Entrepreneurs, Scale-ups and the Evolution of Toronto’s ICT Cluster: Insights and Lessons Learned

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Key research questions & findings

Key questions:

– 1) What are the factors driving the transformation of Toronto’s ICT cluster from consisting mostly of MNE flagships into an increasingly dynamic ecosystem for local startups?

– 2) Are startups successfully scaling?

Method:

– 116 interviews over 2 years (2016-2018)
  • innovation-based technology firms (Canadian owned start-ups, scale-ups, and large firms);
  • government (federal and provincial);
  • industry associations; and
  • consulting groups

– Findings supported by large-n datasets
Key findings

• Similar to other major metropolitan areas, Toronto’s business environment is ideal to launch and commercialize technology startups
• Toronto has the 6th largest concentration of tech talent relative to major metropolitan areas in North America
• However, the research on Toronto startups indicates that they are not succeeding

THE REALIZATION: Toronto doesn’t have a startup problem, we are not supporting the companies that are already succeeding – the Scale-ups.
Toronto ranks #6 among most populous cities in North America in terms of employment in technology industries, but the Toronto-Waterloo region is 40% less than Silicon Valley in terms of tech employment.

Source: Statistics Canada, Bureau of Labor Statistics
Tech Performance: Failure to Scale

Little data specifically on the actual number of scale-ups in Toronto; Number of exits over $50M USD is an indicator that most companies are not scaling and few are reaching their potential.

Source: Startup Genome, 2016 data
Ingredients to Scale: Talent and Capital

- Experienced Scale-up Talent is an indicator of the number of scaling firms
- The % of experienced scale-up talent in the Toronto-Waterloo corridor is underdeveloped
- This indicates that scaling companies are struggling to find the talent to help them scale

Source: Startup Genome, 2016 data
What Does this Mean for Canada’s Digital Opportunity?

Canada’s Digital Opportunity
- To focus on better understanding of the Canadian scale-up ecosystem, support the companies that are already scaling globally, and develop policy to encourage them to grow and remain Canadian

Policy Imperatives and Implications
- Define the scale-up ecosystem so that policy-makers can understand and properly identify scale-ups
- Shift the policy discourse from its current focus on start-ups to companies already scaling
- Use direct and firm-specific policy instruments to effectively support Canadian scale-ups competing in a global market
- Develop policies to attract and retain talent with scaling experience while improving access to capital for scaling companies