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INTERNATIONALIZING CANADIAN SMES:

The Role of DFATD's Canadian Technology Accelerators

OCTOBER 2015

About the Business Acceleration Project

The DEEP Centre's investigation of business accelerators and business incubators seeks to answer a series of questions related to the role, effectiveness, and outcomes associated with these publicly and privately funded intermediaries. The project will build a body of evidence around the economic impact of business accelerators and incubators, with an eye towards creating best practice guidelines and actionable recommendations for stakeholders. The key research questions for the project include, but are not limited to, the following:

- Do incubators and accelerators produce viable companies? Increase innovation? Create jobs? Produce windfalls for their founders and investors? Elicit greater private investment in start-ups?
- What objectives are appropriate for the Government of Canada's business incubation and acceleration activities in relation to enterprise growth, technology commercialization, internationalization, and global competitiveness?
- To what extent are business incubators and accelerators advancing these objectives, and what framework should be used to evaluate their activities?
- To what extent do incubators and accelerators effectively leverage other elements of the innovation and entrepreneur support ecosystem—both within Canada and abroad—and how could collaboration within the ecosystem be improved?
- To what degree should the incubation and acceleration system in Canada evolve to better facilitate the growth of high-potential small and medium-sized enterprises (SMEs), and how should incubators and accelerators structure such alumni support systems?

One in a series of reports on business acceleration, this report provides an in-depth analysis of the Trade Commissioner Service's (TCS's) Canadian Technology Accelerator (CTA) Initiative, its contribution to Canada's entrepreneur support ecosystem, and its role in internationalization of Canadian SMEs. The analysis will include an assessment of CTA results and participant feedback, interviews with participating companies, and consultations with the Trade Commissioners delivering CTA programs at each of 12 program sites, as well as selected CTA stakeholders in Canada's innovation ecosystem. Conclusions from this stage of research are designed to inform policy and program decisions on developing international, value-added TCS programs that increase the growth, competitive advantages, and export opportunities of Canadian high-growth technology SMEs in global markets.

The project is supported by Industry Canada, the Business Development Bank of Canada, the Department of Foreign Affairs, Trade and Development, and the Government of Ontario's Ministry of Economic Development, Employment and Infrastructure. Additional project partners include the Canadian Association of Business Incubators and the National Research Council.

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The DEEP Centre

The **Centre for Digital Entrepreneurship and Economic Performance** (DEEP Centre) is a Canadian economic policy think-tank based in Waterloo, Ontario. Founded in 2012 as a non-partisan research firm, the DEEP Centre's work shapes how jurisdictions build fertile environments for launching, nurturing, and scaling companies that will thrive in an increasingly connected world. The DEEP Centre provides objective research and advice on the changing drivers of success in the global economy and the critical interconnections between technology, entrepreneurship, and long-run economic performance. Our goal is to help policy-makers identify and implement powerful new policies, programs, and services to foster innovation, growth, and employment in their jurisdictions.

Table of Contents

Internationalizing Canadian SMEs: The Role of DFATD's Canadian Technology Accelerators

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1. Introduction

A growing wealth of business and economic research has established a strong link between internationalization and overall company performance. Companies actively engaged in exporting their products and services are more dynamic competitors and more likely to experience above-average growth and productivity. This is especially true in comparatively smaller markets such as Canada, where companies must reach beyond their borders to access vital opportunities for growth.

The Canadian Technology Accelerator (CTA) Initiative, delivered by the Trade Commissioner Service (TCS) at the Department of Foreign Affairs, Trade and Development (DFATD), was established in 2009 to play a catalytic role in helping Canadian companies expand their international footprints. The Initiative provides high-growth companies in technology and life sciences with access to entrepreneurial support services and an opportunity to immerse themselves in an international market for a period of up to six months. To date, the Initiative has served over 400 Canadian start-ups and small and medium-sized enterprises (SMEs), and has helped these companies raise over $30 million in total capital.

This report traces the evolution of the CTA Initiative since 2009, assessing its contributions to Canada's entrepreneur support ecosystem and its role in internationalization of Canadian SMEs. Drawing on interviews with CTA leaders, stakeholders, and participants, the report examines the key value propositions of the CTA Initiative, particularly in light of the evolution since 2009 of an increasingly crowded environment for business accelerators and other support organizations aimed at start-ups and SMEs. It also evaluates the challenges and opportunities DFATD and its partners face as they seek to position the CTA Initiative as an international, value-added TCS program that increases the growth, competitive advantages, and export opportunities of Canadian high-growth SMEs in global markets.

The report begins with a brief review of the benefits of internationalization and the value-adding roles that governments play in supporting the internationalization of domestic SMEs. It subsequently proceeds with a discussion of the role and performance of the CTA Initiative in meeting the internationalization needs of Canadian SMEs. The report concludes with a series of recommendations aimed at ensuring the longer-term effectiveness and alignment of the CTA Initiative with the needs of Canadian SMEs, and with the complementary services available to them both in Canada and abroad.

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2. Internationalization and Firm Growth:

Helping High-Growth Canadian Firms Go Global

Internationalization through importing, exporting, investment, or engagement with regional or global value chains (GVCs) presents significant opportunities to new ventures and SMEs. Particularly for companies in smaller markets such as Canada, engagement abroad provides opportunities to drive innovation and business growth through the identification and development of new investors, suppliers, and customers. Given the well-established link between exports and above-average growth, productivity, and overall company performance, the benefits of global engagement for both new and established companies are clear.

In a recent analysis of the global services economy, the **DEEP Centre** found that while only a small percentage of SMEs export their services, those that do enjoy significant benefits. The United States International Trade Commission, for example, finds that SME service exporters generated 1.4 to 8.1 times more revenue per company than non-exporting US SMEs. Moreover, between 2002 and 2007, SME service exporters grew 15 to 64 percent faster than US service companies that did not export. The impact of these service-exporting SMEs on US employment is significant. In particular, employment growth among service-exporting SMEs was 12% over the 2002–2007 period, compared to –1% for exporting large companies.

Research focused on rapidly growing and rapidly internationalizing companies—often referred to as "global gazelles"—points to productivity and competitiveness benefits stemming from international exposure (OECD 2008). Companies that engage at the regional or global level must take account of the broader competitive landscape and work to establish their own market niche while developing strong knowledge of foreign markets. As one Business Development Bank of Canada (BDC) report notes, "companies that decide to get involved in GVCs become more productive because they focus on core activities creating value" (BDC 2009). In addition, these companies can benefit from increased operating efficiency through global sourcing and an expanded pool for talent acquisition. For some companies, expansion into larger markets also allows them to reap the efficiency benefits associated with economies of scale. Thus, taken together, early internationalization—where appropriate—can help forge more dynamic and competitive companies.

Internationalization is also strongly linked to innovation. Through engagement abroad, SMEs and new ventures benefit from access to clusters of information, mentorship, and insights beyond what is available in the home market (Desjardins 2014). Existing research points to a strong connection between various types of international exposure—exporting, importing, and investment —and key innovation metrics such as research and development (R&D) spending (Altomonte et al. 2014). Increased sales abroad can also help companies directly finance R&D while drawing attention to the need for continuous innovation and productivity improvements in the face of significant global competition.

Research also indicates that international exposure can be beneficial to a company's stability. Links to larger markets provide companies with an opportunity to diversify and expand their customer base. In doing so, companies are able to hedge against negative fluctuations in their home markets or escape limitations such as small market size or saturation. More broadly, some research has suggested that international exposure increases the survival prospects of young companies (Coeurderoy et al. 2012; Lee et al. 2012).

From a broader public policy perspective, there are a number of reasons to encourage Canadian companies to scale up and "go global." Internationally engaged companies —particularly the so-called global gazelles —make a significant contribution to employment, both internationally and domestically. Findings from a recent **DEEP Centre** project regarding the evolution and economic impact of Canada's largest companies, for example, highlights that their above-average job growth performance is linked to their significant international footprints. And, despite stronger employment growth in the overseas offices of these mega-large Canadian companies, the domestic employment dividend remains strong. Moreover, the **DEEP Centre's** analysis of Canada's mega-large companies suggests that these companies are distinguished by the growth ambitions of their founders and/or senior management and the investments they have made to pursue opportunities in international markets. Together, these key ingredients —ambition for growth and investment in internationalization —support the growth of large, globally competitive companies able to drive economic growth, continuous innovation, and job creation. Indeed, as one Industry Canada report notes, "growth-oriented owner/managers are relatively more likely to develop a substantial presence in the international arena" (Orser, Riding, and Carrington 2012).

Obstacles to Internationalization

Despite numerable potential benefits, the fact remains that far too few Canadian companies focus their efforts on international markets—a trend underscored by the fact that the growth profile of Canadian SMEs in export markets remains below the Organisation for Economic Co-operation and Development (OECD) average. In this context, a previous **DEEP Centre** report identified insufficient ambitions to pursue growth, particularly through internationalization, as a major challenge facing Canadian SMEs (Herman and Williams 2013). While the Canadian economy as a whole is heavily reliant on the SME sector, the country's export profile remains dominated by large companies. In this context, policy programs intended to boost the international exposure of SMEs and new ventures appear particularly integral to fuelling the continued growth of the Canadian economy. Data from various sources highlight the degree to which Canadian companies are failing to exploit opportunities in international markets. According to Export Development Canada, only 4.8% of Canadian companies with export potential actually do so (Moeller 2012). And the trend is worsening rather than improving. The total number of exporting companies has actually declined by over 10% since its peak in 2005. Moreover, despite increasing attention to the issue, the share of exports in Canada's GDP (30% in 2012) remains far below its 2000 peak of over 45%, and export growth since the depths of the recession remains nearly 2% below the OECD average.[1]

[1] DEEP Centre calculations based on World Bank data, available at
http://data.worldbank.org/indicator/NE.EXP.GNFS.KD.ZG/countries?display=default

While small businesses represent the majority of Canadian exporters, they suffered the most significant decreases in export activity post-2009 recession. Moreover, just 1.4% of small businesses currently export. Increasing the export propensity of these small Canadian companies, and new high-growth start-ups in particular, should be a priority for both public and private actors.

While the decreased value of the Canadian dollar presents a medium-term opportunity for Canadian companies insofar as it reopens doors in GVCs, such benefits will be balanced against the rising costs of capital inputs. Sectors less dependent on high-cost capital inputs, notably those in information and communications technology (ICT) and digital media, are likely to reap a more immediate benefit from downward pressure on the dollar. However, a favourable exchange rate still does little to mitigate the management challenges that pose the greatest obstacles to international success.

To mitigate these obstacles, Canadian entrepreneurs, policy-makers, and service providers must work together to address a series of barriers that Canadian companies face, both perceived and real. Cross-jurisdictional, meta-study research by the OECD (2009) suggests the following as the top challenges facing SME exporters:

- Shortage of working capital to finance exports;
- Limited information to locate/analyze markets;
- Inability to contact potential overseas customers; and
- Lack of managerial time, skills, and knowledge.

A 2013 survey of Canadian companies by the Canadian Manufacturers and Exporters (CME) found similar results. When asked, “What are the most significant constraints facing your company when it comes to expanding business in global markets?” respondents offered the following:

- 43%: Lack of expertise or knowledge of new markets;
- 39%: Corporate organization;
- 38%: Difficulty in finding partners, distributors or sales agents;
- 35%: Difficulty identifying market opportunity;
- 31%: Product limitations;
- 31%: Lack of internal expertise;
- 23%: Managing exchange rates;
- 14%: Accessing credit and/or the cost of export financing; and
- 8%: Difficulties securing export insurance or financing (CME 2013).

A subsequent survey question asked, "When doing business in foreign markets, what are the most significant external challenges faced by your company in expanding sales?" The responses are similarly instructive:

- 47%: Competition from third countries;
- 35%: Protective regulations and product standards;
- 28%: Lack of qualifi¬ed local business partners;
- 25%: Transportation infrastructure and/or logistics;
- 23%: Import tariffs;
- 23%: Preferential procurement in foreign markets;
- 22%: Failure to protect intellectual property;
- 18%: Corruption/political instability;
- 15%: Security and/or customs requirements in foreign markets; and
- 8%: Restrictions on the movement of business personnel (ibid.).

Interviews conducted with senior executives at a cross-section of Canada's largest companies highlight similar concerns (DEEP Centre 2014). In particular, executives noted that global competition continues to increase rapidly, making sustained growth and competitiveness more difficult to achieve than ever. According to those interviewed, their continued success in international markets will rely, in part, on a stronger and more effective public role in facilitating international expansion and in ensuring that Canadian companies are operating on a level playing field vis-à-vis their international competitors. Executives noted that a more streamlined approach to securing overseas business opportunities was an immediate necessity. Whether in the shape of increased participation in overseas trade missions, or through enhanced in-market support services, the message from company executives is clear—a strong public role, preferably harmonized across levels of government, is a top priority for growth companies.

Supporting Export-Ready Firms: What Do Canadian Firms Need to Succeed Overseas?

Facilitating increased export activity by Canadian companies, and growing the overall number of Canadian exporters, remains a top challenge. Interviews conducted with high-growth SMEs revealed a series of needs and challenges where public and/or public-private intervention could facilitate their success in entering overseas markets. It should be noted that this list of concerns does not include bilateral trade issues related to regulatory and tariff issues. While the Canadian Chamber of Commerce's 2015 report on the "Top 10 Barriers to Competitiveness" identifies international trade barriers as major impediments, they are beyond the purview of this work.

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More relevant, and more immediately actionable, are the following key themes:

- **Market Research:** Identifying and prioritizing growth opportunities in new markets requires specialized skills and, in most cases, market-specific knowledge. While many entrepreneurs and SME executives understand the value of looking abroad, and the growing strategic importance of emerging markets, they are less familiar with the tools and data sources for assessing the opportunities for their products or services in these markets. The provision of easy-to-access, easy-to-understand information on sector-specific and market-specific patterns of demand is key.
- **Local Market Knowledge:** While the acquisition and analysis of good market-level-demand data enables companies to pinpoint areas of opportunity, and thereby represents an early stage of the internationalization process, an immediate next step is the provision of more granular information regarding the specific needs and characteristics of the local market—information that will enable entrepreneurs and SMEs to better understand the context in which they will operate and to adapt their product/service offerings to the needs and particularities of the local market.
- **Relationship Brokering:** Once a decision is made to access to a new market, ensuring that time and capital isn't wasted on fruitless searches for contacts and potential clients is highly valuable for time-pressured executives. Among the most valuable services provided by government support offices (according to the SMEs who use them), are warm introductions to local agents, potential clients, and partners. Doing so significantly reduces time in-market for those searching for opportunities and the burn rate on precious capital that accompanies it.
- **Operational Knowledge and Business Services:** Cultural similarities and regulatory harmonization between Canada and core trade partners, such as the United States and the European Union, make these destinations a natural landing spot for Canadian entrepreneurs and SMEs. The lack of such harmonization across most emerging markets, however, means SMEs depend heavily on public support for information, guidance, and services related to issues such as tax, regulatory compliance, in-market human resources, and intellectual property.
- **Mentorship and Networking:** While public support in the aforementioned service areas is key, entrepreneurs interviewed by the **DEEP Centre** are keen to learn from the experiences of Canadian companies that have gone before them. In particular, they seek guidance and advice from business leaders and peers who have experience operating in a specific market and sector, and who are knocking on similar doors looking for potential business opportunities and/or investors. Access to local networks of Canadian ex-pats, and matchmaking between successful exporters and new entrants, represent key areas of demand.

- **Low-Cost Space:** While there is no replacement for being in-market, a significant challenge in the export pursuits of young or small companies is the cost of acquiring short-term office space and accommodation while in-market. Companies also identify a lack of visibility into sources of supply for both office and short-term residential housing. Given that exploratory missions to adequately assess potential clients, markets, and partners are often measured in weeks, if not months, the costs associated with being in-market for long periods makes these expeditions extremely challenging for young companies.

The traditional role of government in the pursuit of new, overseas business has commonly been limited to opening doors to new markets via preferential trade agreements. However, the barriers and challenges facing SMEs and start-ups highlighted here indicate that a far more intense form of facilitation and support is necessary to allow Canadian companies to actively benefit from those open doors. In the next part of this report, we review the evolution of a Canadian approach to this more intense government role: the Canadian Technology Accelerator (CTA) Initiative administered by the Department of Foreign Affairs, Trade and Development.

3. Evolution of the Canadian Technology Accelerator Initiative

Established in 2009 as a grassroots, complementary business support service, the CTA Initiative provides Canadian companies in the ICT, digital and social media, gaming, life sciences, health information technologies (IT), and clean technologies (cleantech) sectors "with access to unique resources and contacts that can help them grow internationally."[2]

Initially launched at Canada's Consulate General in San Francisco and Silicon Valley in 2009, the Initiative has expanded significantly thanks to both trade commissioner interest and federal budget support provided in 2013. As a result, what began as a niche program in one market has now expanded to 12 programs in 8 markets, in an effort to bridge the commercialization and export challenges facing young Canadian companies seeking access to markets around the world.

DFATD documents note that the "ideal" CTA participant is a small to mid-sized Canadian company from ICT, life sciences, or sustainable technology industries with:

- Initial traction in the market;
- Differentiated technology; and
- Potential to scale their business.

Since its inception, the program is estimated to have provided services to over 400 Canadian start-ups and SMEs.

The CTA Initiative is managed and led by the Canadian Trade Commissioner Service (TCS), with financial support from a variety of public stakeholders. These external contributors provide general support through DFATD, as well as, in certain cases, support to specific CTA sites. The 2013 Federal Budget provided a $5 million allocation over three years from the Treasury Board to further expand the CTA Initiative. The CTA is defined as a complement to traditional TCS services, which are offered at 150 sites around the world. As compared to traditional TCS services, however, the CTA Initiative provides a far more intense level of support and engagement for selected companies. Beyond traditional networking services, the CTA offers participating companies with the following additional support:

- **Space:** Access to free office space within existing international business accelerators.
- **Mentorship:** Mentorship from industry leaders, partners, and trade commissioners in-market.
- **Programming:** From introduction to market programs, to legal, regulatory, and pitch-related curriculum.

[2] See *www.international.gc.ca/media_commerce/comm/news-communiques/2013/03/12a.aspx?lang=eng*

Accelerating International Business Development

While the CTA brand, notably the inclusion of the term “accelerator,” alludes to the popularity of technology accelerators such as Y Combinator, the CTA Initiative is distinct in its structure and program offerings. In particular, while traditional accelerators focus on the development of market-ready products and leadership teams, the CTA Initiative has, since its inception, focused on cultivating business opportunities and facilitating introductions to potential investors, buyers, and/or partners for companies that already have a mature product and management team. Companies interviewed for this study were nearly unanimous in identifying the relationship-brokering role of the CTA Initiative as its most valuable feature. In other words, the “acceleration” component of the CTA Initiative refers to accelerated business development, as opposed to the acceleration or maturation of a product, technology, or management team.

Implicit in the goals of the CTA Initiative is the expectation that support for Canadian SMEs creates economic benefits for Canada, especially domestic job creation. As Parliamentary Secretary Gerald Keddy noted during the expansion of the program to Boston, “I am pleased to launch this exciting new Initiative that will enable our world-class companies from the life sciences and ICT sector to go global, which in turn will help create new high-value jobs back in Canada” (DFATD 2013). Tension subsequently exists between the desire to facilitate job creation in Canada and the potential that some Canadian companies will inevitably opt to shift some, or even all, of their operations into their largest end-user markets. However, as noted across the majority of interviews with participating companies, the domestic job stimulus from such programs may be significant insofar as executive management and research-intensive positions remain in Canada. When queried about their propensity to retain high-value jobs in Canada, participants noted the cost of talent and recruitment in the United States, as well as the impact of generous public support for research and development—notably the Industrial Research Assistance Program and the Scientific Research and Experimental Development tax incentive program—in Canada.

Three Phases of the CTA Initiative

The CTA Initiative's evolution can be structured in three phases. The first began with its inception in 2009 and roots in San Francisco. The second began in 2013 with the allocation of Treasury Board support and the rapid expansion into sites in the United States. The third phase began in 2014 with the expansion to Canadian government offices overseas.

The impetus for the Initiative's first phase came not from a headquarters directive, but rather the accumulated insight and experience of TCS in San Francisco. This, according to one of the original founders, focused on a realization that export growth required far more in-market presence than traditional trade missions and short-term visits afforded. As this individual noted, "Early stage companies need to build confidence from investors. The Initiative was developed as a means of giving entrepreneurs time to build trust—to exchange pheromones—with a network of local customers, investors and partners." The Initiative's roots in San Francisco and Silicon Valley are thus tied to the desire to facilitate better access for Canadian tech entrepreneurs to the rich cluster of capital, talent, and competition present in the region's technology sector.

The perceived success of the program in California resulted in central government support for the Initiative in 2013. A rapid expansion of sites ensued, with CTA programs established in US cities with strong industry clusters: Boston for technology and life sciences; Philadelphia for health IT; New York for digital media technology and finance; Denver for renewable energy; and a collaborative program between San Francisco and New York for sustainable technologies. In 2014, requests for funding were accepted from commercial services offices overseas, with funding allocated to establish CTA programs in Paris, London, and New Delhi. Table 1 outlines the evolution of the CTA Initiative.

Across these three phases of the Initiative, a process of unstructured learning has taken hold whereby insights and lessons from established sites are transferred to newer ones. The ability to leverage the lessons learned in San Francisco regarding recruitment and alumni programming allowed new CTAs to circumvent several years of potentially less effective methods. Others, notably in international markets, noted that despite significant differences in host market competitive structure, lessons from earlier iterations of the Initiative in California remain foundational in the establishment of these new program sites.

Table 1: CTA EVOLUTION, 2009–PRESENT

Location	Host	Est.	Sector Focus	Current Structure
Silicon Valley	Plug n' Play	2009	ICT	5 months; 2 cohorts
San Francisco	Rocket Space	2011	ICT	5 months; 2 cohorts
Mission Bay	Quantitative Biosciences Institute	2012	Life sciences	6 months; 5 companies; 2 cohorts
Denver, Colorado	National Renewable Energies Laboratories	2012	Cleantech	3 months; 5 companies; 1 cohort
New York	The Grind	2012	ICT	5 months; 6–8 companies; 2 cohorts
New York/ Silicon Valley	Virtual	2012	Cleantech	4 months; 10–12 companies; 1 cohort; virtual
San Diego	Commnexus	2013	Multi-sector	12–24 months; 2-3 companies
Boston	Cambridge One	2013	ICT, cleantech, and life sciences	4 months; 6–8 companies; 3 cohorts
Philadelphia	Science Centre	2013	Health IT and life sciences	6 months; 6–8 companies; 1 cohort
London, UK	Central Working	2014	ICT	3 months; 6–8 companies; 3 cohorts.
New Delhi/Mumbai, India	Virtual	2014	ICT	4 months; 6 companies; 2 cohorts
Paris, France	IPEPS-ICM Paris E-Health Incubator	2014	Life sciences	4 months; 4 companies; 2 cohorts

This phased approach to geographic expansion of the CTA Initiative follows distinct stages in the development and maturation of the Canadian companies the program serves. While the US market has long served as the first step beyond Canada's borders for the majority of export-oriented companies, assisting an ongoing process of market exploration and capture becomes significantly more challenging as languages and regulatory systems become further removed from the North American model.

The CTA's expansion to Europe and then India are viewed by some as sequential steps for Canadian companies at different stages of maturity, and with different market goals in mind:

1. **United States:** a first step for potential growth companies; here, the focus is on the presence of global headquarters, access to international technology scouts, venture capital, and the ability to validate market appeal.
2. **Europe:** the next step in internationalization for companies seeking to enter European markets and an opportunity to participate in European supply chains that stretch far beyond.
3. **India:** the first emerging-market CTA and a landing spot for more mature companies seeking assistance to operate in a more complicated regulatory, legal, and commercial environment. The virtual nature of the program significantly reduces total participant costs and can be a model for further overseas expansion.

While programming in Europe and India is too novel to judge, early participants include companies who have previously used the CTA in the United States and, based on productive experiences, are now looking for similar facilitation in new overseas markets.

As the geographic reach of the Initiative has evolved, so too has the internal structure for measuring the CTA's impact and promoting collaboration. Indeed, as the CTA Initiative matures, increased collaboration between specific CTA sites is increasingly evident. In order to assist companies in the cleantech sector, for example, the CTA sites in New York City and Silicon Valley have built a joint program that allows companies to pick the services and connections that best suit their needs. The impetus for the program came after both sites separately piloted independent programs in 2011. Their independent conclusions, however, were that it didn't make sense to duplicate efforts given the overlapping networks of investors and end clients across the United States, and the fact that there aren't enough Canadian companies to recruit into two independent programs. Companies who have participated in this collaborative approach speak highly of their ability to "mix and match" the services and contacts offered by both markets.

The relative agency and discretion granted to individual CTA sites is both key to the Initiative's success and an ongoing challenge. As the Initiative has evolved, and as central oversight has strengthened, it is clear to both external analysts and internal stakeholders that the Initiative is highly dependent on key individual actors. When asked what the loss of key personnel might mean to specific program sites, a common response in interviews conducted for this project is that the project would be negatively impacted. In addition, limited resources at each site has meant that the same staff are delivering CTA programming on top of their traditional trade commissioner services. On the whole, however, there is a continued sense of optimism about the positive role that the CTA Initiative is playing in supporting the internationalization of Canadian companies, albeit with a collective sense that further refinements are required as the Initiative evolves.

4. Key Findings from Interviews with Firms, CTA Leaders, and Partners

Over the period of February 1, 2015 to March 10, 2015, the **DEEP Centre** interviewed 32 CTA Initiative stakeholders to gather a variety of perspectives on what the CTA Initiative has done well, how it complements programs delivered in Canada, and what the Initiative could do to improve. These interviews were conducted by telephone, through a semi-structured interview style.

The interviewees included CTA site management at key sites across the United States, as well as in Paris, London, and New Delhi. Additionally, appropriate stakeholders from partner agencies and organizations, as well as companies who have participated in the CTA Initiative were also interviewed. Partner agencies were selected owing to their interaction either directly with the CTA Initiative or, alternatively, because of their shared contact with companies who have participated in the Initiative.

While a significant diversity of perspectives is present across this group of interviews, a clear picture of the CTA's key value proposition emerges as a result of this process. As detailed below, several key themes emerge related to both strengths and weaknesses of the Initiative.

Key strengths include:

- The value of market immersion;
- Product validation and exposure to international competitors;
- Relationship brokering and business development acceleration;
- Mentorship and local market knowledge;
- Peer-to-peer support and knowledge exchange; and
- The public service orientation of the CTA Initiative.

Conversely, a number of ongoing challenges and areas for refinement were also raised:

- Defining market readiness;
- Refining the company selection process;
- Using market insights to drive the site selection process;
- Building the pipeline of qualified companies;
- Branding, promotion, and clear communication;

- Offering an introduction to market process;
- Providing consistently high-quality mentoring and consulting services;
- Balancing program standardization with flexible service provision; and
- Fine-tuning the program evaluation and oversight process.

Despite these challenges, it is clear that Canadian SMEs find significant value in the CTA Initiative and its role as an introduction in new markets.

Key Value Propositions

Over the course of five years, the CTA Initiative has expanded from a tangential service innovation developed by local staff to a centrally supported program that spans three continents and 12 program sites. This expansion is premised on the belief that the CTA provides companies with advantages over and above traditional TCS activities that position these companies for faster, more sustainable success. Across the 32 interviewees engaged for this study, a series of clear value propositions are highlighted as having played a fundamental role in supporting the growth and competitiveness of the companies that participate.

It is not possible to attribute company success to any one supporting organization. The companies interviewed for this study have each received significant non-CTA support, be it from academic institutions, provincial economic development agencies, domestic accelerator centres, or federal granting agencies. While each of these groups plays an important role in the regional and/or national growth ecosystem, the CTA is fairly unique in its focus on export support-oriented services, which companies have identified as valuable, if not necessary, to enable them to succeed.

The following themes emerge as key value delivered by the CTA Initiative.

Market Immersion

Across the orthodox CTA Initiative structure, the CTA provides an opportunity for three- to six-month immersion opportunities in a potential export market—an experience that companies, the TCS, and stakeholders universally agree is invaluable. While the majority of companies engaged for this study had previous interactions and contacts in their host markets, each agreed that a longer and deeper in-market engagement was necessary to establish the relationships, trust, and brand awareness critical to building a sustainable international presence. Trade missions, by comparison, do not provide enough time to build relationships with a network of local customers, investors, and partners. Companies seeking customers, for example, are often looking at a sales cycle of anywhere from a few months to a couple of years, especially in more complex product markets such as cleantech and health IT. Early stage companies seeking funding need time to build confidence with investors, as well as exposure to the speed and structure of competition for capital from elsewhere. As numerous company founders noted, among the key value propositions of the CTA Initiative was the exposure to the aggressiveness of US and other international pitch styles, and the subsequent need to update and adapt existing presentation decks and capital requests.

Numerous companies also commented on how their in-market experience accelerated the process of developing business and building interpersonal networks. Meetings with prospective customers and connections with potential investors and partners come much faster when you're in close proximity to the people you want to meet. As one entrepreneur put it, "Being in San Francisco you get opportunities you can't get elsewhere. The ecosystem is so rich in opportunities, but you have to be here—at events, at parties—to get them." Indeed, for a motivated entrepreneur, the meet-up schedule for tech events in cities like New York and San Francisco could keep them busy every night of the week. This exposure and interaction was highlighted by several companies as directly responsible for subsequent success in raising capital, building partnerships, and beginning talks with clients.

Product Validation and Exposure to International Competitors

Another valuable aspect of being in-market is the opportunity to validate products and experiences in a larger market where the competition is fierce and only world-class offerings get traction. As one company put it, "We used our time in-market to vet and validate our product with contacts gained through the CTA. The experience really built our confidence." While domestic accelerators provide companies with product and technology vetting at home, the level of competition is still meek when compared to the cluster of international companies that gathers in several key markets for access to both capital and consumers.

While international engagement is possible without the CTA, the Initiative offers companies a soft landing and qualified contacts that immediately build the confidence of young companies in ultra-competitive markets. In the United States, for example, companies gravitate to San Francisco for technology and digital media, as well as for the opportunity to interact with the world's centre of gravity for venture capital. They go to Boston for health and life sciences, and to New York for financial services. Across Europe, both London and Paris are seen as footholds in the European market and, possibly more importantly, into GVCs that reach into emerging markets.

Entrepreneurs noted how the opportunity to be in-market dramatically increased their awareness of the local business culture and the competition they faced, which in turn changed the way they thought about their businesses. "The world is not happening in your living room," one company founder said. "It's vital as an entrepreneurs get into the field to see where you're going to fail and where you have an opportunity for success." Across CTA sites, companies noted that the in-market immersion allowed them to see where their respective offerings fell short. In such cases, companies saw the CTA as partially responsible for faster pivots and/or product redesign. “Failure is not a bad thing,” one company founder noted, especially if it leads to a game-changing pivot and/or conserves resources for another venture. Of course, capturing the potential value of failure raises a broader measurement challenge for the CTA Initiative, which we return to later in the report.

Relationship Brokering and Business Development Acceleration

Market immersion alone does not quite capture the full value of what the CTA Initiative provides. Where market immersion becomes especially valuable for companies is when in-market experiences are combined with the contacts and local business intelligence of the trade commissioners on the ground. “Our program is so much more than just a seat in an accelerator program. It’s not just a co-working space and not just a soft-landing. We have tons of value-add,” said one trade commissioner. That added value comes largely in the form of brokering relationships and helping to accelerate the process of building local networks with potential customers, partners, and sources of capital.

Companies seem to largely agree, insofar as those that had a good CTA experience cite the TCS relationship brokering function as a significant value-add. One company founder stated, “We would have explored the market on our own, but the CTA allowed us to cut time and cost of implementation in half thanks to the contacts the TCS set us up with.” The value of a fast start in the United States shouldn’t be underestimated. “We’ll hit revenue quicker and prior to others being able to imitate,” said one company founder. He added, “Given [that] speed is the name of game, this faster start is integral to our sustained success.”

The only qualifier is that the relationship brokering function works best when there is a close alignment between what companies need and what the trade commissioners can provide by way of guidance and local connections. When the alignment is tight, the results have typically been good. One company attributed over USD$1 million in sales directly to TCS introductions that opened doors that otherwise might have been closed. Poor alignment between company needs and CTA capabilities, on the other hand, has been a major source of disappointment and frustration for those companies that have had not had a great experience—a point we return to later. This alignment is tied largely to the depth of local relationships and industry expertise held by the TCS delivering CTA programs.

Mentorship and Local Market Knowledge

For many companies interviewed by the **DEEP Centre**, the variety and depth of the mentors linked with the CTA Initiative were integral to the experience. Like the trade commissioners, mentors play a role in providing local market knowledge and brokering key relationships. For some companies, mentors conveyed invaluable insights about how to operate in the local market, from better understanding the competition to managing compliance with regulations. For others, mentors helped generate business development opportunities. “They made very warm introductions to the right people,” said one executive who worked with a team of four mentors. “Breaking into supply chains is a huge challenge but they got us in front of about 18 of 20 people we wanted to meet with. We couldn’t have done this on our own—maybe in 1.5 years. Their introductions seriously reduced the burn rate for a young company.” This brokering role was identified as especially important where the TCS lacked the industry networks that entrepreneurs wanted, and/or where companies perceived the trade commissioners as being overburdened and unable to provide them with the personalized service necessary to adequately take advantage of their time in-market.

What’s in it for the mentors? Some are remunerated with hourly consulting fees. For those Canadian ex-pats that volunteer, patriotism may play a part. The bigger motivation is that they can identify companies that could fit with their aspirations as business people. As will be expanded upon later, the role of mentors in the CTA is far from standardized. While many companies pointed to the availability of mentors as key to their ability to exploit their time in the CTA Initiative, others noted aloof mentors and an overall lack of engagement or commitment.

Peer-to-Peer Support, Alumni, and Knowledge Exchange

When needs and capabilities are aligned, trade commissioners and mentors provide a level of customized service and support that goes well beyond a traditional acceleration experience. Yet, one should not underestimate the value of bringing Canadian companies to market as a cohort. Across sectors, sites, and founder demographics, interviews highlighted the value of being able to share knowledge and experiences between companies in a given cohort.

One executive remarked that being in-market with the other Canadian companies was the most valuable part of the experience: “We developed exponentially by being with a group of Canadian businesses that were all competing as outsiders in that world. Before going [in-market] I didn’t understand how to close a deal or how to pitch to a US audience, which [is] far more aggressive than [its] Canadian counterpart. We got feedback from other founders and we regularly shared information on who was looking to invest. Shared struggles meant shared success.”

Access to CTA alumni, as well as partner organizations such as the C100 and Canadian Entrepreneurs in New England, was also viewed favourably. In particular, the ability to speak to those who had succeeded in-market and who had experience surmounting the challenges a Canadian company faces in-market, were noted as exceptionally valuable.

One related issue that bears mentioning, given the frequency with which it was raised in interviews, is the tension between the value of this peer-to-peer learning and the cost of being in-market long enough to take advantage of it. The fact that few Canadian companies can afford to stay in-market full-time for the three to six months may diminish the ability of cohorts of companies to fully exploit the value of peer-to-peer learning. Although the host accelerator spaces offer valuable services and a good network of their own, many CTA participants noted not only an absence of other Canadian companies at these spaces, but also a pattern of interaction with other non-Canadian companies that was generally less intimate than with their Canadian peers. Moreover, while other jurisdictions offer shared accommodation for cohorts, the lack thereof for Canadian cohorts meant less ability to network informally with their Canadian peers.

Public Service Orientation

In an increasingly crowded accelerator market, it is worth asking whether the CTA Initiative is as valuable and relevant as it was in 2009 when accelerators were comparatively scarce. The answer from stakeholders and companies is definitive. The CTA Initiative provides a dedicated resource for Canadian companies that other in-market accelerators or short-term trade-mission-type programs cannot replicate. The combination of space, peer interaction, client and investor introductions, and semi-structured support are invaluable for participating companies.

Companies are supported by the Trade Commissioners who are measured for the economic benefits they create for Canada, and by extension, the value they create for engaged companies. Local mentors, many of whom are Canadian ex-pats, are motivated to provide support to Canadian companies. And unlike most other accelerators, the CTA isn't asking for an equity stake, seeking an early exit, or looking to sell consulting services. It's a public service with only one altruistic objective: to the help Canadian companies grow abroad.

While the following review of challenges and areas for ongoing improvement highlights present gaps in the CTA model, it is clear from our conversations with CTA stakeholders—including companies, investors, provincial representatives, and other complementary service providers—that the CTA provides a service of significant value to the Canadian growth and internationalization ecosystem.

Key Challenges

The expansion of the CTA Initiative from its original home in California to markets across the United States, as well as in Europe and India, is the result of evidence of tangible results, significant government support, and site-specific leadership and enthusiasm. The value described by participants, highlighted in the preceding section, provides significant support for these positive program attributes.

However, as can be expected from a novel and evolving program, challenges remain. While some are more explicit in certain markets, interviews with CTA participants and stakeholders repeatedly highlighted a series of key challenges present across all markets. In some cases, internal CTA evaluations and discussions previously identified these issues. In other cases, the insights may be novel and reflect both new information, as well as a greater willingness among stakeholders to speak openly with third-party researchers. These themes reflect a need for ongoing reflection and evolution with respect to the CTA Initiative and its role in Canada's growth and internationalization ecosystem.

Defining Market Readiness

At what point in its evolution is a company ready to expand internationally? What specific capabilities are required to succeed in a particular market and sector? These are critical questions, and a number of CTA partners have noted that all parties—companies, partners, and the TCS delivering CTA programs—would benefit from a set of clear definitions of what constitutes market readiness in the various markets and sectors in which the CTA Initiative operates.

Definitions of what constitutes an export-ready company differ across markets and sectors. Export readiness for a data analytics company looking to land in New York City looks a lot different than it does for a medical device company seeking opportunities in Boston. One stakeholder recommended that the various CTA sites should develop profiles of what constitutes market readiness in the markets and sectors they serve, including the level of product development and market traction typically required to make headway in the local market.

There is also the issue of the cost and personal sacrifices required to spend significant periods of time in-market. One partner argued that many companies go in unprepared for what they will find, and virtually all struggle to handle the cost of living in expensive US markets, where the living costs are easily three times those found in most Canadian cities. Companies need time to develop their networks, but have a hard time covering the costs of doing so. Indeed, most companies interviewed by the **DEEP Centre** indicated that the costs prohibited lengthy stays in-market, with many choosing to make short trips instead. Others made personal sacrifices like sleeping on a family-member's couch for four months!

A company and its founder(s) are likely ready for the CTA Initiative if they can answer affirmatively to the following questions:

- Do we have a mature product that we are ready to validate in an international market?
- Do we have the money to stay in-market or to make frequent trips back and forth?
- Do I have the time to devote to international expansion at this point in my company's evolution?
- Do I have a clear business plan for being in-market?

- Have I researched potential customers and investors and identified the contacts that I would like the trade commissioners to assist with?
- Is our business mature enough to handle the growth that winning international business would entail?
- What does my team think? Are they prepared to run the Canadian-based operations while I'm away?
- Are there life barriers that might prevent me for being in-market for six months?

Building a readiness assessment into the application process would be helpful way to screen out companies that are yet ready for the CTA Initiative.

Refining the Firm Selection Process

With clear definitions of what constitutes market readiness, the CTA Initiative can improve the selection process to ensure that only truly market-ready companies are selected. Over the years, the TCS delivering CTA programs has tightened its selection criteria, with a growing preference for more mature companies that are poised to take advantage of the services that TCS offers. In addition to being more mature, companies should have already traction in Canada and have a feasible plan for international expansion.

CTA partners generally agree with the tighter criteria, but suggest that the screening process could be refined further to not only ensure market-ready companies are accepted, but that selected companies are a good fit for the services that the specific CTA site can offer.

In speaking with companies and partners, the **DEEP Centre** learned that a typical company's experience with the CTA Initiative hinged on the relative compatibility between the kind of assistance the company was seeking and the services that the in-market trade commissioner(s) could readily deliver. There is some obligation for companies to do their research in advance, which speaks to the importance of a conducting a readiness assessment. As one partner noted, for instance, companies that came away with positive experiences had already done research, identified key contacts, and asked for the TCS to help broker specific contacts. Companies that had a poor experience typically went into the CTA Initiative having done little or no research, and found that the resources available through the CTA were a poor fit for their product, team, and strategy.

The key point is that the company selection process must seek to elicit greater precision in what outcomes companies are looking for in terms of business development and investment. Greater precision from companies in the form of a specific set of asks would enable the TCS delivering CTA programs to better assess whether the knowledge and connections of the TCS, mentors, and advisors in-market are the right ones to help the participating companies achieve results. This degree of local specificity in determining fit suggests an ongoing need for local TCS to be highly involved in the company selection process.

Using Market Insights to Drive the Site Selection Process

While the CTA Initiatives could refine their selection processes, companies also need help selecting the CTA site/ market that is best aligned with their needs. As we learned, this is not necessarily an easy or straightforward choice.

One partner argued, for example, that early stage companies tend to be quite reactive to opportunities. "Present them with an opportunity to go to Boston and they may jump on it without necessarily thinking it through," he said. Companies should be asking: Is this the right market for me to invest six months developing my business, or could I potentially get more traction somewhere else? The problem, according to one CTA partner, is that most "companies have a limited ability to identify the specific markets and opportunities that are most likely to advance their company's growth." He described the need for a type of "international heat map" to help companies identify the specific markets and sub-sectors they should focus on when considering international expansion.

How might such an international heat map be created? A starting point would be filling the existing gaps in market insight well before companies consider applying to a CTA program. For example, honing in on potential export markets would be a natural extension for a typical business acceleration program. A contact at one domestic Canadian accelerator agreed, citing the need for companies to develop their own learning programs designed to assist them in getting ready to export. "Closing the gap in market insight through programming offered in Canada within the domestic accelerator network would help ensure that companies are not blindly or reactively chasing internationalization opportunities, but are doing so with very clear criteria," said one interviewee.

Building the Pipeline of Qualified Companies

Across the board, the TCS delivering CTA programs generally agreed that recruitment of high-potential companies is now their biggest challenge. In the early days of the Initiative, recruitment required a lot of marketing effort, but was less of a challenge than it is today. The Initiative was new. There were only a small number of CTAs in existence, and generally far fewer private accelerators than today. There was a large pipeline of Canadian companies eager for an opportunity to break into the US market. And, on top of that, the threshold for acceptance into the program was much lower. Many very early stage companies made the cut when, in hindsight, they weren't good candidates for the program.

Today, the TCS delivering CTA programs fears that it won't be able to find enough companies to deliver on their key performance metrics. Trade commissioners feel like they are constantly in recruitment mode and get limited support from DFATD's regional offices and stakeholders across Canada. Recruitment issues are one reason why CTA Initiatives across the board lengthen their programs and run fewer cohorts per year.

A number of key points are worth emphasizing:

- **The probability of success with early stage companies is too low.** As has been recognized by TCS delivering CTA programs, the early desire to fill seats with companies risked compromising the program's credibility and undermining results. There may be some training benefits, but in terms of measurable economic benefits for Canada, there will not be enough. Indeed, as one Trade Commissioner noted, there is even a risk that early stage companies, which often lack deep economic ties to Canada, may end up moving to the US, facilitated by taxpayer dollars.
- **Hitting the company growth stage "sweet spot" is key**. Take companies too early and it's too much work for the trade commissioners. Target them too late and companies don't need a CTA program as much. There is a sweet spot in between where the CTA Initiative can make a big difference. Gaining greater clarity on what this growth-stage sweet spot is for different markets and sectors will help the program and its partners identify the right recruits.
- **Domestic accelerator graduates are typically not ready for the CTA Initiative.** There is a consensus that companies graduating from accelerator programs in Canada are still too immature to take advantage of the CTA Initiative. Most interviewees agreed that there is usually an 18–30 month gap from when a company comes out of a domestic accelerator and when it is truly ready to go to an international market to participate in a CTA program. This gap in time raises questions about whether there is a missing link in the entrepreneurial support ecosystem, or whether the 18–30 month gap is actually a healthy time period for companies to learn to fend for themselves.
- **Recruitment needs to be meritocratic.** Numerous TCS delivering CTA programs rightly expressed frustration with the expectation, real or perceived, that federal and provincial funding partners might be guaranteed a certain number seats in the program. The concern is that abdicating any company selection authority to partners could diminish the quality of companies, which in turn would undermine both the performance of the program and credibility that Trade Commissioners have worked to build with local partners. A competitive process is the best way to ensure that the most deserving companies get accepted and that the CTA Initiative can deliver the greatest economic benefits to Canada.
- **The multiplication of CTA sites has made recruitment efforts more challenging and time consuming.** As several partners argued, there is now a large number of CTAs chasing the same pool of high-potential recruits. It has been challenging to coordinate individual CTA recruitment activity. DFATD's regional offices and stakeholders have reported that they are fatigued by multiple requests. It has also been argued that the multiplication of CTA sites makes the choice of where to go more difficult for partners and companies. "Not all CTAs are the same breed," said one partner, who claimed that the lack of consistency across sites makes it more challenging to match the needs of a given company with the services and capabilities of the numerous CTA initiatives.

Overall, there is a sense that the CTA Initiative and its partners need a more efficient system for identifying export-ready companies and for matching them to the resources available through the CTA Initiative. Some interviewees argued that Canada is not cranking out enough companies to run a constant stream through all of the CTA programs that currently exist, noting that even leading accelerators in Canada are facing recruitment challenges and scaling back the number and size of their cohorts. Getting a clearer picture of the pool of export-ready companies that would benefit from a CTA experience is perhaps the most important investment the program could make as it shapes its evolution going forward. The most actionable strategy will involve better and stronger collaboration with domestic accelerators and the third-party organizations that act to promote the development of companies in Canada.

Provide Clear Communication and Project a Consistent Brand

While refining the intake and selection processes for the CTA Initiative are clear areas where improvement is possible, doing so effectively will rely on a clear, concise branding proposition of what the program offers. Up until now, and given responses from interviewees, this proposition is unclear and, in some cases, potentially misleading. The latter view is held by companies who came into the program expecting a far more intense, hands-on level of assistance based in large part on the "accelerator" brand. While in some cases, and at some sites, this level of personal or customized assistance was forthcoming, the lack of a standardized model of program delivery has seen some sites fail to meet the expectations of incoming companies with respect to the level of assistance available.

The lack of clarity about what the Initiative offers is not just an issue for companies. In conversations with partner and stakeholder organizations, it is similarly unclear as to how the programming differs across the various CTA sites. While it clear from the previous review of value propositions that the Initiative can deliver real, tangible benefits to participating companies, stakeholders remain relatively uncertain as to how to communicate this value and how it may differ across individual sites. As one partner noted, "How should we help provide guidance as to whether a health IT company should go to Boston or Philadelphia?" Both sites vie for similar companies in the health IT space, yet the CTA's communications and branding does little to differentiate between the offerings. Given the importance of the investment of time and financial resources made by participating companies, more should be done to ensure companies and the stakeholder organizations that assist them have access to the information required to ensure they allocate those resources effectively. However, if a company has an international market strategy, they should be familiar with the opportunities available in the locations relevant to their goals.

A two-phased approach to improve communication could address these limitations. Consistent across sites is the need for clear messaging around the value of in-market immersion and the role the TCS can play in exploiting the potential value of this immersion. "We can take exceptional companies and help figure out whether this is a world-class company and then help them win business" is a generalizable message across the Initiative and across companies.

There then needs to be a clear differentiation between the standardized aspects of the program and those elements that can be customized. For example, companies at varying stages of growth and in different sub-sectors need to better understand how program deliverables, and site-specific CTA offerings, can be customized.

This highlights the tension that exists between the creation of a clear and consistent brand and the need to be responsive to local and company-specific conditions. Here, a stronger degree of coordination and more frequent communication with CTA partners, stakeholders, and domestic accelerators can help improve the flow and customization of information regarding what the CTA offers and where it can add the most value for specific companies. The development of more short-duration programs, such as 48 Hours in the Valley, in niche areas and across sites will allow companies to better understand how they can benefit from the experience, the ideal for their international market strategy, and better prepare the TCS as to how they can best enable and facilitate the success of specific companies with CTA programming.

Offering an Introduction to Market Process

For young companies and company founders, the excitement of acceptance into the CTA Initiative and their arrival in-market can quickly dissipate if they are confronted not only by the need to orient themselves to a new city and a new environment, but also with an overwhelming sense of urgency to make a strong start in producing a return on their 3–6-month investment. To this end, participating companies repeatedly raised as a clear area for potential improvement the lack of a structured onboarding process upon arrival in-market for the CTA program.

Such views were often raised by interviewed companies and reflect a clear desire for a more structured orientation and onboarding process. This process should include a more in-depth introduction to the complexities and intricacies of the host market, the services that the CTAs can offer, and other site- and company-specific or sector-specific information. One participant noted that the most important information he learned while in-market was "where to grab a coffee where [venture capital partners] congregated, and where the Twitter staff grabbed drinks after work." While companies can and should be expected to dig, explore, and do their own research, the more that can be done to smooth the path for them, the better.

Moreover, there is no reason why, with the support of partner agencies, a great deal of the onboarding processes couldn't be accomplished in Canada and/or using digital materials online. Partner organizations could be tasked with the development of a pre-CTA education experience that, in collaboration with the specific CTA sites, helps to align expectations and provide access to essential information.

Related to the onboarding process is the question of accommodation for the CTA's in-market. Each of the companies interviewed noted the significant strain that in-market housing costs put on their finances. In many cases, these costs led to the companies commuting back and forth between home and the host market, despite an understanding that doing so would lessen their ability to fully exploit the program's potential value. Several companies queried why there was not better coordination across potential public funders, notably levels of government, that would see provincial governments provide top-up funding for accommodation costs if accepted.

Creating Consistency in the Quality of the Mentorship Experience

High-quality mentorship and consulting services were identified as two of the most valuable CTA functions. Numerous partners and companies noted that the relationship brokering function of the CTAs can be powerful when there is alignment between what companies need and what the CTA mentors and Trade Commissioners can offer. There was some concern, however, that the quality of mentorship was not always consistent across CTA sites and, furthermore, that the needs of companies and the sector-specific knowledge of mentors are not always aligned.

Some of the glowing success stories have already been noted above. But there have also been equally bad experiences. One company described their mentor relationship as “a disaster” and noted that the commitment and motivations of the mentor seemed weak and misaligned. Another company had been to two CTA locations and noted that the level of sector knowledge and the value-add of the advice offered differed significantly between the two locations.

Finding industry leaders willing to spend the time with early stage companies is no doubt difficult. In the CTA locations where companies reported a positive mentorship experience, it is clear that a lot effort has gone into identifying a strong roster of committed mentors. One site, for example, has a group of 50 Canadian entrepreneurs, each with 10–20 years of experience. Investments have been made in training the mentors and, despite the fact that mentors act on a voluntary basis, the testimonials from companies interviewed by the **DEEP Centre** have been universally positive. According to partners and companies, not all CTA locations can make the same claim.

One evident issue is the lack of prior knowledge about what kind of mentorship to expect when a company lands at a CTA site. Companies come into the program looking for people to help them connect with opportunities. To ensure that these expectations are met, there needs to be greater transparency about what each CTA can provide in terms of contacts and mentors.

Balancing Program Standardization and Flexible Service Provision

The strongest critiques of the CTA Initiative were directed at the delivery or, in many cases, non-delivery of a more traditional accelerator-like curriculum. This feedback largely relates to the lack of clarity regarding the role of the CTA. Is it a traditional accelerator? Or is it a soft-landing program combined with the relationship brokering functions of the TCS?

Some TCS delivering CTA programs argued against the need for core programming, Others reflected with some pride on the fact they had crafted and refined a rigorous program that combined sector-specific insights with an introduction to the intricacies of the host market. Striking the right equilibrium between a consistent set of high-quality program deliverables and a more flexible array of local and sector-specific services remains one of the most difficult balancing acts for the CTA Initiative going forward.

Some CTA programming received high praise for the more hands-on nature of their programming, ranging from one-week boot camps, to monthly workshops, to mini-MBAs and demo days. In other cases, companies saw the programming as delivering little to no value. This was largely the case where companies and/or company founders were further along the growth and experience curve. Others sought more networking and matchmaking events, and even support and/or consulting-type advisory services regarding deal closing. Still other companies left with significant unmet expectations stemming from the lack of structured advice regarding issues such as localized HR, legal, regulatory, and trade-related issues.

The diversity of feedback on CTA programming highlights tension with respect to program delivery. The variety of companies accepted into the CTA, and the subsequent variation in company needs, makes the development of elaborate programming especially problematic, and likely not justified, given the effort that would be required to create and implement such a curriculum. However, the development of educational modules on specific topics that could be shared across the CTA Initiative sites, and updated and customized as required, could provide significant value for companies for relatively modest investments.

Such modules could address sector-specific issues, such as health technology regulation, or cater to more general needs, such as how to hone your pitch to a US-based venture capital audience. One company founder noted that he would have valued some assistance in developing a six-month road map on to how to build forward from a typical CTA experience. Mentors could be assigned to critique and refine these road maps and provide participating companies with an additional, tangible takeaway from the CTA Initiative. Over time, individual CTA sites could contribute to the development of an entire library of resources available to all clients of the CTA Initiative and the TCS.

In the years following DFATD receiving funding for the CTA Initiative, some templates have been established and implemented, such as common application and feedback forms. However, there are legitimate concerns that too strong a drive towards standardization could undermine the very aspects of the Initiative that have made it successful. Indeed, the track record and success of the CTA Initiative to date is due largely to the grassroots efforts and innovations propagated by local staff. Many staff expressed a strong preference for maintaining the flexibility they need to be responsive to local needs and changing market conditions. Staff members worry that centralized efforts to lock into a particular program architecture will erode the nimbleness required to stay relevant.

The process of developing some standardized program components, however, needn't come at the expense of the desire for site-specific flexibility or reduce the capacity for localized innovation in program delivery. On the contrary, supporting TCS delivering CTA programs with customizable templates could help them better meet the expectations of certain incoming companies and thereby free up resources for the provision of more customized services. Standardized program components would also build sustainability into the CTA Initiative and help ensure that the success of a given site is not overly dependent on the presence of one or two key individuals.

Another broader programming challenge raised during the stakeholder interviews concerns the need for a flexible and modular CTA offering that can be customized for specific companies at specific sites, without further confusing the CTA brand or placing unreasonable burdens on the trade commissioners. For example, one partner organization noted, "Some companies find the program is too long and too expensive. They may achieve everything they need to do in 2 weeks, so why run them through a 6-month program?" Of course, for the companies in question, the CTA Initiative is arguably the wrong fit. In reviewing the future of the CTA Initiative, TCS delivering CTA programs should endeavour to offer a flexible menu of TCS options that are responsive to diverse needs of growth-oriented companies. Given the individualized nature of company expectations and company-specific programming, the need for a pre-market assessment of specific company needs and how the TCS/CTA can help satisfy them would be key to making such customization possible.

Fine-Tuning the Program Evaluation Process

The CTA has flourished in large part because of grassroots efforts that have aligned the personal motivations of local staff with the needs of Canadian SMEs. Traditional metrics have focused on client volume and deal flow, and more specifically on the role of the CTA Initiative on helping Canadian companies close business deals and secure foreign investment in their companies. However, many TCS delivering CTA programs have argued that the CTA Initiative adds value in ways that are less easily quantified. For example, the value added by the Initiative is not officially recognized when companies have pivoted, abandoned market, or shifted to new product or service offerings. And yet, if the CTA experience quickly demonstrates that a company's original internationalization strategy was flawed, the founders can change course and/or conserve their resources for other ventures. Conversations with companies that have pivoted suggest they attribute significant cause to their immersion experiences in the CTA Initiative and the advice, mentorship, and networks it provided.

A focus on recruiting "market-ready companies" could lessen the number of instances in which companies entering the CTA Initiative need to pivot or "figure things out" on the fly, assuming that their market research leads to sound conclusions about the viability of their product in a given sector and location. However, it is also true that even the best-prepared companies are likely to acquire new insights that lead to adjustments in their approach to the local market. Using a sufficiently broad set of metrics to measure success will not only provide a more precise picture of the Initiative's impact, it will also help keep trade commissioners motivated to ensure that their efforts are not simply turnkey solutions, but rather an intense and appropriately nuanced approach to company commercialization and internationalization.

5. Conclusions and Recommendations

Across interviews conducted for this project, one message is clear: participant companies want and appreciate the services offered by the CTA Initiative, as it relates to their capacity to realize their international growth ambitions. While there is clearly a need for improvement in areas such as program delivery and recruitment, the services offered by the CTA address an urgent economic priority by helping Canadian entrepreneurs and SMEs get a foothold in international markets. As one company founder noted, "every country that has companies in the Valley is trying to give its companies a leg up. We need government not just to level the playing field but to give us a real in-market boost."

The current structure of the Initiative, as variable as it is across sites, delivers this boost thanks to a series of key value propositions that companies and stakeholders derive significant value from, including:

- **Market Immersion:** The opportunity for a period of intense in-market immersion that provides sufficient time to build trust with potential customers, partners, and investors.
- **Product Validation:** A chance to validate their product in a larger market and test their mettle against world-class international competitors.
- **Relationship Brokering:** Access to the relationship brokering services of local Trade Commissioners and a roster of mentors that offer invaluable local market knowledge.
- **Peer Networking:** The ability to share knowledge and in-market experiences with a cohort of peers.
- **Public Service Orientation:** Participation in a business acceleration program that is exclusively focused on assisting Canadian companies and generating economic benefits for Canada.

While the Initiative sees a high level of participant satisfaction, it is also clear that no single stakeholder can or should take end-to-end responsibility for assisting companies in fulfilling their international growth aspirations. A whole-of-government approach is necessary to align the various capacities and resources of public and private stakeholders, domestically and internationally. Indeed, better ecosystem coordination is integral to addressing many of the challenges identified by companies and by the trade commissioners delivering CTA programs and their partners. The following recommendations respond to these concerns and provide a road map for both the CTA and other stakeholders engaged with companies looking to expand their reach abroad:

- **Define market readiness** to ensure that companies, partners, and program leaders share a common set of expectations around the specific level of maturity and company capabilities required to succeed in a particular market and sector.
- **Refine the company selection process** to not only ensure market-ready companies are accepted, but furthermore that selected companies are a good fit for the services that a specific program site can offer.
- **Supply market insights to inform the site selection process** so that companies can make informed choices about which markets offer the best international growth opportunities and which program sites/ resources will best meet their needs.
- **Enhance the pipeline of qualified companies** by working with partners to create a more efficient system for producing and identifying export-ready companies, and for matching them to the resources available through specific programs.
- **Provide clear communication and project a consistent brand** in order to eliminate confusion in the marketplace about the value of market immersion, the specific services and benefits that programs offer, and, most importantly, the standardized aspects of a program versus those elements that can be customized and/or are unique to individual program sites.
- **Develop an onboarding process** to help orient incoming companies to their new environment and the program offerings, thereby giving them the strongest possible start to their in-market experience.
- **Create consistency in the quality of the mentorship experience** by offering potential program recruits more information about the roster of mentors and their areas of expertise in order to foster greater alignment between what companies need and what mentors can reasonably deliver.
- **Balance standardized programming with flexible service provision** in order to craft consistently high-quality programming across program sites, while also preserving the capacity for local innovation and flexibility in the face of changing market conditions.
- **Fine-tune the program evaluation** to ensure that the metrics used to measure success capture the full range of benefits CTAs offer.

Across these areas for improvement, we note a common thread in the need to create better alignment between participant and partner expectations of what a program offers and the realities of what each program site has the capability to deliver. Investments in defining market readiness, refining the recruitment and company selection process, improving communications, and creating an onboarding process will go a long way towards resolving this central challenge.

In specific reference to the CTA Initiative, there is a need for Initiative leadership to facilitate continuous innovation in program delivery. CTA leaders must be consistently willing and able to keep reinventing the delivery structure of the CTA based on changing needs and changing market realities. The introduction of the virtual Indian CTA is a good example of this innovation. Annual reviews of program delivery and program outcomes will help the Initiative stay relevant and ensure that company needs are being met.

Of particular concern in this evolution is the need to define the right scope for the Initiative. In particular: should the CTA Initiative continue to expand to other sites or, given the branding and operational challenges the current structure holds, should DFATD opt to focus its resources more strongly on markets that represent key industry clusters? Based on the analysis conducted, it is recommended that DFTAD create a clear distinction between two unique offerings: CTAs and soft landings. CTA sites would continue to offer an intense market-immersion experience coupled with structured programming, relationship brokering, and mentorship services, but would only do so in a small number of key clusters where there are significant agglomerations of technological, financial, and human resources. This doubling-down strategy would focus on global hubs for specific sectors and ensure that the CTA brand and its offerings are well defined and subsequently well communicated. In the United States, Silicon Valley and New York City are evident areas of focus for the technology sector given the aggregation of talent, capital, and consumer and/or supply-chain access. In the life sciences, Boston offers a similar clustering. In a February 2015 report, Savills World Research highlights what it believes to be the top cities for tech activity based on a weighted ranking of business factors, tech talent, property costs, and quality of living. It reports that Austin, San Francisco, and Tel Aviv take the top rankings, with New York and London not far behind.[3] However, the methodology used in this report omits any measure of supply chain or customer presence. Building a robust investment tool for public policy in Canada would benefit from the development of a unique cluster measurement tool that gauges the aforementioned business inputs in each market and weights each city based on demand for access from Canadian companies.

[3] See http://pdf.savills.com/documents/Tech_cities_chart_feb15.pdf

Where these clusters exist, the definition of what the CTA offers must be strengthened along the lines identified in this report, with significant attention paid to selecting only those participants that are likely to succeed in hypercompetitive locations. Although the total number of CTA participants may decline with a more focused approach, greater alignment between companies' needs and CTA capabilities, coupled with greater investment in business development support, would help ensure that the CTA Initiative delivers exceptional results. Reducing the overall number of CTA sites would reduce the competition between sites for high-quality recruits, which was flagged as a burning issue by virtually all CTA leaders.

Where these clusters are not present, or less present, a soft landing-type approach—focused on the provision of temporary, short-term space—would provide a natural complement to existing TCS activities, although in upgraded fashion. Soft landings would provide space, contacts, and, where demand exists, light programming. Expansion Quebec's 28-city business support service is a good example of this "softer" approach, notably as it reaches into Tier 2 cities. Depending on client needs, Expansion Quebec provides desk space and local administrative and networking support for companies of all sizes. The location of these services is based on client demand.

Mimicking this strategy through the TCS would help mitigate the perception that non-CTA companies are receiving less service as compared to their CTA counterparts. The development of alumni and mentor networks is strategically wise across all TCS sites. And where companies require a more intense level of support in these non-hub cities, TCS staff must be equipped with programming templates that can be customized to help deliver it. Of course, adequate financial support will also be required to deliver effective CTA programming alongside the usual menu of TCS services. While the extension of formal funding in 2013 provided resources to expand the number of CTA sites, program delivery relies heavily—perhaps too heavily—on a small team at each site. A more refined program structure, as described above, would reallocate existing CTA funding to a smaller number of core sites and enable the subsequent expansion of funding for soft landings and general TCS services in non-core locations. Such a reallocation would ensure that Canadian companies could access the most aggressive package of support services to facilitate their overseas success, regardless of sector and/or market of interest.

Alongside these improvements in program structure and delivery, it is imperative that DFATD and its partners work together to build a more robust pipeline of export-ready companies that have both the appetite and capacity to enter new overseas markets. Across the interviews conducted, it is clear that the "48 hours in the market" model is a key driver of greater engagement in export markets. Building a broader program of in-market boot camps and pre-market, sector- and site-specific preparatory sessions would go a long way to developing this pipeline. Such recruitment activities and preparatory sessions should be developed and delivered in concert with key stakeholders, such as the Business Development Bank of Canada, the Industrial Research Assistance Program, provincial governments, and a network of Canada's leading business accelerators.

Creating a pipeline of export-ready companies is not just a CTA problem; it is a challenge for the entrepreneurial support ecosystem across Canada that requires greater coordination across diverse actors, and possibly even a realignment of the way entrepreneurial support services are delivered. Trade commissioners responsible for CTA programs noted, for example, that successful companies came to the CTA program 18–30 months after their domestic accelerator experiences because graduates weren't yet ready for international expansion. It is clear from conversations with trade commissioners and stakeholders that this gap in readiness undermines recruitment efforts. As a result, it makes sense for domestic accelerators and entrepreneurial support organizations to become more engaged in developing export-ready companies. Among other things, this might include the development of an export-readiness curriculum that better prepares graduates to identify and exploit international opportunities. Provincial and regional economic development agencies, as well as industry associations, could also play a role in developing and disseminating this curriculum. A robust export-readiness curriculum could expand the number of companies with the capacity to operate abroad and shorten the timeline between when a company exits an accelerator and proceeds to a CTA site.

An export-readiness curriculum is only one of several areas where greater ecosystem-wide collaboration is required. A true end-to-end solution for recruiting, coaching, and supporting Canadian companies that wish to grow internationally requires a whole-of-government approach to ensure that public investments are targeted effectively at the services, markets, and programs that work best for the companies that use them. Developing a map of the entrepreneurial ecosystem in Canada, and tracing the logical progression of companies from domestic accelerators to international support services, is a key component of building an end-to-end solution. Domestic entities should focus on business acceleration and education. Once companies go abroad, whether to provincial or TCS/CTA-related programs, the focus should be on making granular refinements to product and service offerings as required by specific market contexts and on brokering the relationships that companies need to win business and raise capital. Additionally, some consideration should be given to whether funding could be coordinated across levels of government to better enable companies to absorb the costs of being in-market. Given the benefits other jurisdictions have in place for their companies, levelling the playing field through a coordinated support structure only makes sense. Indeed, in an increasingly competitive global market, Canadian companies will require access to the most dynamic and effective support services that our entrepreneurial support ecosystem can muster.

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