

**For Immediate Release**

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*Reinventing innovation and commercialization policy in Ontario*

*Ontario firms trail US counterparts in innovation*

**Toronto** – Ontario firms in traded industries trail their US counterparts by 55 percent in patent creation per employee, a key measure of innovative capacity in Ontario. To improve our innovation performance, government policy needs to focus as much on the demand for innovation as on funding of R&D and the hard sciences. That is the key conclusion of Working Paper 6 *Reinventing innovation and commercialization in Ontario* released today by the Institute for Competitiveness & Prosperity.

In its recent Budget the Ontario Government indicated that the Institute would conduct research into Ontario's commercialization of R&D. As a first step it is proposing a way to think about the issues related to innovation and commercialization. "We think economic policy requires a good model that relates resources to results", said Martin. "We've reviewed the factors at play in innovation and are proposing that Ontario assess two complementary factors - the support for innovation and the pressure for innovation." The Working Paper refers to funding for R&D and availability of scientists and engineers as examples of support. In the area of pressure it is referring to the forces that compel firms to innovate – sophisticated and demanding customers and capable competitors.

"We've concluded that government policy in Canada has focused too much in the area of support for innovation, and within that has concentrated excessively on hard sciences and technology. For innovation to occur there also needs to be support from effective managers who are driving company operations and strategies." Public policy also needs to drive towards creating greater pressure on businesses. No matter how much government support is given for innovation, businesses only innovate to the extent their customers and competitors pressure them to. The evidence in the Working Paper indicates that this pressure is lacking in Ontario.

For the first time the Institute has been able to measure the innovativeness of Ontario's clusters of traded industries. "Our early research at the Institute showed that we have a good mix of industry clusters but they are not as competitive as the same clusters in the peer states," said Martin. "This latest research shows our innovation gap is also significant. When we compare the number of international patents per employee registered by Ontario firms with the output of their US counterparts we are well behind."

Martin went on to say that many of the reasons typically given for our lower innovation aren't correct. "We need to pay attention to what the data are telling us." For example, Ontario isn't under producing scientists and engineers compared to its US counterparts. In fact a higher percentage of Ontario's population has a science or engineering degree – and every year it graduates more per capita than in the US. The real challenge is in producing more advanced degrees – Ontario trails the US in producing Masters and Doctorate degrees. Nor is Ontario lacking for venture capital. Against the largest US states Ontario invests as much venture capital per capita as the median. The province

does trail California and Massachusetts significantly – but those two states have the perfect combination of sophisticated venture capitalists and high tech investment opportunities. “Our venture capital market continues to mature and we need to ensure that we’re fostering its development in a sensible way. The focus needs to be on quality investments and skills, not on the quantity of government money injected into the industry.”

The Working Paper concludes that government policy in innovation and commercialization has to move beyond narrowly defined R&D and venture capital availability. “It’s a more complex challenge,” said Martin. “We need to find ways to inject more competitive pressure into our business environment. In that way business leaders will be keen consumers of the R&D being conducted at our universities and hospitals.” The research for this working paper reprised themes from earlier research. Ontario needs to step up the percentage of the work force with advanced degrees, more business school spaces are required, and Ontario’s challenge is to enhance the innovativeness from its current mix of industries, not find new industries.

Mr Martin released the Working Paper as part of his speech to the Ontario Economic Summit being held in Niagara-on-the-Lake. Following today’s release, the Institute will engage Ontarians in the approach to innovation policy it is recommending. It is also continuing its research work into the causes and possible remedies for Ontario’s prosperity gap. The Task Force will publish results in its Third Annual Report to the people of Ontario later this fall.

### **About the Institute**

The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario’s Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported through the Ministry of Economic Development and Trade. Working papers published by the Institute are primarily intended to inform the work of the Task Force. In addition, they are designed to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity.

### **About the Task Force**

The creation of the Task Force on Competitiveness, Productivity and Economic Progress was announced in Ontario’s April 2001 Speech from the Throne. Roger L. Martin, Dean of the Joseph L. Rotman School of Management at the University of Toronto, is the Chairman.

The mandate of the Task Force is to measure and monitor Ontario’s competitiveness, productivity and economic progress compared to other provinces and US states, and to report to the public on a regular basis. Members of the Task Force were announced on October 17, 2001 and details can be found at [www.competeprosper.ca](http://www.competeprosper.ca). In its recent Budget the Ontario Government stated that the Task Force’s future research will include issues related to commercialization of research in Ontario.

The complete Working Paper can be downloaded directly from:  
<http://www.competeprosper.ca/public/wp06.pdf>

For more information contact James Milway, Executive Director of the Institute for Competitiveness and Prosperity at 416.920.1921 ext. 222.