

MH EP04 Transcript Invest Ottawa

Thierry Harris: An ecosystem includes all the living things in a given area that interact with each other as well as the nonliving environments that surround the living things. For entrepreneurs to become successful in hunting new markets, they need to integrate themselves into what academics call an entrepreneurial ecosystem.

Nick Quain: The difficult thing with a tech startup is in order to get a customer, you need a product. In order to get that product, you often need money to build the product. In order to get money, the people with money wants you to have a customer. You need to create a bit of a machine, a networking machine where the ecosystem is helping each other.

Thierry: On this episode of *Market Hunts*, we've put on our ecologist research hats and explore the entrepreneurial ecosystems in place to help entrepreneurs perform their special dance between discovering problems to be solved, raising capital, and developing products and services to address market needs. Stay tuned.

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Nick: Entrepreneurship is hard, you need to have support there.

Andrew Casey: We fundamentally have to learn how to live our lives differently. We can't keep going the way we have.

Marie-Eve Ducharme: Actually, we were wrong. That's an incredible market.

Nick: Probably it could be incredible if we had too much money.

Rune Kongshaug: I fall in love easily.

Thierry: We're coming up with some pretty interesting ideas. [laughs]

Speaker 4: To solve everything.

Thierry: We've solved it all. In today's world. Cities are striving to create healthy entrepreneurial ecosystems. An entrepreneurial ecosystem is a combination of entrepreneurs, a skilled labor force, support networks such as legal and accounting firms, venture capital firms, and economic development corporations, or EDCs. These EDCs are often run by a city, a region, a state or a province, or a collaboration of all three. Nick Quain, Vice President of Venture Development at Invest Ottawa discusses the key elements to fostering a healthy entrepreneurial ecosystem.

Nick: Invest Ottawa is an interesting organization because it has two real mandates that in most major cities are separate organizations that are not under the same roof. In Ottawa's case, Invest Ottawa's case, both are run by the same organization. On one

side, we support entrepreneurship in our city. We're the entrepreneurial hub, we're the venture hub, we're the regional innovation center.

Anything to do with domestic entrepreneurship from people, from startups, early ideas all the way to growing and scaling their business, our organization is there to support that entrepreneurial ecosystem. Then at the same time, Invest Ottawa is also in charge of foreign direct investment for Ottawa which is, for the most part, attracting large multinationals that are looking to expand into other markets and trying to woo them to use Ottawa as a landing point either in North America, or Canada, what-have-you, and to take up offices and do business out of Ottawa.

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Thierry: Data shows that the more connected the network is, the stronger the entrepreneurial ecosystem. Invest Ottawa fosters these connections, and it works with founders to develop entrepreneurial skills in finance, customer discovery, and growth hacking. They also bring together experienced people who want to help, creating an ecosystem where founders are helping founders, big businesses are helping founders, and investors are helping founders.

Nick: It takes a complete village to help an entrepreneur. The more support, the more founders helping founders, the more connections, the wider your network, all of these factors increase the probability of entrepreneurial success. Those are all things that we focus on in trying to help entrepreneurship succeed here in Ottawa.

Thierry: I asked Nick, what Invest Ottawa's measures of success were to foster this entrepreneurial ecosystem?

Nick: There are a number of metrics. You can look at the number of businesses we're engaged with first off. Although I don't think that's-- It's sort of a baseline. The number of businesses that are started under our support, the number of businesses that go through different phases. We tend to put companies in different blocks in terms of the stages they're at, whether that the idea stage or building the business stage or the growth stage or the scaling stage, so counting the number of companies that jump from one step to the other.

Then there's some baseline numbers that, in the end, the proof is in the pudding. Like, what are the revenue numbers that have been created by these companies, and how much has it gone up from year one to year two? What are the number of jobs, which is perhaps the most important one?

We're an economic development agency, so in the end, our major scorecard when our supporters are the government entities we work with and our corporate sponsors, they want to see what are the number of jobs of the companies that we've helped support that they've created?

Thierry: Another important evaluation of success for Invest Ottawa is to calculate the amount of capital investments startups are receiving. Seed funding for startups often propels itself into larger rounds of investment. The capital can come from anywhere in the world, including Silicon Valley or locally from government funding in the form of grants and tax credits.

These are non-dilutive and are priced by entrepreneurs who do not need to give up any equity to receive them. Companies that tend to raise more money, also tend to foster more job growth. In Ottawa, the industry which is leading this growth tends to be in software. Invest Ottawa tries to encourage all types of companies in their infancy stage to varying levels.

Nick: We have a number of different programs that go across the board. We do support general entrepreneurship which can be those mom-and-pop shops, which can be a brick and mortar, can be service companies. We tend to do that a little bit lighter, and that's the support that we give to the general ecosystem of being able to take a workshop seminars on how to build a business, how to launch a restaurant. We do have workshops like that, but it tends to be a lighter touch where we double down more on our higher potential growth industries.

It tends to naturally focus a little bit more on technology, that you just look at the sheer number of jobs that Shopify has created. I mean, they've just hired their thousandth employee here in Ottawa and they marked it with this incredible video that's essentially a video love letter to the city of Ottawa on why they love Ottawa and why they kept their head office here when they could have moved it at any point to somewhere else in Canada or the Valley.

The technology side is absolutely something that's looked at because in the end, it's just been demonstrated that those are the types of companies that are going to create a disproportionately large number of jobs. In the last few years, we've had companies that have been started under Invest Ottawa that have turned into a company like MindBridge, which is an AI company that helps organizations be able to go through financial audit documents using AI to be able to detect anomalies that the human eye--

It's just that much more efficient than having some 25-year-old auditor scan through Excel files. It's a bit of a natural to see something like that. You look, they just raised in the neighborhood of \$30 million and we're moving up to hundreds of employees themselves, so those types of companies. It can be a full range. We have a really interesting company called the Growcer that we're working with right now, which it's these students that come out of the University of Ottawa and it was really just a bit of a--almost a social entrepreneurship project.

They've turned shipping containers into agripods which produce thousands of pounds of fresh produce every month. It started out as a project that they partnered with Northern communities to help them get fresh produce at a more economical rates, but now

they're selling these large shipping containers, these agripods to university campuses all across the country so that university students can get fresh produce at a more economical rate.

You see a real mixed bag of different technology companies and you see more and more technology sort of immersing itself into more traditional industries as well. There tends to be a bit more of a technology bent for the types of companies that we support, at least that we doubled down on anyway.

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Thierry: The challenges facing companies that approach Invest Ottawa are varied. Nick explains how invest Ottawa helps companies on the path towards commercialization. They've recently launched a pre-accelerator program.

Nick: It's meant to take that initial cram, all of the basics into a 10-week boot camp that help a founder understand what the path is for building a technology company. More often than not, you'd have a founder walk in and it was like, "I've been working on this idea and I need to raise money to build it so that I can sell it." That's really not the way it works. [chuckles] Often we have to, sort of, take them through this 10-week boot camp so that they understand it starts with true customer discovery, really digging deeper and getting curious into what the problem is.

Typically the founder is on the right track, they've identified a real problem, but then they sat in their basement for six months building something without actually getting in front of dozens of these customers, potential customers to truly dig deep and understand what the problem is. They often don't go far enough and they just miss the mark enough that the product that they built isn't quite-- it's not going to be product-market fit.

We try and take them back a little bit, take a step back, make sure they dig deep. Then also teach them lean product development strategies of where you're only building that minimum viable feature to test the assumption that this is going to work rather than build a complete robust product only to find out that you need to go back and kind of start from scratch which happens too often in technology.

Then, what is that whole path because another difficult thing with a tech startup is in order to get a customer, you need a product. In order to get that product, you often need money to build the product. In order to get money, the people with money want you to have a customer. [chuckles] It's like, how do I advance?

We show them baby steps of how they can get an engagement with a customer, an LOI or something before you actually have a final product. Then that LOI can maybe turn into an initial little bit of funding complemented by some government grants or what-have-you to build a little bit more that gets you an engagement, that gets you to the stage, and you're sort of inching each of these things forward.

That's the pathway that we try and paint for these guys and help them understand it, and it can be very different. If you're a B2B SaaS company or a B2C hardware company or a cybersecurity company or building something in AI, all of these are different parts. We tend to match these founders up with different advisors who've already been there and done that to help them navigate their way in that windy road ahead.

Thierry: That's interesting. You're almost like an economic development corporation, Invest Ottawa is an economic development corporation and you're almost supplying a velcro business model with something that you can kind of white label towards different growth industries, be it in AI, be it in other forms of tech.

You're applying that to some prospective users of your services. How do you see yourself scaling your own operation in the next few years to be able to do this successfully and stay relevant more importantly towards your original mission, which is to help bring jobs to the region and foster economic growth?

Nick: We talk about that a lot because there are opportunities to get more funding to do more, but that only goes so far. I think really the truly way that an organization like Invest Ottawa and other organizations that are around the world scale when they're trying to foster entrepreneurship locally is you need to create a bit of a machine, a networking machine where the ecosystem is helping each other.

We actually have metrics that we're looking at this of where founders are helping other founders or some retired founder is helping another founder, and actually measuring that because that is a scalable model. There are times where we pay an adviser to help a company, that is not scalable. We can only do so much of that, so we pick very carefully those companies we're going to support in that regard. It's a bit of a meritocracy in that way.

What is more scalable is pulling in and drawing in the ecosystem around one sort of-- it can be around a physical space, which we do at times around our Bayview Yards where we're at. More than that, it's around making as many connections as possible and allowing these connections to happen within the ecosystem between founders, former founders, angel investors, those that are retired, experts in specific fields that maybe weren't founders per se but they understand very specific things like marketing or finance or they understand specific industries incredibly well.

We're coming up with ways to make these connections as seamlessly and easily as possible, which is the way that we can really kind of scale the impact that happens locally. In that way, it's not all about Invest Ottawa, it's not us doing all of it, we're just trying to orchestrate and facilitate these connections to happen as much as anything.

When some of these connections might happen without someone even recognizing the event that they were at was hosted by Invest Ottawa, they just know they got connected with this cool startup. It was an industry that I'm passionate about and so, yes, I'm going

to meet this guy for a coffee and give him an hour and a half of my time and give him some great advice and a couple of introductions to help him on his way.

Thierry: Very interesting, Nick. It's much like an ecosystem in nature, it has to be diverse and have multiple nodes in order for it to be able to function smoothly. That's kind of what Invest Ottawa, I guess, is trying to do. It must be really hard to not have scope creep in terms of everybody has this new idea that's going to be the next big thing. How do you kind of judge between what's going to be successful and what might be a pass?

Nick: That is a very good question. The truth is we haven't been great at it and that's why so many people at our organization are doing emails at eight, nine o'clock at night, and running around on the weekends because all of a sudden the latest idea comes along that we're all excited about and we realize that we already have a full plate and we start doing more.

I mean, I think that a lot of it comes back to a bit of the metrics approach and some of the things that we know that are working in talking about how we measure, are new companies being started? Are these companies that being supported? Are they moving from one stage to the other? Are they adding jobs? Are they raising capital?

In the end, that's a bit of your true north and you know that you're having-- it's a bit of a lagging indicator but at the same time there is some-- instinctively you can see what's happening in some ways. Then the proof is when you start to see some of these metrics kick in where you're seeing new companies start, advance, hire people, and raise money.

You also don't know. The reality is, is a company can be coming along at a certain stage within a certain sector and things are changing so dynamically that you don't know whether a company is truly going to be scalable. You can look no further than Shopify with that. Shopify was around Ottawa for a very long time and didn't always get the support from the angel community here or the investment community because it was seen in a certain light. Obviously, those who saw it in that light were dead wrong. [chuckles]

No one really knew how big that organization was going to become. Certainly not become a billion-dollar company with thousands of employees, a thousand locally. It's the biggest success story in the history of this city, frankly. It's amazing to actually see that story, and I think that that gives people pause that they don't prejudge certain businesses too quickly.

The truth is if I had the choice to support a program and an ecosystem that spit out one ten thousand person company or we could spit out a hundred hundred person company so the same number of employees either way. I'd probably rather spit out a hundred

hundred person company because that's a lot safer bet to have a long term economic impact. Some of those hundred person companies are going to get bigger.

As we've also seen in this city and many others have seen in other ecosystems where you've got large companies like Nortel and Newbridge, they don't last forever and things do-- That one big large company, that bell cow that you've built your local economy around, things change. It's a dynamic environment. The top valued companies it's never seen more change amongst the tops of the stock market of the sort of winners and losers, and that change is just going to accelerate.

To be honest with you, I don't think a person in my place where we're supporting companies from their infancy up to the single and maybe double-digit millions of dollars and they're just starting to scale. The truth is, by the time the companies get to 20, 30, 50 million dollars in revenue, they sort of-- we're giving them some nascent support, but they're launched and they're off and running.

We're providing more impact to those companies that are still back at a million or half a million or earlier stage or a few million dollars in revenue. I've been wrong enough times not to try and think I'm so smart that I'm going to be able to figure out which ones are going to work and which ones aren't. We'll support pretty much all of them in a lot of different ways.

Thierry: To support the entrepreneurial ecosystem, Ottawa, a city of a million, needs to attract foreign direct investment. Investment brings jobs and economic growth to the region.

Nick: A large multinational is going to come in and set up office here and wants to set up roots here. They're going to hire people and they're going to invest dollars in terms of the infrastructure that's going to go with that, so that has a positive economic impact on a city. It's why all cities kind of they chase foreign direct investment. They want to see different companies come in.

Beyond the economic impact, they think that it also brings a really interesting level of diversification to the ecosystem. You're looking, sometimes you're getting people who set up these offices, who moved from other countries, they moved from other regions and they give you a diversification across all sorts of levels like cultural diversification, first off, which is a really important thing to grow a diverse city, that's incredibly important. Even going back to the fundamental entrepreneurship side, entrepreneurs with diverse founders across gender, across culture are more successful.

If I'm launching a startup with a bunch of buddies of mine that I played basketball with on my guys' basketball team in high school, we're less likely to be successful than we are if I open it up with someone who's a new Canadian and I get a couple of females on

my team. The odds are in my favor on the latter that it's going to be more successful. I think that that foreign direct investment adds to that.

It brings people and it brings perspective and it brings international perspective, which is really important just in terms of this is how we do businesses in our country and this is how we structure and this is how we manage an organization. It doesn't mean it's perfect, doesn't mean it's better than the way you're doing it, but it's a different way and you can learn from these people who are coming in and bringing in new ways of doing things. That's basically Canada. That's Canada to a T.

Thierry: Absolutely.

We're a nation of immigrants and that's what makes this country so amazing, is that we're constantly bringing in new people and welcoming them and embracing that diversity that they bring to the table.

That's especially true in business and that's something in Canada in particular that I think it's kind of a bit of our secret sauce when it comes to foreign direct investment and bringing in new Canadians and immigrants in that we're so accepting of it. It's an incredible advantage and I think that within our business ecosystem that foreign direct investment can add a lot to the table of diversifying your city and making it a bigger international player.

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Thierry: Nick explains the strategy behind attracting FDI to Ottawa.

Nick: It is incredibly competitive. Everybody's going out of their way to try and get foreign direct investment. You're absolutely right. It's ultra-competitive out there. I think for Ottawa, we keep it really simple. Our product is unbelievable. Our city is been voted the number-- This is brag time. Sorry, I'm going to apologize in advance, but Ottawa has consistently been voted the number one place to live in Canada, it's been voted the number one tech hub in Canada, it's been voted the most technology-intensive city in Canada and in North America by a few different reports.

Number 1 of 61 different global cities for talent, technology, and tolerance. Then it's also the lowest cost of living of the five major cities in Canada. It's the number one city ranked by students in Canada. It's in the top 10 in the world of quality of life and number one in Canada by a number of different global economic indicators. When you take all of that, we just got to say that, that's the table stakes. The city is crazy awesome. There are a number of different amazing cities in Canada.

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It's incredibly competitive just within Canada. Montreal, Toronto, Vancouver, these are also amazing international cities, but Ottawa really, it's this big small city that's really

cool. We just have to focus on what we are. We're a great, great, small, big city or big, small city, depending on how you want to look at it, but we've got an incredible concentration of tech workers in this city, so that's obviously an area that we focus on. You've seen many multinationals that are here, we've got Ericsson, we've got Nokia, there's a long lineage of Telecom.

That's, I guess, the second part of it is once you get a part from the city, then you need to focus a little bit on your strengths and you pick your lanes because you can't boil the ocean competing. You got to compete and target the foreign direct investment that aligns with the strengths of your ecosystem.

Once you get past the city, we talk a lot about the talent so that the people that are here, the concentration of tech workers, it's the highest and we've been going back and forth in different annual ratings, San Francisco and Ottawa is the highest concentration of technology workers. Then you pick some different lanes beyond Telecom, where Ottawa is incredibly strong and that's an easier one for us to lure people.

Healthcare is another big one that we're focused on. The Ottawa Hospital is actually the largest research hospital in Canada. There's a ton of research and hardcore research that is done in this city. Then also, the autonomous vehicle side, that is something that's really-- with QNXs, their brain trust around the autonomous vehicle and the real-time operating system is out of Ottawa. There's a ton of talent here around that. We're actually seeing a lot of different international players come to the city for that.

Then in Ottawa's case, we have an L5 test track that just launched which is a first network connected autonomous vehicle test track. It actually does something that we all like to brag about, it actually takes advantage of the weather that Ottawa has, in that, that test track allows you to test in basically every condition you could possibly imagine. We have-- Just like Montreal too, right?

Thierry: Oh, yes.

Nick: We have 40 degrees Celsius summer days and we have minus 40 degrees Celsius winter days, we got ice, we got snow, we got fog, we got-- You name it. You live in our climate, you've got all of a sudden this incredible advantage of being able to-- There's advantages to being an Arizona test track because you know what the weather is going to expect every day, but there's a disadvantage as well because if the weather is not like that, then it's not going to behave the same way. You pick your lanes a little bit and beyond the city itself, and basically go from there.

Thierry: Definitely. I think we also have a sense of humor about the whole thing because when everybody's got their shovels out, there's nothing to do, but just dig yourself out of that trench there. A bit of humility helps as well. [laughs]

Nick: When we're taking people out to the test track and we have to stand out in the wind in the rain, we're like, "See, this is what you signed up for. This is awesome. This is why this test track is so awesome. Now let's go inside."

[music]

Thierry: One of the pitfalls of attracting too much FDI is that it can put a lot of pressure on local companies.

Nick: You have other large companies coming in paying top dollar, it's awesome. It's a great place to be to go get a job, but it puts a lot of pressure on the domestic entrepreneurial ecosystem because now it's harder-- You want to go hire a software developer in the city of Ottawa or in the city of Toronto, it's hard. It's expensive. They're paid really, really well. The more pressure and the more job pressure that happens is great for the economy, but it actually puts some reverse pressure and some challenges on the entrepreneur as we're trying to find developers to build their next great product.

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Thierry: The Ottawa entrepreneurial ecosystem wouldn't be competitive if it wasn't tied into a larger global ecosystem. Invest Ottawa plays a facilitator role to put entrepreneurs in front of the right people who can help them assess the market and go international.

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Nick: A lot of the advisors are people who've been there and done that, who've grown companies have done so internationally. You'll be making connections and leaning on bringing in people of network too who've grown companies in the United States, in Asia, in Europe and South America and making those connections for different founders to be able to get connected and learn from those who've been there and done that. Then we also do a lot of market research and even some soft customer discovery for customers that are looking at different markets.

You built up your first couple of million in revenue in a certain geographic footprint and then you all of a sudden have inquiries coming in from Brazil and Brussels and in the Middle East and you're trying to figure out where to go. We can help them with some customer discovery there to start trying to figure out what the stake of that competitive market is for their product and how it overlays that competitive landscape, but a lot of it is also introduction.

There are a lot of different organizations out there that support going global, from global affairs to EDC, Trade Commissioners, your local consulates, there's all sorts of resources that are out there. It's our job, is to curate and distill down for each company the introductions that makes sense to them and that help them make that soft landing in

another market and get some support and get some immediate connections when they hit the ground.

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Thierry: When entrepreneurs are seeking capital, Invest Ottawa can help them assess what type of capital is needed to help grow their business.

Nick: We have a lot of people within, who've raised a lot of money and have a ton of experience. We have people like that that can jump in and even either directly or indirectly be able to act in an advisory capacity on the capital strategy of how you're going to grow this business, because often the successful scaling companies, they have a lot of choices. You can keep growing organically or you can double down or you can triple down and they're always trying to make that decision.

Certainly, we're at a bit of an advantage in Ottawa in that we tend to have the majority of the scaling companies are working with us in some regards. That makes it very attractive for venture capital firms with an interest in investing in Canada to talk to us because they basically want the curated list of who are the fastest best growing companies in Ottawa and we're often the quickest link for them and play a bit of a role of that honest broker of just making those connections.

We don't have any vested interest directly in seeing these deals happen, but obviously, we want to see our companies get their fair share of access to capital if it makes sense to them. We have subscriptions to things like PitchBook where we're actually doing research on which investors and creating investor lists and then also doing outreach to a number of the different investment communities to make connections directly for our companies.

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Thierry: An important part of the ecosystem is also how it is able to tell its own story. All perceptions and labels are hard to shed. Nick believes there is the emergence of a very robust entrepreneurial success story flourishing in the Canadian capital.

Nick: Yes, for Ottawa, I think that we're really on the cusp of something here because Ottawa, traditionally, our lineage was back in the Telecom, the Nortel, the Newbridge and Mitel's and what-have-you. We really got the exceptional networking expertise and engineers in this town that's still focused on that. In Kanata, it's really been a hallmark for that sector.

The last 5 to 10 years have really seen the emergence of things like software like Shopify and others. The top scaling companies in our city tend to be software companies. You're seeing actually the convergence in some ways of software and hardware with things like smart cities and IOT and that city of tomorrow that I think Ottawa is really kind of uniquely positioned to be able to take advantage of in terms of--

as all of these different technologies start to collide, Ottawa is in a really unique position to take advantage of that in the years ahead.

Thierry: An entrepreneurial ecosystem is a special combination of experience, money, networks, and a skilled labor force matched with visionary entrepreneurs who push their companies into new markets and disrupt the older ones. It's constantly evolving as investment cycles fluctuate over periods of time. It is also a tributary to a larger ecosystem into which the local ecosystem fits into. How will Ottawa navigate this moment in time where hardware and software are blending together to form a different kind of economy. Only time will tell and we'll continue this conversation in future episodes.

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