

INVESTED

in Innovation

Discussion Document Business Innovation Agenda



INVESTED in Newfoundland and Labrador



Newfoundland
Labrador

Business, Tourism, Culture and
Rural Development

Growing the province's pool of innovation-driven businesses

Introduction

Jurisdictions around the world are centering their economic policy-making on innovation as a vital determinant of competitiveness. In Canada over the last decade, much attention has been paid to the country's collective innovation lag. Relative to peer nations, Canada's innovation performance has long been weak. The most recent report card on innovation by the Conference Board of Canada ranked Canada 9th of 16 comparator nations, well-behind top performers Sweden, Denmark, Finland and the United States. Among provincial peers, the same report ranked Newfoundland and Labrador's innovation performance seventh among the provinces.

Despite the development and implementation of national and provincial strategies aimed at things like fostering innovation culture, supporting the expansion of private sector led research and development (R&D), and commercialization activity, strengthening innovation education and skills, and emphasizing collaboration and focus on strategic growth sectors, the country and indeed provinces and territories, continue to underachieve as it relates to key indicators of innovation performance. Why is this?

In the 2016 Speech from the Throne, Government committed to re-setting the provincial innovation agenda by developing a long-term strategy to expand the pool and capacity of Newfoundland and Labrador's economic wealth generators - *innovation and growth-focused businesses*. A new Business Innovation Agenda for Newfoundland and Labrador is expected to be in place by summer 2017.

Further, through the Atlantic Growth Strategy, Government is working with the Maritime Provinces and the Federal Government to stimulate economic growth in our region, with business innovation one of five key areas of priority.



National Research Council, Towing Tank, St. John's

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Innovation and Entrepreneurial Ecosystem

It is well-acknowledged that innovation is neither invention nor R&D alone. Indeed, the world has redefined innovation to include the introduction of new ideas, devices, processes and methods.

In fact, it was over a decade ago that the Organization for Economic Co-operation and Development (OECD) published its guidelines for collecting and interpreting technological innovation data (known as the Oslo Manual), formally broadening the definition of innovation to include organizational and marketing innovation. It was the Oslo Manual that first encouraged greater emphasis on linkages with other firms and institutions in the innovation process, along with the importance of innovation in less R&D-intensive industries such as services and low-technology sectors.

Innovation is a means to making life better - generating value for clients, customers, a company, a sector, a community or a region. We know entrepreneurship (large or small business, scalable start-up or social enterprise) is simply a way of thinking and acting on an opportunity to create value, demonstrating the important linkage between innovation and entrepreneurship.

We also know innovation typically flows from the actions of a diverse group of ecosystem players (academia, industry, government, community), connected and interacting through complex mechanisms - encouraging the rapid diffusion of knowledge, skills and best practice through

regional innovation systems, networks and policies.

As the Council of Canadian Academies pointed out in their report *Innovation Impacts: Measurement and Assessment*, ecosystem supports and resources revolve around firms or businesses as producers of innovation and the creators of value.

The State of Newfoundland and Labrador's Innovation Performance

Widely cited measures of innovation performance include: investment in public R&D (as a per cent of GDP); business led R&D; venture capital investments; technology investments; degree of connectivity; number of patents and researchers; enterprise entry rates; entrepreneurial ambition; and, labour productivity. Further, exports are often referenced as a measure of firm internationalization.

Indicators have long depicted poor national-level innovation performance; however, we know that the performance of individual provinces against key indicators varies significantly. This suggests that consideration of local context (business climate, industrial structure, comparative advantage etc.) and a tailored policy response is critical.



Dr. Terry-Lynn Young, Faculty of Medicine, MUN

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According to the Conference Board of Canada, in recent years the province's innovation performance has fared average or strong relative to:

- rates of labour productivity - largely due to oil and gas activity and related economic performance;
- connectivity - access to fixed broadband has been expanded through the Rural Broadband Initiative, positively impacting subscription rates; and
- venture capital investment - public and private early and later-stage equity availability, including government's \$20M VC fund.

Further, the Conference Board indicates that the province performs above average in terms of its enterprise entry rate (# of new firms as a per cent of existing firms) and entrepreneurial ambition (commercial motivation/risk tolerance).

However, critical innovation performance challenges for our province (and that of most jurisdictions in Canada) include: private sector investment in technology; business led R&D spending; number of patents filed; number of researchers; public R&D spending; and, export sales.

Arguably the most important of these measures is private sector R&D investment – a market oriented measure strongly correlated to GDP per capita and a critical link between innovation and commercialization.

There has been significant work undertaken in recent years aimed at

achieving a deeper understanding of innovation performance, including that specific to Newfoundland and Labrador:

- In February 2014, a study team with Memorial University's The Harris Centre prepared a report, *Challenges, Opportunities and Strategies for Advancing Innovation in Newfoundland and Labrador* that included a knowledge synthesis of the latest research and insights for advancing innovation as well as case studies on Newfoundland and Labrador firms.
- In June 2014, The Centre for Innovation Studies (THECIS) released the report, *2013 Global Entrepreneurship Monitor, Driving Wealth Creation and Social Development in Newfoundland and Labrador*. Entrepreneurship in Newfoundland and Labrador was examined through the Global Entrepreneurship Monitor (GEM) lens. The findings revealed relatively positive attitudes in our province about entrepreneurship and identified ways to strengthen entrepreneurial activity.
- The Newfoundland and Labrador Employers' Council (NLEC) has also shown interest in supporting efforts that increase the province's competitiveness. The NLEC commissioned the Conference Board of Canada to complete a report, released in April 2015, *Achieving Sustainable Prosperity. Benchmarking the Competitiveness of Newfoundland and Labrador*. The report identifies Newfoundland and Labrador's competitive strengths and weaknesses relative to its peers by benchmarking

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several performance indicators against its direct competitors.

- In September 2015, the Conference Board of Canada released its annual report card on innovation, *How Canada Performs on Innovation*. For the first time this innovation report card included comparisons of Canada's provinces. The Conference Board followed this in May 2016 with a piece on the relationship between innovation and internationalization, *Strengthening Symbiosis* that makes the case for integrating how we view international business and innovation activity.

All of these reports and others point to the need for Newfoundland and Labrador to be more innovative, productive and competitive in order to achieve measurable economic and social progress. These reports also highlight the economic importance of entrepreneurs, businesses and firms as key sources of innovation.



Chris Gardner, Sequence Bio

Desired Future State

Through a new Business Innovation Agenda, Government is aiming to create the conditions and invest with stakeholders

in the activities that enable the province's pool of innovation-driven businesses to grow and diversify.

Gap Analysis

In order to achieve the future state, government is seeking input and advice from the ecosystem on the supports and resources required to measurably advance innovation in new (start-ups) and established firms, along with how we best measure success in this regard.

Are the indicators used to measure our innovation performance relevant to provincial circumstances or the circumstances unique to rural parts of the province? If so, how can we improve? If not, what other factors do we need to explore?

Do we sufficiently understand the relationship between innovation and entrepreneurship, how innovation transpires inside businesses and its connection to creative processes and business skills?

What are the essential characteristics of innovation-driven firms?

What are the critical prerequisites to building out our province's pool of diverse, growth-oriented innovative-driven firms?

What role does R&D play in support of innovation, in particular the development of new products, services and processes?

These and other questions will guide government's discussion with stakeholders on how best to advance business

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innovation throughout Newfoundland and Labrador.

Initial areas of exploration include:

1. **Business and Innovation Skills -**

What resources and supports are required to ensure new (start-ups) and established businesses are able to ambitiously pursue innovation-driven business excellence throughout their operations?

2. **Market Opportunities -**

What innovative tools can new or established businesses use to identify, reach, sustain and grow the value and volume of their customer base? How does internationalization impact innovation and vice versa?

3. **Access to Financial Capital -**

What types of funding are needed to fuel an innovation and growth-focused firm at the various points throughout the business development cycle?

4. **Access to Talent -**

What supports and resources will help ensure businesses have access to the internal and external talent and expertise required to undertake innovation and growth-oriented activities?

5. **Innovative Culture -**

Given that institutional and cultural attitudes and behaviours significantly impact performance and productivity, how do we cultivate and enhance an innovative culture that nurtures

knowledge development and its application in firms?

What other areas require investigation in order to deepen the innovation capacity of established firms in the province?

What other areas require exploration in order to grow the province's pipeline of innovation-focused and growth-oriented firms?



Holyrood Marine Base

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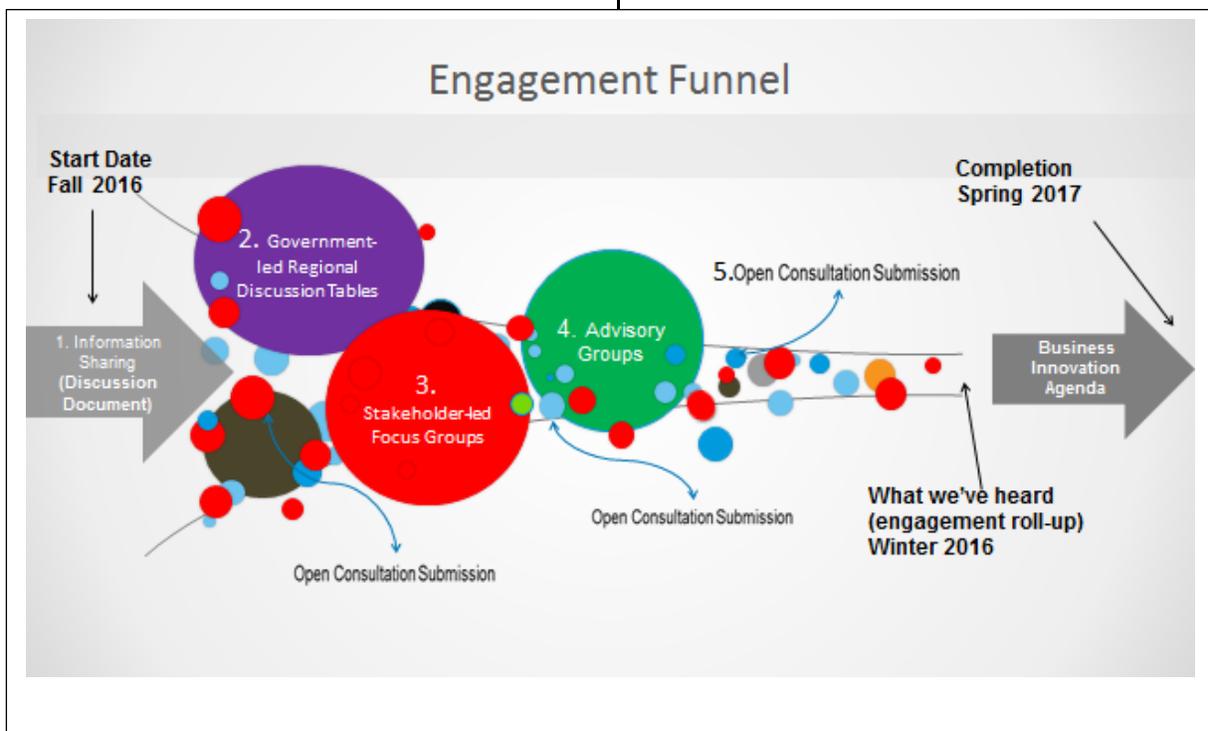
Engagement and Timeline

A fundamental step in developing a new Business Innovation Agenda for Newfoundland and Labrador is ensuring an open and transparent process - both informing partners and stakeholders of the ways in which they can engage, and seeking their specific input on the issues and opportunities.

It is critical that the actions ultimately designed and implemented under the Business Innovation Agenda effectively respond to the challenges faced by Newfoundland and Labrador businesses in pursuing innovation.

The goal of the engagement process is to ensure a broad range of input is collected. This process must occur before any specific priorities are determined - ensuring stakeholders have an opportunity to impact policy decisions.

The Business Innovation Agenda development process will offer a number of ways for stakeholders to effectively engage, including discussion tables, focus groups, an online presence and other mechanisms for dialogue on the kinds of tools, resources and investments required to expand the pool and capacity of the province's growth-oriented innovation-driven businesses (depicted below). The aim is to release the Business Innovation Agenda in spring 2017.



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Advisory Bodies:

- Private Sector Advisory Committee
- Government Executive Steering Committee
- Ecosystem Engagement Working Group

Key Agenda Development Milestones:

Fall 2016

- First Private Sector Advisory Committee Meeting
- Launch of Engagement Process
- Engagement Sessions/Meetings
- Second Private Sector Advisory Committee Meeting

Winter 2016-17

- Summarize "What we Heard"
- Inventory of Policy Options
- Third Private Sector Advisory Committee Meeting
- Agenda Priorities Determined
- Policy Design and Recommendations Drafted

Spring 2017

- Business Innovation Agenda Released

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