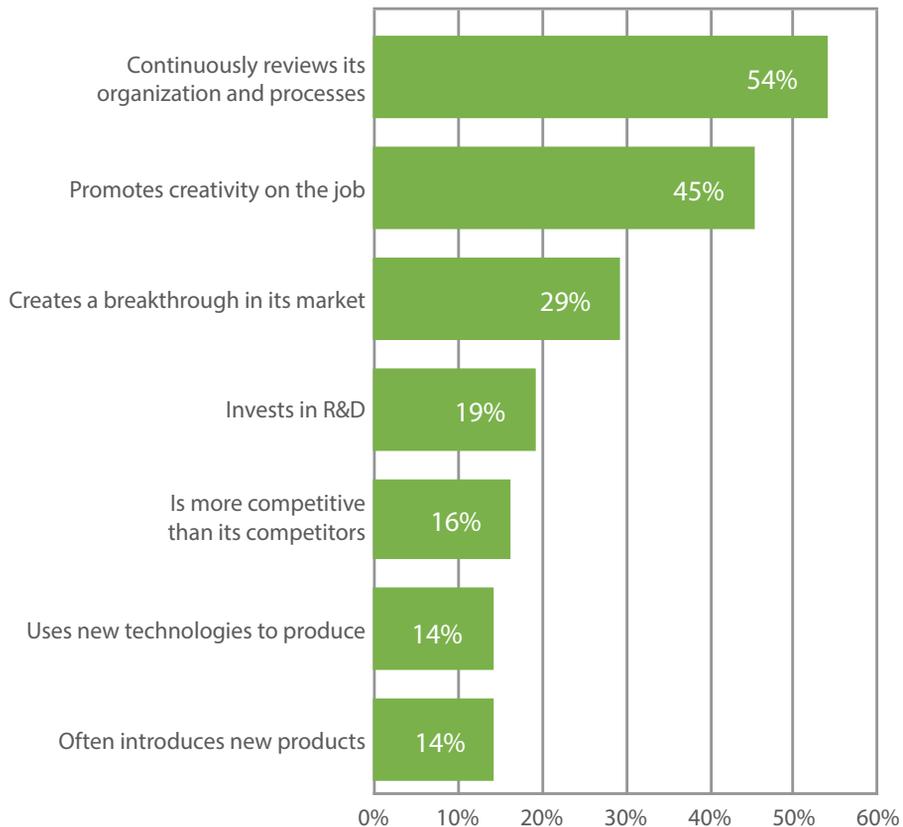


To little surprise the survey finds that an innovative company is one that is as or is more competitive than its competitors. But respondents clearly struggle with what truly defines innovation.

MARKET COMPETITIVENESS AND THE INNOVATIVE COMPANY

Hence, they look – depending on their sector – to a number of factors to explain their views on how a company expresses itself in an innovative fashion. A majority of respondents (54%) see internal review and refinement of the organization and its processes as the true stamp of an innovative company. Many (45%) identify the ability to promote an atmosphere of creativity amongst their employees as an important definer; for others, more traditional notions of innovation such as novel breakthroughs in their market (29%) or committing to R&D (19%) reveal the true innovative spirit of an organization. Of note is that the study implies that most might agree that this sentiment that notions of a company comfortably sitting on its laurels is dangerous indeed in such a competitive and fast-paced local, national and global interconnected economy.

CHART 4: FOR YOU, AN INNOVATIVE COMPANY IS PRIMARILY A COMPANY THAT... (TOP TWO ANSWERS):



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“From our standpoint, innovation is not strictly related to the product itself. One of our challenges is that we distribute the manufactured product, and ship it overseas, and the shipping time can be between six to ten weeks. So, from our standpoint, innovating is also how can we deliver the product faster and gain a competitive edge over our clients . . . So we need to be able to re-look at our whole manufacturing process, which is one of the things we’re looking at now. Not just the manufacturing, but the entire organization on how fast we can move from the time we get an order, to the time that it goes out the door, and that’s quantifiable, through methodologies like QRM (Quick Response Manufacturing).”

Michel Levasseur – VP, Finance and Administration, Vortex Aquatic Structures International Inc.

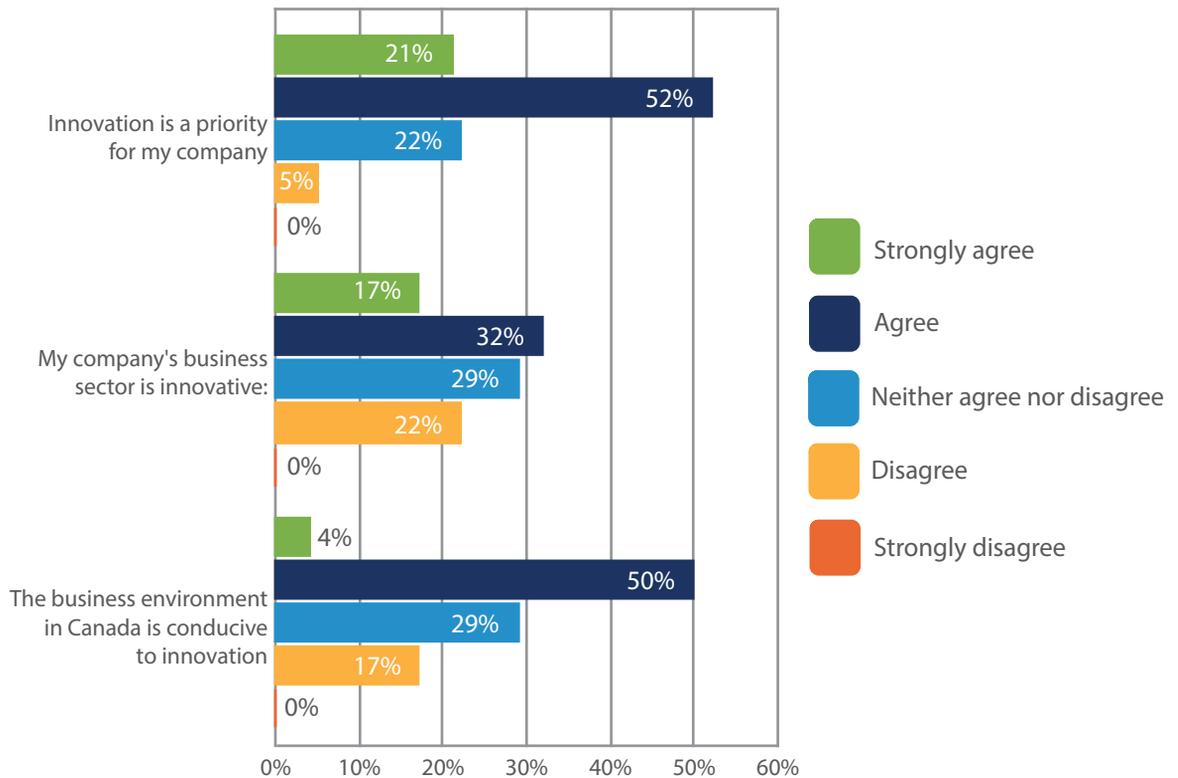
“Our view is that innovation doesn’t mean each time it will be a breakthrough innovation on the product, on the process, on the service. We like to see it as there is some very innovative products, some less innovative. But the company has to measure their portfolio. They have some very innovative things coming up and some products improvements, service improvements. And they need to be working on the whole spectrum and to be grounded on their market also.”

Bertrand Derome – Director General, IDP

MARKET COMPETITIVENESS AND THE INNOVATIVE COMPANY

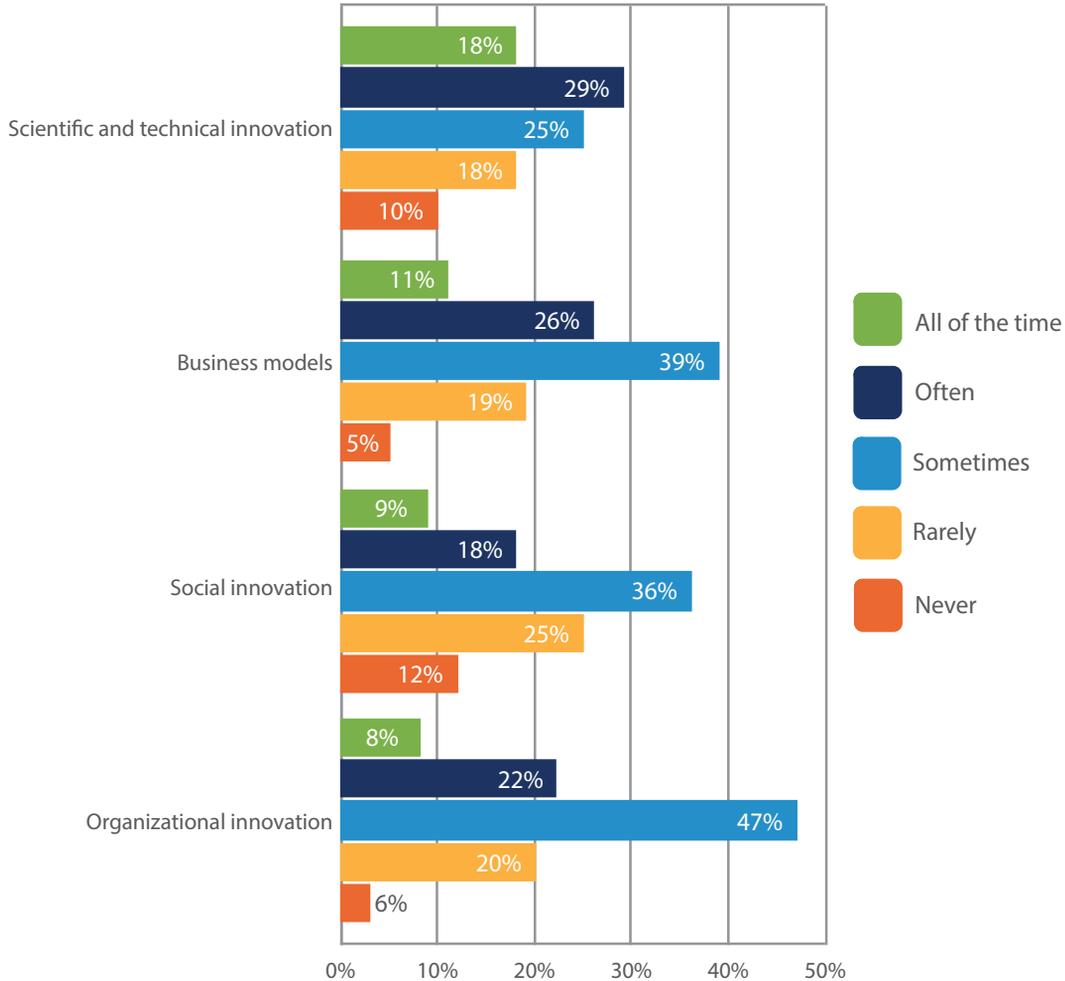
The first and third statements in Chart 5 show a majority belief that each respondent's company's competitive sector is innovative (49%) and that innovation is a priority (at a not unexpected 73%). Yet they are less positive when asked in statement #2 whether they believe innovative Canadian companies are working in an environment that promotes that innovative spirit. This statement is the survey's first allusion to innovation funding and its effectiveness. 46% of respondents believe Canada is not conducive to innovation – despite their majority belief that they work in a highly competitive environment – and a fulsome 29% pondered the statement and then decided to offer no opinion. In the end, 46% either have no opinion or believe that Canada does not foster innovation compare to the 54% that do.

CHART 5: PLEASE RATE YOUR AGREEMENT WITH THE FOLLOWING STATEMENTS:



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CHART 6: HOW OFTEN DOES YOUR COMPANY INNOVATE IN THE FOLLOWING AREAS?



Where and how often companies innovate surely depends on the type of industry and its products. In Chart 6, 25% of those concentrating on scientific and technical products and services often look to developing new innovations and 29% never stop innovating. 37% of companies focus on their business models for innovation (with 11% working on innovating their business models all of the time). Again, organizational and social innovation (22% and 18%) are sometimes innovatively tweaked, and innovation is top of mind often or all of the time at 30% and 27% , respectively in these two areas.

MARKET COMPETITIVENESS AND THE INNOVATIVE COMPANY

CHART 7: TO INNOVATE, YOU RELY ON...

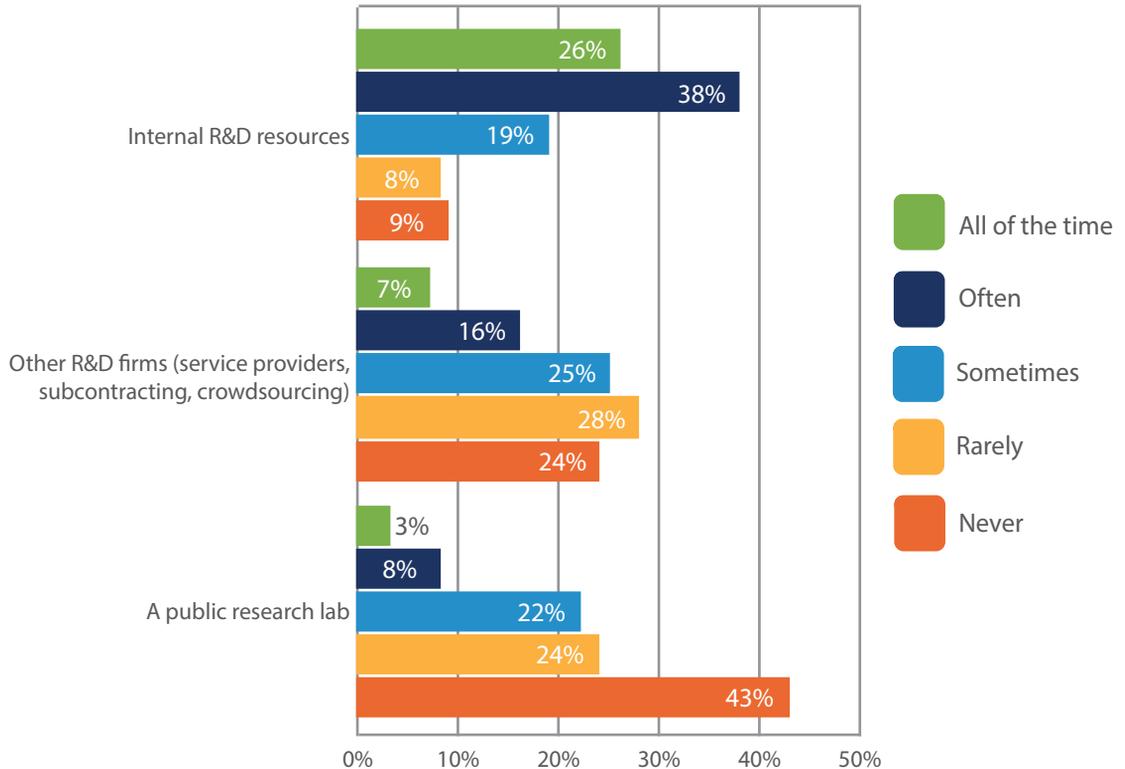


Chart 7 looks into what resources respondents rely on to innovate. 43% never rely on public research labs and 24% never outsource to other R&D firms. In these two areas, 48% turn to outside R&D expertise from sometime to all of the time, and 33% look to public research labs to the same degree of frequency from sometimes to all of the time. In internal R&D development, companies often to always turn to their own people (64%) for inspiration and creation.

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FINANCING INNOVATION

THE TIMES, THEY ARE A'CHANGING

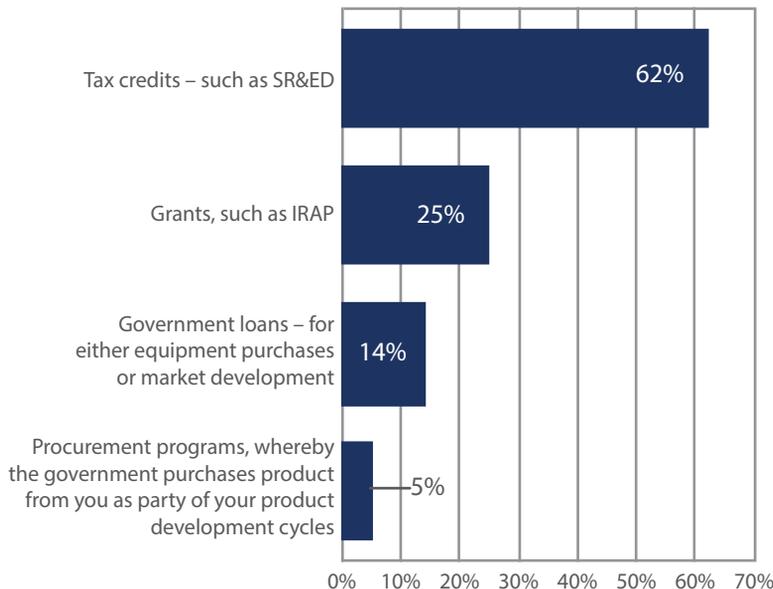
Indirect funding has been the majority choice for organizations who have sought support for their innovation programs. Far and away, SR&ED tax credits have been the most popular, at 62%, but companies also favour and receive direct funding in the form of loans and grants (25%). Still, 26% of respondents have never applied for indirect or direct innovation financing.

“I just wanted to put a little slam to the Canadian banks. Although the world thinks they're wonderful, they do not finance innovation. Innovative companies don't have hard assets and commercial banks won't lend money to them. They'll lend money on your parents' home, but the start-ups and early-stage companies can't get financing from banks.”

Nancy Lala – CFO, About Communications and angel investor

CHART 8: WHAT GOVERNMENT PROGRAMS DO YOU CURRENTLY CLAIM OR HAVE SUBMITTED APPLICATIONS FOR IN THE PAST?

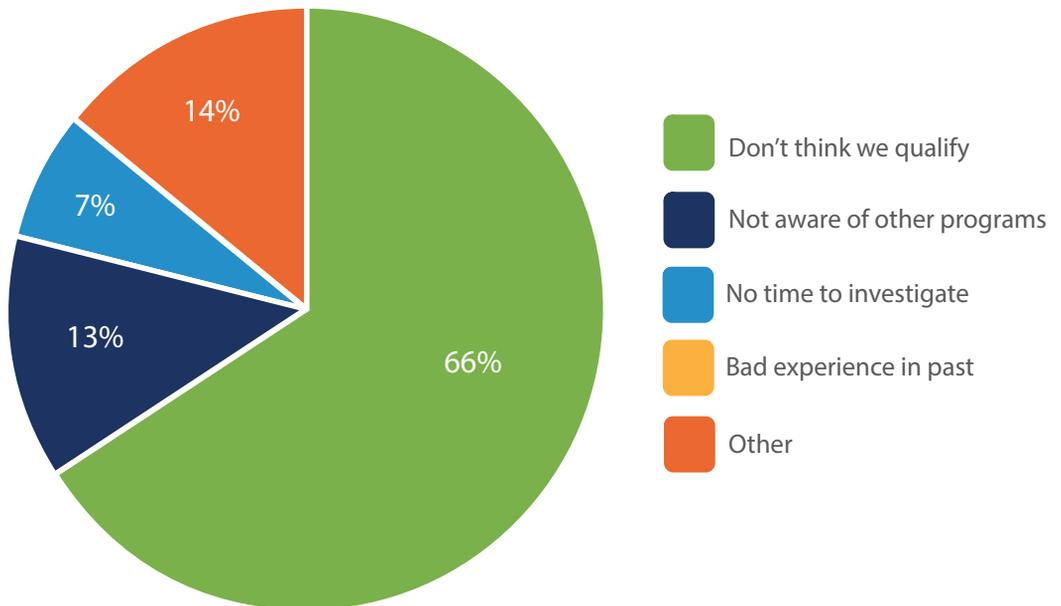
(PLEASE CHOOSE ALL THAT APPLY)



FINANCING INNOVATION

Of the 44% of respondents whose company did not apply in the past, 66% said that they did not apply because they were convinced they did not qualify, not because they did not know of the programs. And of the majority who have applied for SR&ED, only 57% and 52% are revealed in the survey to have known that the SR&ED Application Policy and compliance forms have changed.

CHART 9: IF YOU HAVEN'T CLAIMED ANY GOVERNMENT PROGRAMS, WHAT IS THE PRIMARY REASON?



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In fact, the data indicates that 64% of organizations rely on internal resources for R&D. Certainly, quite a majority (77%) were entirely unaware that they are now subject to fines for not reporting what they paid to generate their SR&ED claims.

Of the 56% of respondents who do claim the SR&ED tax credit, 59% submit a claim for one to four projects annually; 24% submit a claim for five to nine each year; and 17% submit a claim for ten or more projects annually.

“If your innovation strategy relies on funding, I found over the years that you really need to treat the government as an important stakeholder to be successful. You can't treat government like an ATM - "Here's my project, fund my project and we'll see you next year." And so that means thinking beyond whatever stage you're at. If you're at the R&D stage, yes, you need to be talking to government about your innovation. But you also need to be thinking about the second stage, how are you going to demonstrate this project commercially and prepare it for export. So you should also be having that conversation with EDC/BDC to decide how they can help you create leverage on the pathway to full commercialization. And that's how you get the true benefit of government funding I think, because government's involved with you as a partner every step of the way.”

Tim Kukler – CFO, Nexterra Systems Corp.

FINANCING INNOVATION

CHART 10: HAS YOUR CURRENT ORGANIZATION EVER MADE AN SR&ED CLAIM?

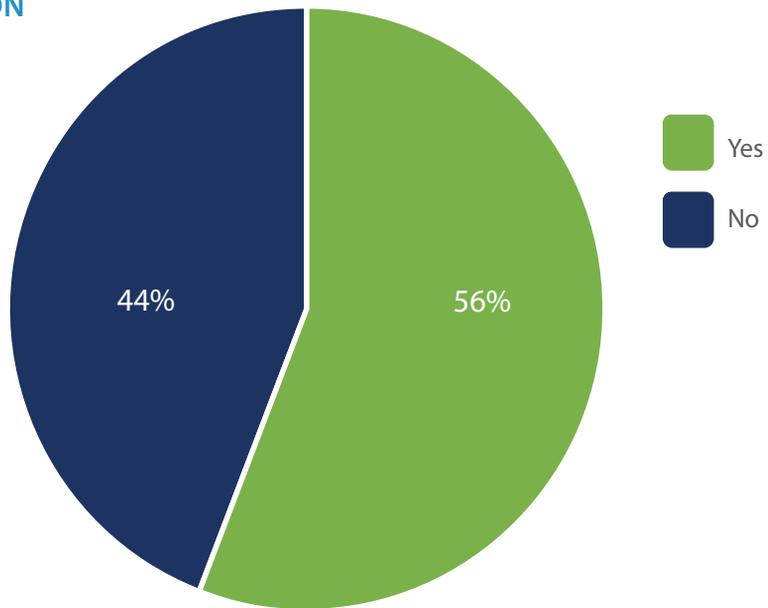
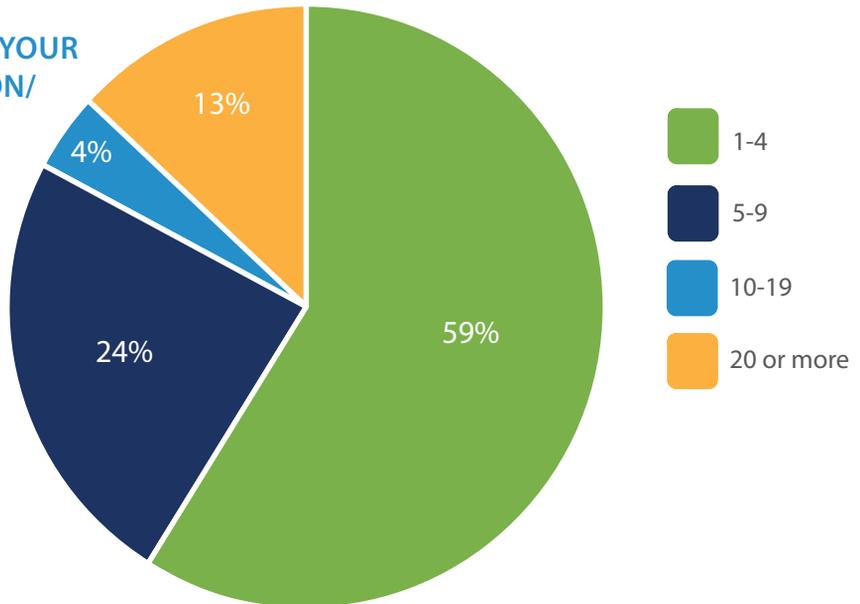


CHART 11: HOW MANY SR&ED PROJECTS DOES YOUR CURRENT ORGANIZATION/ EMPLOYER CLAIM PER YEAR?



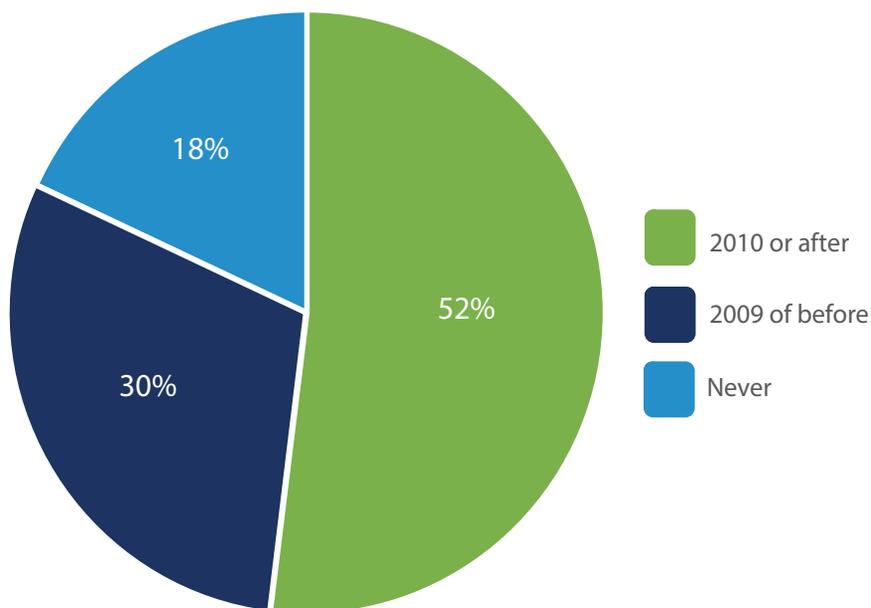
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COMPLIANCE

The rebalancing of indirect and direct funding at the start of 2014 reflects other research findings that Canada is amongst the most generous in the world in its indirect funding programming, but has trailed in its direct government funding via grants, loans and government procurement programs. SR&ED claims clearly remains the most popular form of funding.

Forum participants detailed how hours and manpower devoted to ensuring the process met the guidelines have risen, a point reinforced by 68% of survey respondents who claim that the audit experience was now high to overly burdensome.

CHART 12: WHEN WAS THE LAST TECHNICAL AUDIT OF YOUR SR&ED CLAIM?



The SR&ED tax credit claims process can be difficult. Only 18% perform all SR&ED tasks, and 44% hand off the entire process to external consultants that specialize in SR&ED (See Chart 14).

COMPLIANCE

CHART 13: WHAT IS THE IMPACT OF AN AUDIT ON YOUR INTERNAL RESOURCES?

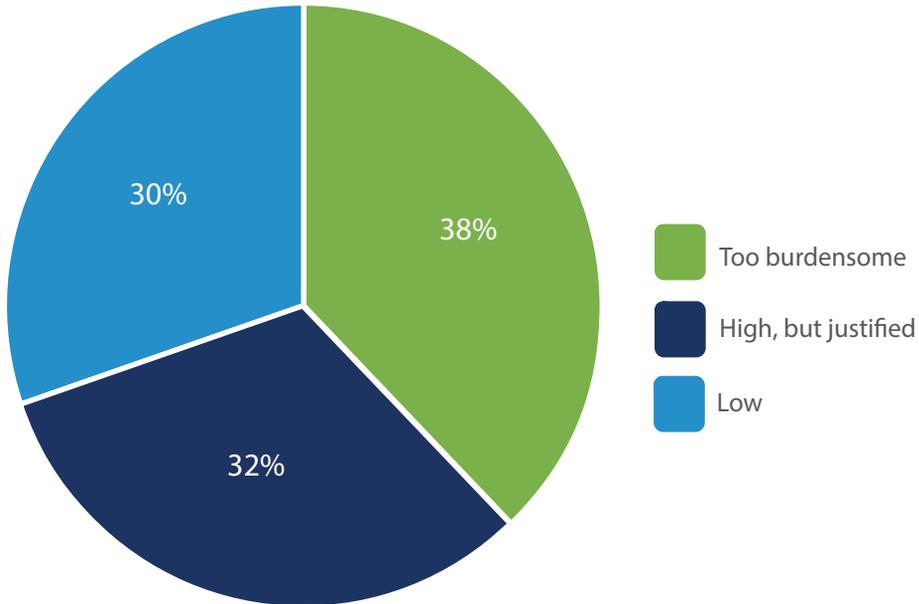
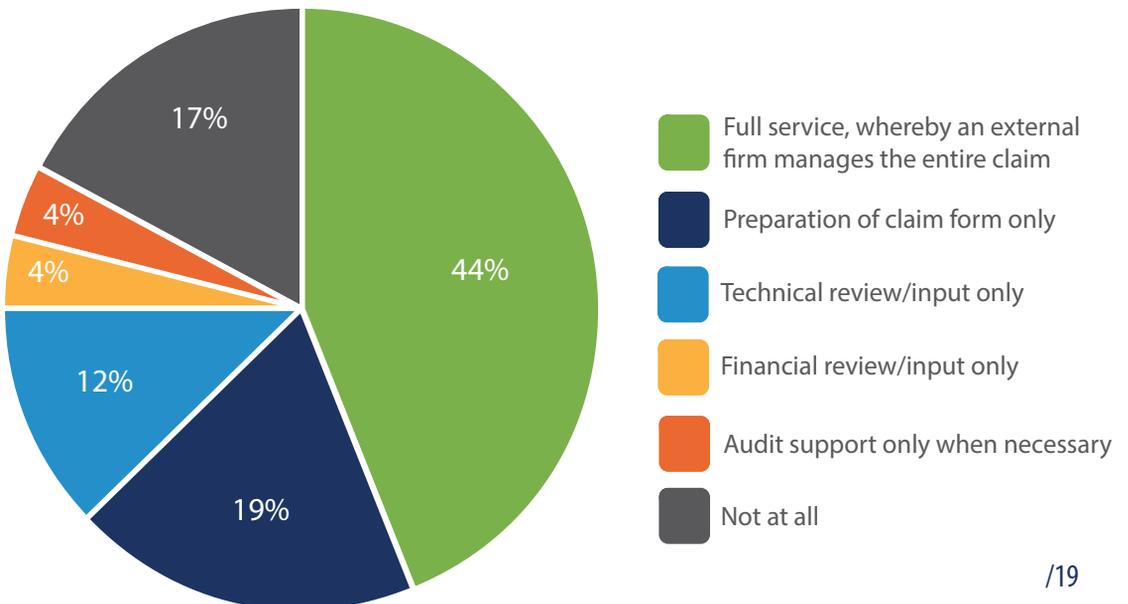


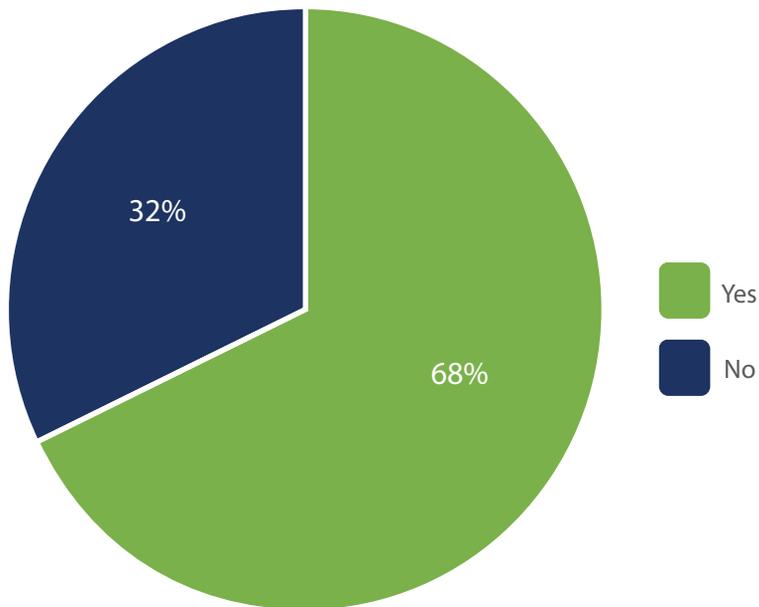
CHART 14: TO WHAT EXTENT DO YOU INVOLVE EXTERNAL FIRMS (TECHNICAL AND/OR FINANCIAL) IN YOUR SR&ED CLAIMS?



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But a resounding 68% look to external expertise, when the project goes to audit.

CHART 15: IF YOU HAVE BEEN AUDITED, DID A CONSULTANT ASSIST YOU THROUGHOUT THE PROCESS?



SR&ED USE

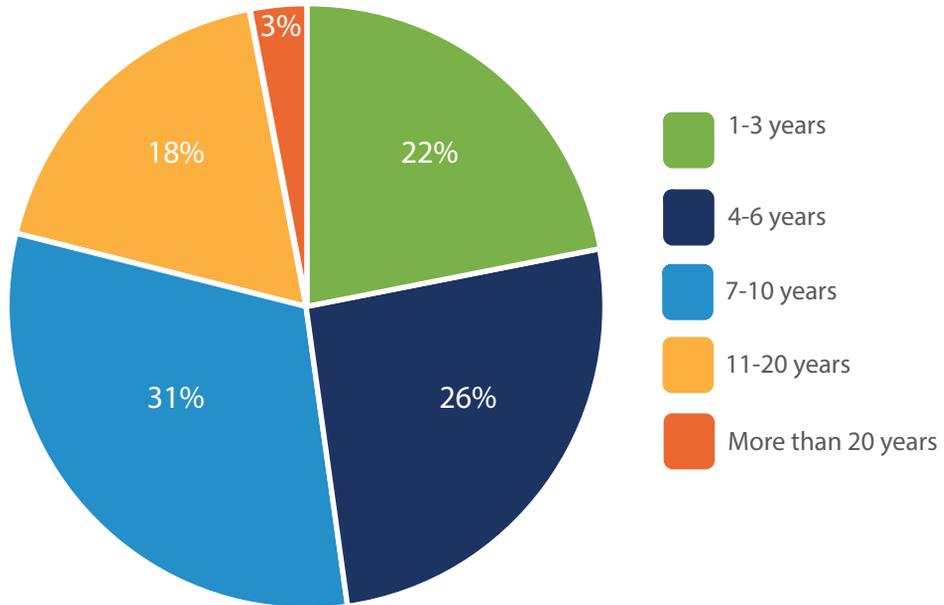
SR&ED USE

The use of SR&ED as a key component to kickstarting and maintaining innovation has been in play for a quarter century. 57% of respondents have used SR&ED from four to 20 years.

“Prior to 2009, and still today, the SR&ED tax credit program is a single biggest federal budget envelope, if you will, to support R&D and innovation. Of the seven billion dollars at the federal level, more than half of that goes towards the SR&ED tax credit program.”

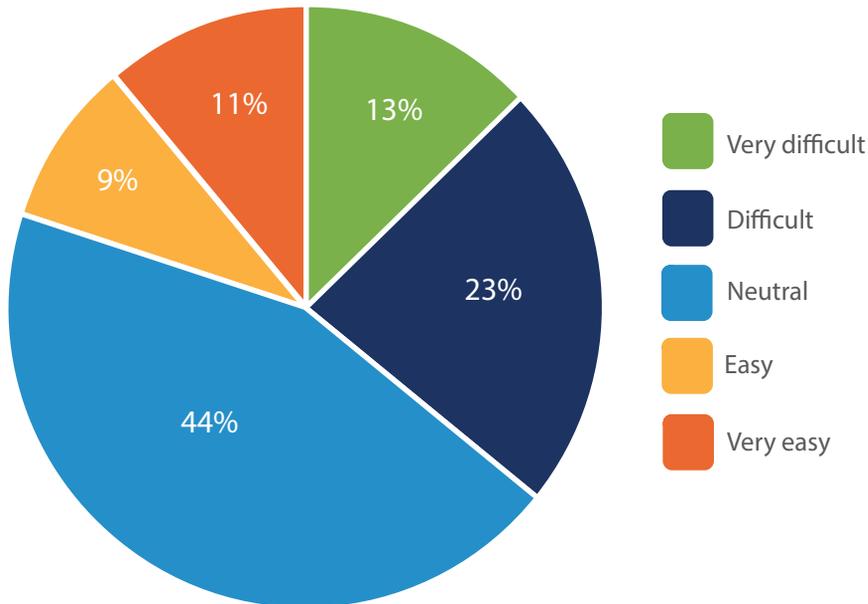
Peter McCusker – Innovation Funding Strategist, Alma CG Canada

CHART 16: HOW LONG HAS YOUR COMPANY BEEN CLAIMING THE SR&ED TAX CREDIT?



THE FUNDING OF INNOVATION IN CANADA

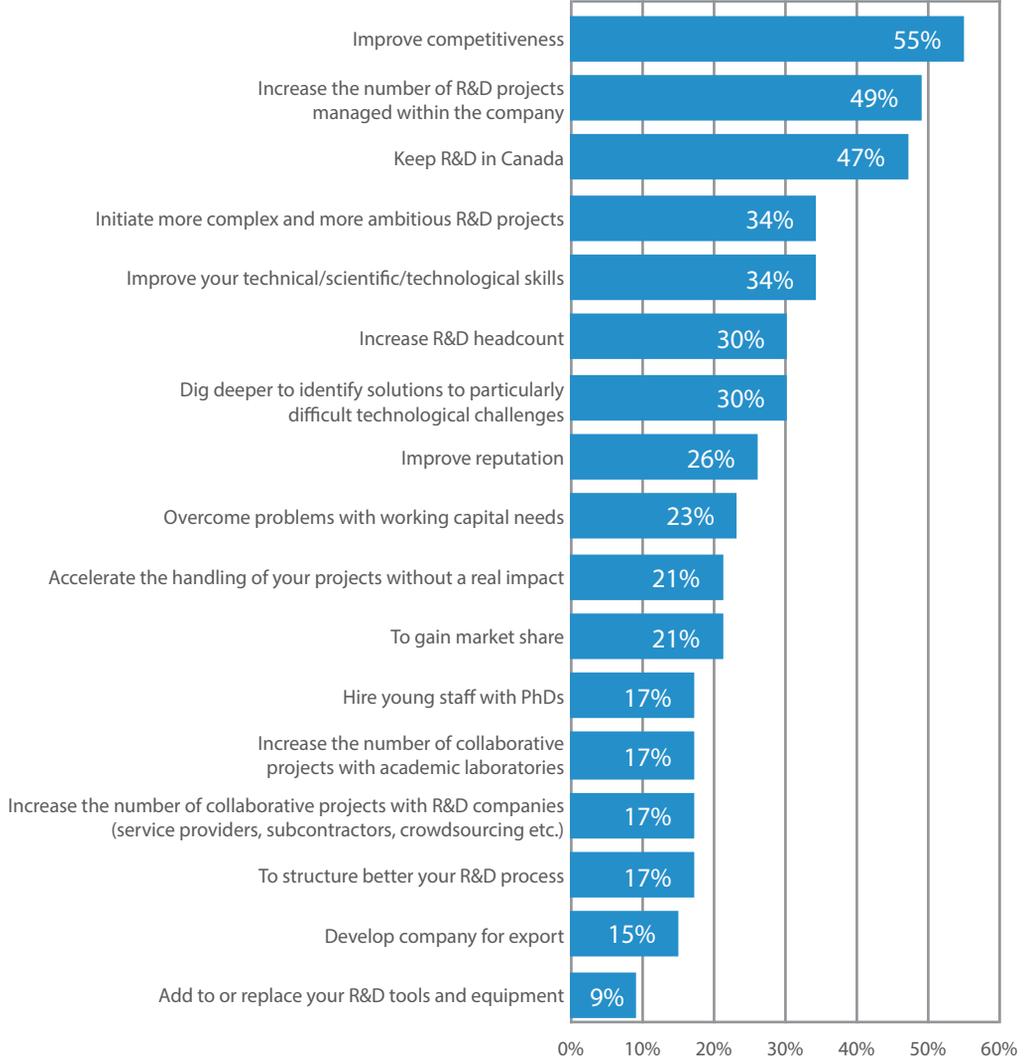
CHART 17: IF THE SR&ED TAX CREDIT HAD NOT EXISTED, DO YOU THINK THAT IT WOULD HAVE BEEN DIFFICULT FOR YOUR COMPANY TO INNOVATE?



36% believe that their plans for innovation would have been hindered if the tax credit did not exist.

As to impact of SR&ED use, the survey queried respondents on where and how the tax credit was used within the full spectrum of innovation. SR&ED allows organizations to better manage R&D in-house (49%). For many, it ensures that R&D remains in Canada (47%). For 34%, the SR&ED program allows for more complex and more ambitious (risky) R&D projects; and another 34% believe it promotes the honing of homegrown Canadian scientific and technological skills. Of course, with all the above, 55% of respondents believe the program ensures that their company's competitiveness is improved.

CHART 18: IN YOUR OPINION, HAS THE USE OF THE SR&ED TAX CREDIT ENABLED YOUR COMPANY TO ... (CHOOSE ALL OPTIONS THAT APPLY)



THE FUNDING OF INNOVATION IN CANADA

“There are literally thousands of early-stage, seed-stage start ups in Canada. The Ontario Centre of Excellence, MARS, Communitech, Growlabs, Wave Front . . . The government likes to see that. They spread their funding around to these thousands of start ups. The problem becomes, taking those thousands of starts and choosing the winners. . . . I mean, not 10,000 companies are going to be successful, right? In the VC world, it's one in 400 at the moment, so that tells you the success rate. But it is hard to do the mean thing. It is hard to say you won't go beyond this point. And hence we just keep funding, and the money gets spread too far.”

Financial Executive

“So it's like a mixed blessing. The good news is the money is spread around allowing some start-ups to be funded; the bad news is when they need more funding to finance getting to Stage Two or beyond, that's when the Americans come in and buy out our tech gems who have now made it beyond proof of concept. Did I say that out loud?”

Michael Conway – President and CEO, FEI Canada

“I think that one of the major challenges in Canada for start up companies is access to capital and a “cluster” where you can tap into human resources. Waterloo has done a nice job of creating a technology cluster. It has not been as easy for life sciences. Prior to Biogen, I was VP Finance at Sanofi Pasteur, where we invested about 100 million dollars a year in Canada in research and development. We were probably the last of the big pharma companies in Canada to have research transferred down to the U.S. where there are large established clusters. As a Canadian, it was heartbreaking to see happen.”

Bob Hill – VP Finance, Biogen Idec Canada Inc.

SR&ED USE

“Decisions aren’t made on whether funding comes through SR&ED or other mechanisms, but it’s really the talent driving the company. There is, in my experience, a vast brain drain away from Canada in that we are losing our key skills and talent to other countries. Canada invests a lot to educate our people, but we fail to provide the proper support, services, and opportunities to keep them. They end up leaving Canada and I find this to be the real issue and challenge. Government and society need to do more to keep our talent in Canada so they can develop products and solutions to keep our companies innovative, competitive and able to grow.”

Vicki Nishimura – Financial Executive

“We’re able to use the tax credit regime and other parts of the tax act to help us to show them that Canada could be a low cost development centre for the company, and it prevents R&D from leaving Canada. What they found is that there is a much richer talent pool here in Canada than in a lot of their other locations. There is a lot of computer engineering type expertise, software engineering in this area of Ontario. And I think a lot of that is because of the government funding of R&D.”

Financial Executive

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The data further indicates that the catalyzing effect of indirect and direct innovation funding is critical to the respondents' ability to spur creative out-of-the-box thinking from their workforce, ownership and their specific industries.

Hence, it is of some interest that 65% of those surveyed believe one of the major beneficiaries of innovative development – government – has been deficient in educating Canadian business about the panoply of innovation funding programs available to them.

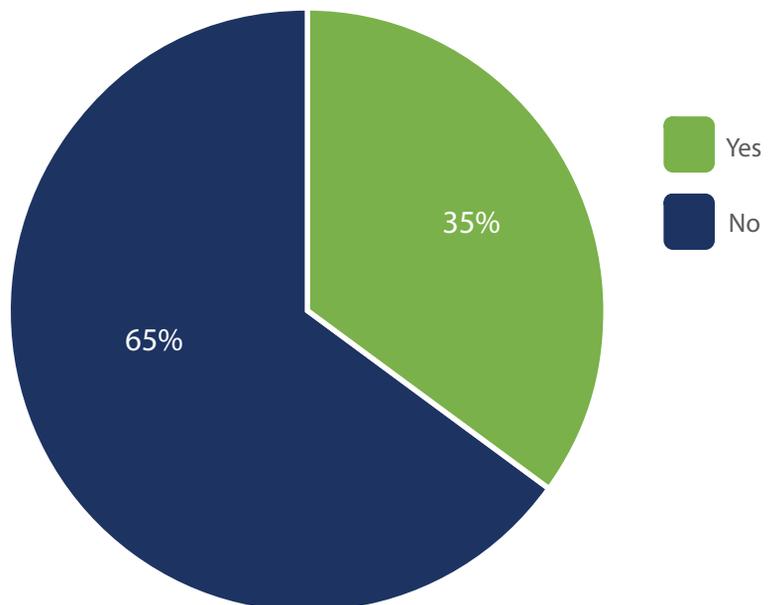
“Tens of thousands of start-ups get complacent about the first-stage money. I go to Silicon Valley a lot. Those people work harder for that first-stage money and it makes them better people and companies.”

Financial Executives

“Just remember, at the end of the day there's a political element here. I did a grant last year for a facility in Belleville [a seven figure grant], and it took two or three months – we were actually proactive. We talked about our plans going forward, etcetera, and at the end of the day because the net impact was a job loss – which surprise, surprise, you're trying to be competitive – it was declined because it's a political view too ... But I think that's a frustrating part in itself because there's another element there that is really 100% out of your control.”

David McLaren – CFO, Belmont Meats Ltd.

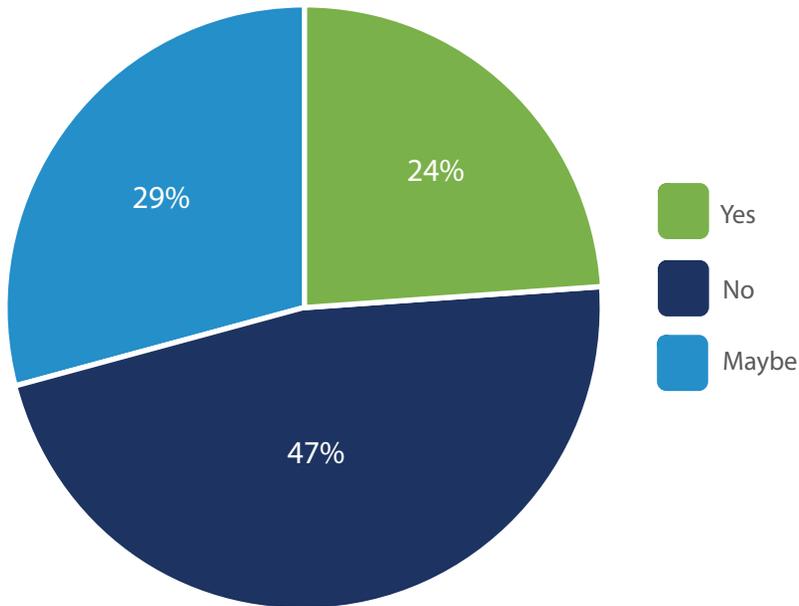
CHART 19: DO YOU FEEL THE GOVERNMENT DOES A GOOD JOB OF MAKING BUSINESSES LIKE YOURS AWARE OF INNOVATION FUNDING OPPORTUNITIES AVAILABLE IN CANADA?



SR&ED USE

As well, the survey finds that organizations are not sufficiently knowledgeable – despite leadership from sophisticated and not incurious senior financial executives – about whether and how the government’s decision to shift to grants from SR&ED credits may or may not be helpful to their strategic innovation goals. Only 24% are in favour of the shift of funding from SR&ED to direct funding. 47% are not in favour, while a significant 29% say “maybe” to being in favour of the shift.

CHART 20: ARE YOU IN FAVOUR OF THE CANADIAN GOVERNMENT SHIFTING A LARGE PART OF RESEARCH AND DEVELOPMENT FUNDING AWAY FROM THE SR&ED TAX CREDIT TOWARDS GRANTS?



THE FUNDING OF INNOVATION IN CANADA

“I want to talk specifically about what happened in my prior career where we received the money six weeks after we claimed everything to the government, which was great. And the year after it took more than 14 months after the claim to get the money. So a change in government practices made it incredibly hard. The company, Fujitsu, is solid enough that it could support that 14 months of cash flow, but still, it doesn't make sense. Sometimes things change with governments and there was a conflict between one group and another group within the government, so it made it very hard. So it can be quite frustrating.”

Jacques Barrette – Former CFO, Fujitsu Consulting (Canada) Inc.

“No offence, but I have to hire consultants to figure out my SR&ED, and that's a problem. So I just look at it from a time and effort standpoint . . . It's kind of a nice to have, it's gravy on top of it. We're going to do it anyways. But I think if you made it easier, I think we would be able to take those monies sooner, quicker, faster and re-innovate on top of that too. So I do find that's the biggest challenge. The time and effort required to get this funding: it's insane to be honest.”

David McLaren – Belmont Meats Ltd.

CONCLUSION

CONCLUSION

Clearly, change of any sort to any tried and true program will be met with some skepticism, but the study shows that senior financial executives are entirely unsure about the efficacy of such a rebalancing of funding strategies (See chart 20). Members of the roundtable – many of whom have extensive experience applying for innovation grants and the justifying of tax credit claims – have also pondered how these changes will impact innovation funding. Several forum panelists were convinced that from the second to the latter-stage projects, many are often gobbled up by U.S. concerns, another issue on the landscape. Wonderment at where the continued evolution of all forms of funding will lead is not optimal for Canadian businesses looking to confidently compete on a global playing field that they hope promotes a fair and level creative environment for innovation.

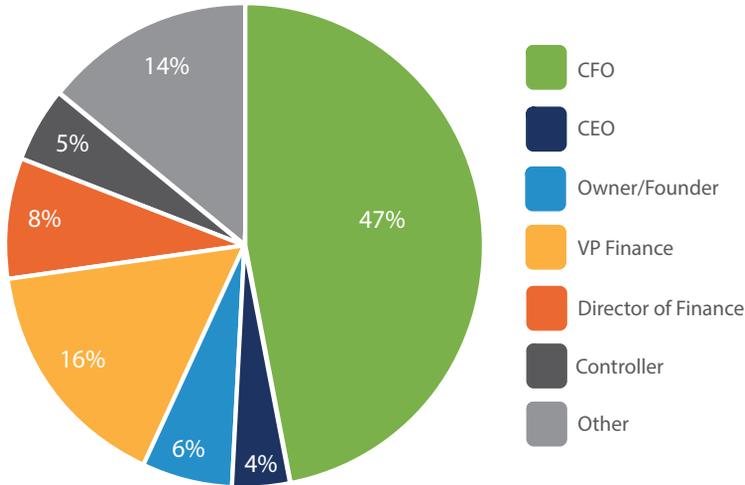
“I look at the government’s role in driving innovation as a late catalyst, not a driver for innovation. Successful models for innovation - and you can see that down in Silicon Valley or in the wine industry also in California . It is a partnership between the private sector, financial institutions and education. Then politicians will come on board. We need the right culture in the country and in the government . . . The only way to drive innovation into bringing better processes or better products, is the right partnership between the private sector, the financial institution to provide the right funding and the educational institutions to provide the resource pools. Then the politicians will jump on the bandwagon and say okay, this is a compelling proposition, this is the job growth, this is where we can invest late catalyst in terms of tax credits and funding roll out. Politicians are reactive not proactive.”

Jad Jebara – President and CEO, Tuangru Inc.

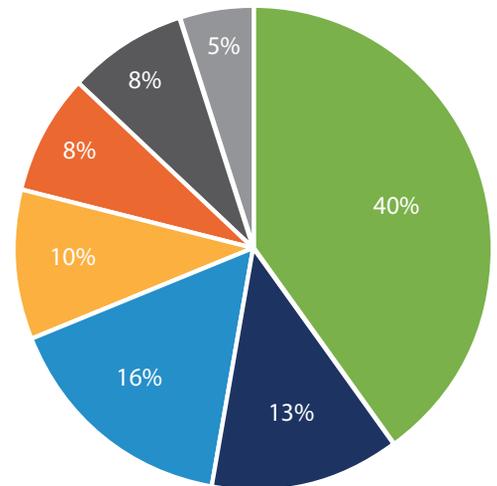
THE FUNDING OF INNOVATION IN CANADA

APPENDIX A: DEMOGRAPHICS

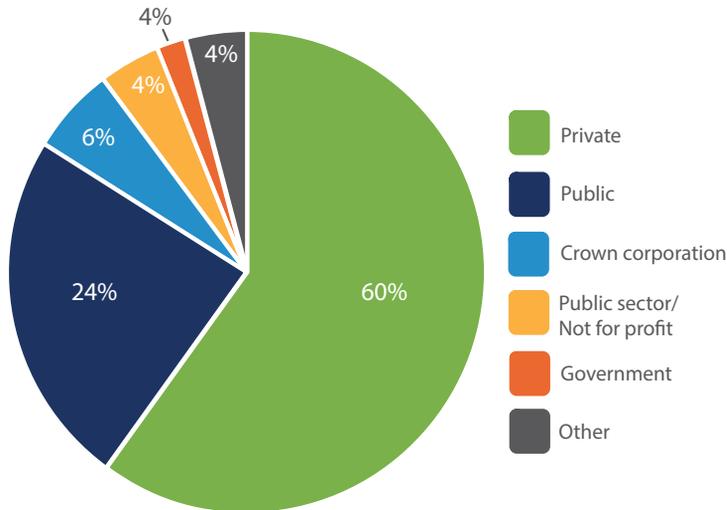
POSITION TITLE



ANNUAL REVENUE



COMPANY TYPE



APPENDIX A: DEMOGRAPHICS

INDUSTRIAL CLASSIFICATION



THE FUNDING OF INNOVATION IN CANADA

APPENDIX B: FORUM PARTICIPANTS

Forum Chair: Michael Conway – President and CEO, FEI Canada

Moderators: Christian Bellavance – VP, Research & Communications, FEI Canada
Peter McCusker – Innovation Funding Strategist, Alma CG

Toronto
Participants: Jonathan Brindley – President, Liquid Capital Advance Corp.
Bob Hill – VP, Finance, Biogen Idec Canada Inc.
Matthew Keogh – Financial Executive
Nancy Lala – CFO, About Communications
David McLaren – CFO, Belmont Meats Ltd.
Maria Negulescu – VP, Operations, Canada Division – Alma CG
Vicki Nishimura – Finance Executive
Dan Pearce – VP Finance, Motorola Solutions Inc.
Roger Rees – VP Finance and CFO, Wesco Canada
Shenif Visram – CFO, Global Technology Services, IBM Canada
Victor Wells – Chair, CFERF

Montreal
Participants: Jacques Barrette – Former CFO, Fujitsu Consulting (Canada) Inc.
Bertrand Derome – Director General, IDP
Xavier Kato – Investment Director, Investissement Québec
Glenn Kerrick – President & CEO, Alma CG North America
Michel Levasseur – VP, Finance and Administration, Vortex Aquatic Structures International
Richard Morrison – President, IRR Capital

B.C.
Participants: Gordon Adair – Financial Executive
Bhavik Chauhan – Business Cost Consultant, Alma
Jad Jebara – President and CEO, Tuangru Inc.
Tim Kukler – CFO, Nexterra Systems Corp.
Rob McLeod – CFO, Ritchie Bros. Auctioneers
Shamlin Pillay – VP, Finance and Administration, Northland Properties Corp.
Michael Rusch – EVP and CFO at Jim Pattison Lease
Alan Strachan – Director of Telus Ventures

APPENDIX B: FORUM PARTICIPANTS

Phone

Participant: Arvin Mahesan – Senior Manager , Corporate Taxation at Nissan Canada Inc

Observers: Laura Bobak – Research and Communications Manager, FEI Canada
Rob Colapinto – Writer, FEI Canada
Dieter Eisbrenner – VP, Strategic Partners and Key Accounts, Alma CG
Melanie Tabet – Marketing Director, Alma

APPENDIX C: INNOVATION IN CANADA ON THE WORLD STAGE

Canada remains among the most generous jurisdictions in the world for indirect funding of innovation, and is improving in the area of direct funding as well. In terms of general funding, the country operates over 4,000 programs that provide over \$25 billion in support for businesses, coming from both federal and provincial governments. This support comes in the form of grants, loans, tax credits in major areas of business operation such as business development and expansion, capital investments, HR or training programs and innovation activities.

Specific to innovation, there are over 1200 available programs, with the federal government injecting over \$7 billion dollars to support R&D. An additional \$1.75 billion is injected from the provincial governments. The SR&ED program (Scientific Research and Experimental Development) alone provides over \$3.6 billion in federal incentives, with additional provincial support of over \$1 billion, making it the most accessible and generous program. (Source: OECD Science, Technology and Industry Scoreboard 2013).

But even with this type of resources available, Canada keep sliding in global competitiveness ranking. And according to a Conference Board of Canada analysis of World Economic Forum's Global Competitiveness Index 2012-13, the culprit is the country's weak performance in innovation.

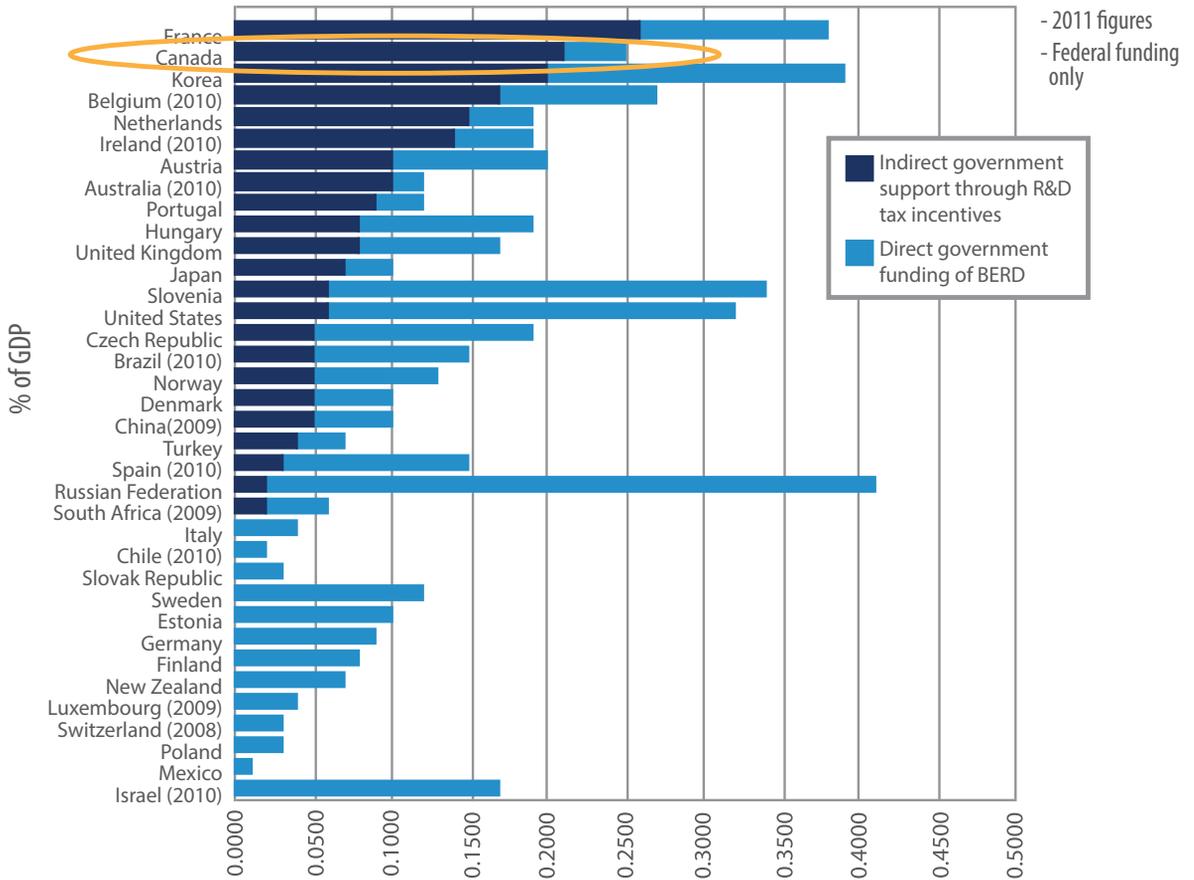
Overall, Canada's ranking declined to the 14th place in 2012 – from 12th place in 2011 and 10th place in 2010. But in the sub-area of innovation and business sophistication factors, Canada fell six places, from 15th to 21st – no other top-ranked country dropped nearly as much.

In 2013, Canada remained at the 14th spot for a second consecutive year. In terms of innovation, the country ranked 25th, a drop from 21st in 2012 and 15th in 2011. Although there is funding readily available, many companies are not prioritizing innovation as part of their overall strategy. They do not seem to quite understand how to go about obtaining all of the funding available to them, and they view other investments as more pressing than the need to innovate.

APPENDIX C: INNOVATION IN CANADA ON THE WORLD STAGE

GLOBAL INNOVATION FUNDING LANDSCAPE

Canada remains among the most generous jurisdictions in the world for indirect funding of innovation and is improving in direct funding programs.



Source: OECD Science, Technology and Industry Scoreboard ⁽⁴⁾ OCED 2013

For more information on this topic, please click on these links:

http://www.conferenceboard.ca/press/newsrelease/12-09-27/poor_innovation_ranking_dims_the_lights_on_canada_s_competitiveness_and_prosperity.aspx

<http://www.obj.ca/Canada%20-%20World/2013-09-04/article-3374560/Canadas-competitiveness-ranking-masks-innovation-weakness-Conference-Board/1>

<http://www.cbc.ca/news/politics/canada-struggles-to-capitalize-on-innovation-1.1026165>

THE FUNDING OF INNOVATION IN CANADA

THE CANADIAN FINANCIAL EXECUTIVES RESEARCH FOUNDATION (CFERF) is the non-profit research institute of FEI Canada. The foundation's mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of FEI Canada's 1,700 members in working toward the advancement of corporate efficiency in Canada. Further information can be found at www.feicanada.org.

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ABOUT ALMA CG

With over 28 years of innovation funding and cost consulting experience, Alma CG specializes in improving client profitability without the investment of capital, changes to operational structure, or compromising commercial strategy. Leveraging the expertise of its Canadian and international specialists, Alma CG Canada offers a one-stop global view to generating additional government funding opportunities and sustainable operational cost savings for its clients. For more information, visit www.almacg.ca.

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FEI CANADA'S RESEARCH TEAM:

Michael Conway – President and Chief Executive Officer

Christian Bellavance – Vice President, Research Communications

Laura Bobak – Research and Communications Manager

Rob Colapinto – Writer

170 University Avenue, Suite 1201
Toronto, ON M5H 3B3
T 416.366.3007
F 416.336.3008
www.feicanada.org

