



The Conference Board  
of Canada

# Canada: A Call to Innovation

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# Introduction

## Reality Check

We are a comparatively small export-driven economy in an increasingly competitive world with a population demanding a high relative standard of living and a good opportunity for future generations.

# Agenda

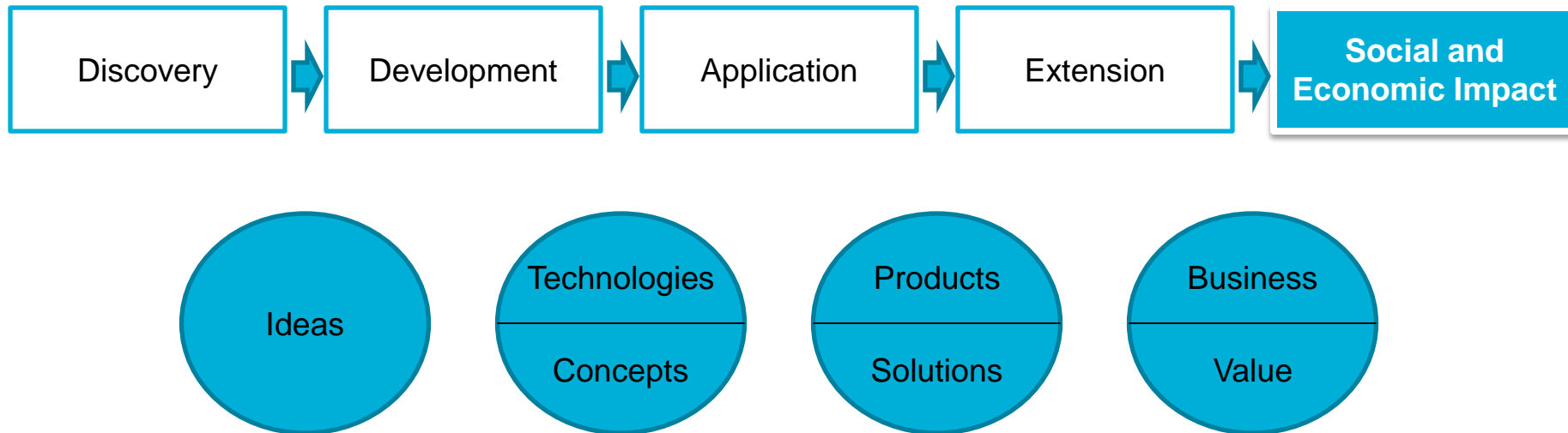
- **What is innovation?**

- Where does it occur?
- Why is it important?
- How are we doing?
- What have we done?
- What do we need to do?

- A process through which economic or social value is extracted from knowledge...
- By generating, developing and implementing ideas...
- To produce new or improved products, services, processes, strategies, or capabilities.

# What is innovation?

## Innovation Value Chain



# Agenda

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- **Sector:** Private, Public, Social, NGOs, Institutions ...
- **Nature:** Radical, Incremental, Small
- **Type:** Product, Service, Process, Business Model, Value-Chain ...

**Everywhere!**

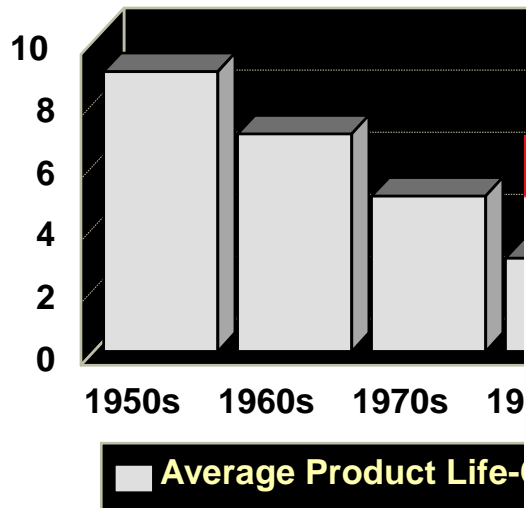
# Agenda

- What is innovation?
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- Wealth and social resources
- Resource price trends
- Accelerated technological churn
- Chronic productivity issues
- Lower global growth

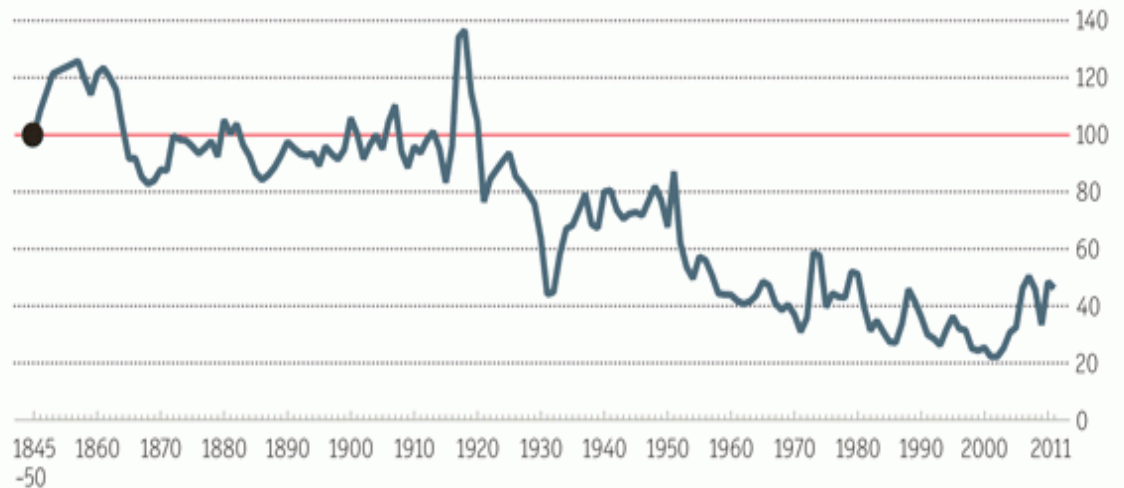
# Why is it important?

## Accelerated Technological Churn Example: Computer Industry



### Metal detector

*The Economist* industrial commodity-price index, real\* \$ terms, 1845-50=100



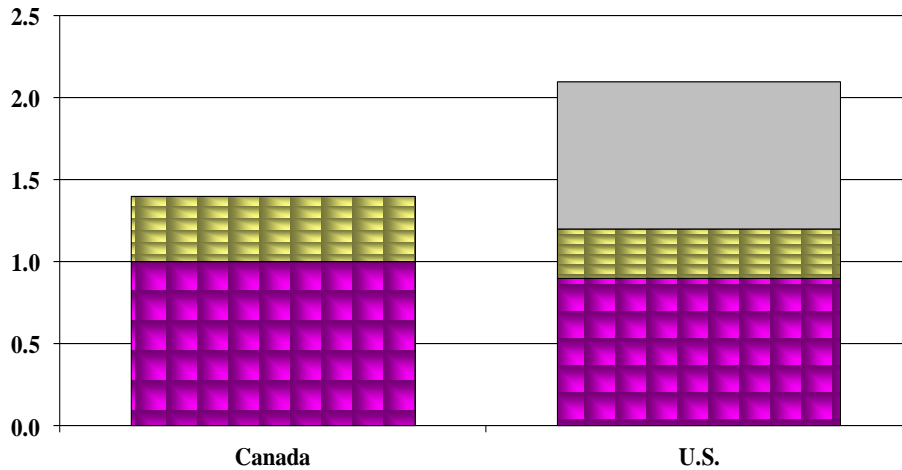
Sources: *The Economist*; Thomson Reuters

\*Adjusted by US GDP deflator

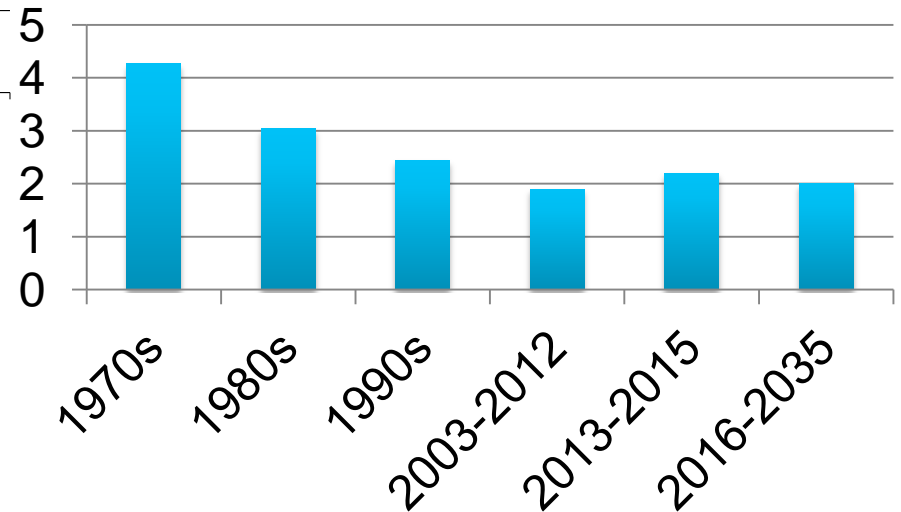
# Why is it important?

## 1980–2011 Labour Productivity Growth (% average annual growth)

■ MFP ■ Labour Composition ■ Capital Deepening



## Canadian GDP Real Growth Rate %



Sources: The Conference Board of Canada; Statistics Canada.



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The graphic features a blue rounded rectangle containing a document cover on the left and a large downward-pointing arrow on the right. The document cover is titled 'Canada's Competitiveness and Innovation Doldrums' and includes a summary of findings. The arrow points from '2010 Rank: 10<sup>th</sup>' at the top to '2014 Rank: 14<sup>th</sup>' at the bottom.

**2010 Rank: 10<sup>th</sup>**

**2014 Rank: 14<sup>th</sup>**

**Canada's Competitiveness and Innovation Doldrums.**

**At a Glance**

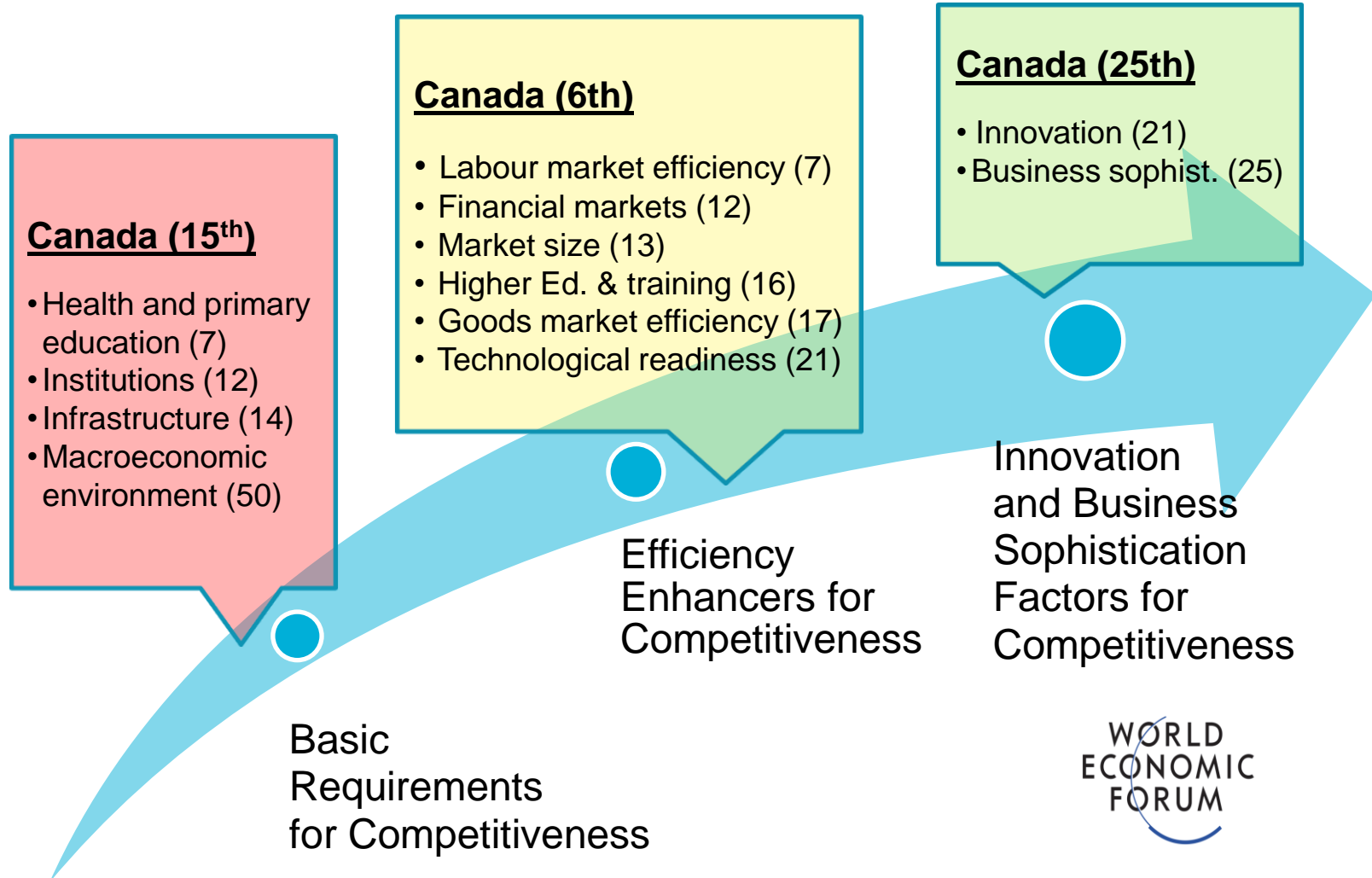
- For the second year in a row, Canada ranks 14th on the World Economic Forum's Global Competitiveness Index—evidence of the country's continuing weak competitiveness.
- Poor innovation performance hampers Canada's competitiveness. Innovation capacity is hindered by insufficient access to financing, slow adoption of new technologies, insufficient company spending on R&D, and trade barriers.
- Canada's competitive strengths include its primary and higher education systems, efficient labour market, and stable and efficient public institutions.

**D**oldrums, according to the Merriam-Webster online dictionary, are "spells of inactivity and dependency, or periods of inactivity, stagnation, or slump." Unfortunately, Canada continues to languish in the global competitiveness doldrums. The country's low ranking in the World Economic Forum's Global Competitiveness Index (GCI)—we have not been a top 10 global performer since 2008—is a harsh reminder of Canada's underwhelming competitive performance in areas such as innovation and business sophistication.<sup>1</sup> For a second year, we sit in 14th place, well behind top performers Switzerland, Singapore, and Finland.<sup>2</sup>

1 Merit-Welchman, Doldrums  
2 WEF, Who Dressed the Light? 1  
3 World Economic Forum, Institutions and Innovation Increasingly Important for Competitiveness

# How are we doing?

## Overall Competitiveness



# How are we doing?

## Chronic Issues

- Ambition and competitive drive
- Attitudes toward success, failure and risk
- Business and government uptake on funded innovation
- Inadequate and insufficient venture funding
- Broad array of small scale areas of discovery

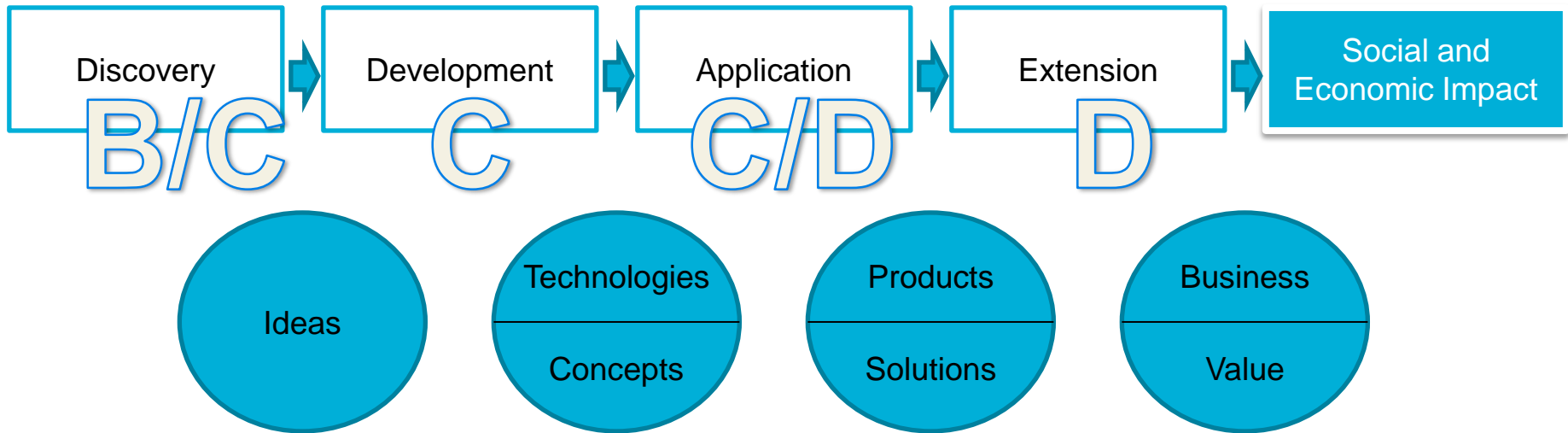
# How are we doing?

## **Chronic Issues** (continued)

- Fragmented markets with limited value chain
- Few “anchor” businesses (supply chain collaboration)
- Excessive, uncoordinated and overlapping regulation
- Weak culture of collaboration
- Uneven management capabilities

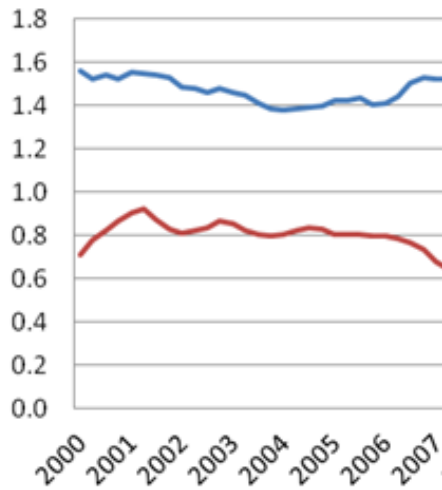
# How are we doing?

## Innovation Value Chain

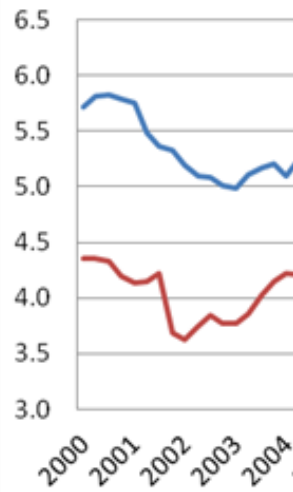


# How are we doing?

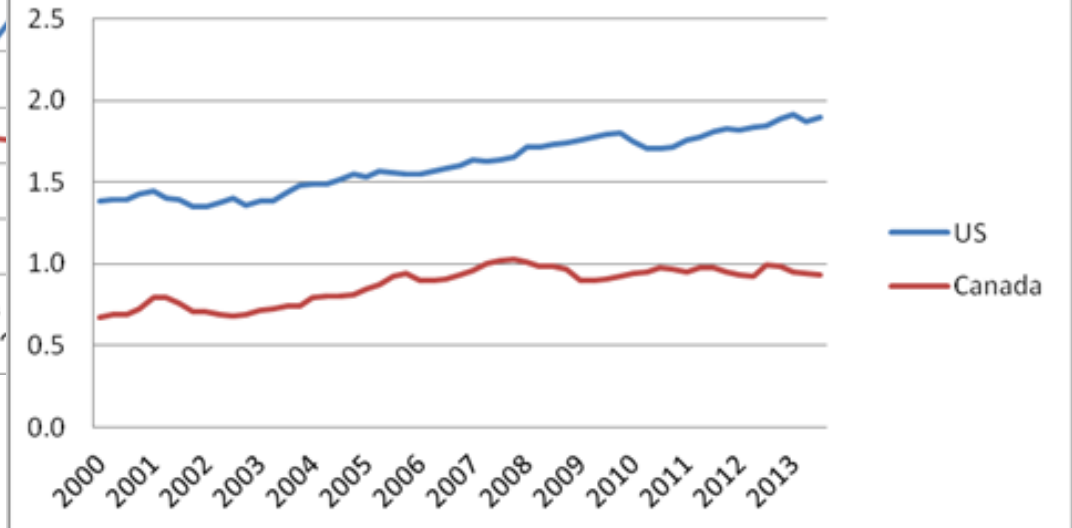
## R&D Investment, share of GDP, %



## M&E Investment, share of GDP, %



## Software Investment, share of GDP, %



• Source: The Conference Board of Canada

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- Business
- Government
- Academia

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# Business

- Invest more in research and development
- Build a culture of innovation inside firms
- Manage innovation like any other key process
- Work with educational and research institutions
- Cooperate and lead joint partnerships and ventures

# Business (continued)

- Increase international market presence (compete!!)
- Develop larger and more effective risk capital pool and talent
- Communicate skill and technology needs
- Develop and deploy better metrics for innovation
- Loan and share plant, equipment and expertise

# Government

- Streamline and reduce the regulatory burden
- Accelerate process and service delivery innovation
- Ensure appropriate fiscal regime: nudge behaviour
- Maintain and manage educational and discovery investment
- Increase *joint* investment in commercialization
- Encourage international participation

# Academia and NGOs

- Begin *minor* shift in focus and accountability
- Increase commercialization efforts
- Improve partnerships and their efficacy
- Provide clearer pathways for relevant skills development
- Measure progress and analyze bottlenecks

# Call for New Canadian Approach





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