Report: How to Make London Even More Competitive in the Digital Economy
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Stakeholder interviewees:

- David Ciccarelli – CEO, Voices.com
- Aaron Finkenzeller – Vice President Technology, CARPROOF
- Sarah Jones – Managing Editor, Business London (Postmedia)
- Kapil Lakhotia – President, London Economic Development Corporation (LEDC)
- Michael Schmalz – President, Digital Extremes
- Peter White – Executive Director Government Relations, Western University

Author's background note:

Thank you to all the stakeholders who were interviewed for this report. While there are more groups and professionals that could have been interviewed, there are resource and logistical constraints in the number of groups that can be. There's no doubt that other groups in London can add value to this conversation – and are encouraged to – but to finalize a report of this type and inside of a reasonable timeframe, not all groups in London could be invited to partake in this exercise.

Disclaimer:

All the comments and references in this report were mentioned by at least one stakeholder, but not all stakeholders necessarily agree with every recommendation in this report.

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Introduction

London, Ontario's economy is diverse. It has strong advanced manufacturing (e.g., defence, automobile, etc.), food processing, world-class healthcare, two large educational institutions (i.e., Fanshawe College and Western University), a notable creative tech sector that employs over 9,000 people across over 300 companies and more.[1]

To use a metaphor of a two-sided coin, this diversity is a strength, but can also serve as a weakness. Currently, London isn't known as one of Canada's prominent tech hubs. This could be because we haven't had our "whale company" start here yet like OpenText or RIM in KW; Hootsuite in Vancouver; or Nortel or Shopify in Ottawa. And/or it could be that the size and success of our other sectors overshadow London being known as a foremost place to grow a tech company or to seek tech employment in.

With that, there's reasons to be positive. According to the *CBRE Research 2017 Scoring Canadian Tech Talent* report, London appears to punch slightly above its weight in tech. As Canada's 11th largest city, the report cited its Canada's 10th largest tech employer. Moreover, the city isn't without homegrown success stories, like Autodata Solutions with over 700 employees, Info-Tech Research Group with over 500 employees, Digital Extremes with over 300 employees and many more.

Looking ahead, Canadian cities that position themselves with strong and vibrant tech sectors will stand to gain notably in population growth, economic vitality and quality of living. Technology has become ubiquitous in that it's integrated into every industry in existence today and underway are enormous technological revolutions that will create major employers and employment opportunities within certain sectors; to name a few: Artificial Intelligence (AI), Internet of Things (IoT), Quantum Computing (QC), Blockchain, Smart Cities, Autonomous Vehicles (AV), 3D Printing and more.

It will serve London well to engage in conversations around how to set the city up for a bright future that's technologically competitive and advanced.

Recommendations

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[1] According to LEDC, there's over 9,000 employees in London's creative tech sector. According to CBRE in 2017, there's approximately 5,600 when looking at tech only.

1. Focus more on acceleration / scaling companies.

There are a lot of diverse incubators in London and government programs aimed at companies in start-up mode. In terms of local programming, there's a small business centre, a regional innovation centre (RIC), at least four incubator-type organizations across our two major post-secondary institutions, and a variety of other not-for-profit and for-profit incubation type organizations aimed at helping companies start.

Many of these organizations are doing good work and should be encouraged to continue with their efforts. While the start-up stage shouldn't be ignored in healthy economic planning, there are benefits in allocating more government resources and focus into established small and mid-sized companies (SMEs) looking to grow and employ more Canadians.

There's logical merit for this: Money provided to companies who are already past the start-up/incubation stage have a greater chance of turning this investment into more job opportunities with less risk, as the incumbent companies are already established and have a proven track record of success in their given industry.

As David Ciccarelli, CEO at Voices.com pointed out, "A hundred employees and up, you've gone through all the growing pains, you got a few war wounds and you've proven you know how to hire people and retain them and create careers."[2]

There are key benefits to be gained in helping established Canadian businesses through the acceleration stage, including:

- Canada will predictably build more large-sized companies faster
- Government resources to administer programs for SMEs will remain reasonably the same as it requires very little or no additional due diligence for a large financial deal as there is for a smaller one
- It's safer politically, as investments have a higher chance of success – bets are being made on already successful companies

2. Envision and build a vibrant downtown

Many workers, especially millennials, value a vibrant downtown to work, play and live. A strong downtown can attract an engaged tech workforce and vastly improve the community. "[The municipality] should be focused centrally on downtown because that's

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[2] David Ciccarelli, Voices.com, May 10, 2018.

where the next economy will be developing. It's not going to be out in the suburbs." said Michael Schmalz, the President at Digital Extremes.[3]

The city has had contemporary wins in this area having facilitated the creation of Budweiser Gardens, approving the development of Dundas Place and its involvement with Fanshawe's School of Digital and Performing Arts, but for London to be competitive against cities like Toronto, Kitchener/Waterloo and Ottawa, it will have to maintain a laser-like focus on how to build a downtown that's vibrant, connected, mobile and safe.

Many ideas have come forward that can improve our downtown including but not limited to:

- more development along the Thames River;
- adding more live entertainment venues;
- attracting more unique cafes and restaurants;
- supporting high quality residential high-rise development and living;
- improving London's transit system;
- and more.

Schmalz expanded on what he felt it will take for London to succeed in this area, "You really have to take a look and project into the future and be really visionary to say, "Well, what is it going to be in 10 or 20 years?' and design for something like that and be able to have the leap of faith to make what I think would be a fairly significant investment for which I don't think the short term pay offs would be there. I think that is what visionary is, trading short term pay offs for long-term pay offs." Important words for any stakeholder or politician to consider.

3. Attract investment groups to London.

London has had a taste of recent success with large-scale private-sector investment and acquisition in its tech sector. Some examples include the acquisition of London-based CARPROOF by CARFAX for $650 million[4] in 2015 and the investment of $18 million into Voices.com by Morgan Stanley Expansion Capital in 2017.[5] These types of investments and mergers & acquisitions often help the sector, as companies in tech will often stay loyal to a

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[3] Michael Schmalz, Digital Extremes, June 21, 2018.
[4] London Free Press – London-based Carproof sold to Colorado firm for $650 million - http://lfpress.com/2015/12/28/london-based-carproof-sold-to-colorado-firm-for-650-million/wcm/080f18c3-4fc4-7c2a-0c97-4a0060233e3a
[5] Global News – London's Voice.com receives $18M investment - https://globalnews.ca/news/3592315/londons-voices-com-receives-18m-investment/

community – it's difficult to uproot an entire workforce in the digital economy, and these types of capital investments can often increase a company's local footprint (i.e., the companies grows its workforce over time).

A concentrated effort amongst key local stakeholders with a group like LEDC, in conjunction with the City of London, may want to consider performing a feasibility test on hosting tours or events for investment firms seeking to invest in or acquire tech companies in our region. The reach of such effort shouldn't be limited to investment entities in Canada either. Case in point, in the Voices.com scenario as Ciccarelli pointed out, although the company engaged in conversations with both Canadian and United States private equity and venture capital firms, the company ended up striking a suitable deal with a private equity firm based in the United States. [6]

4. **Focus on growing the companies we have.**

Many manufacturing and food processing companies that have London offices didn't start in London. "We have not seen foreign direct investment in tech," said Kapil Lakhotia, President & CEO at London Economic Development Corporation when speaking about companies that open an office in London without acquiring another firm to do so, "[yet tech], is now one of the top 5 sectors in our economy, all of them homegrown."[7] I suspect a reason for this trend is that with advanced manufacturing, a large hurdle to start a facility in a community with a well-established industry cluster like London, is the capital expenditure of acquiring the land and its equipment. Technology companies, on the other hand, often have more challenges with talent acquisition versus capital expenses, so a common tactic to grow their workforces is through mergers and acquisitions of other incumbent companies in a community. For example, when Google entered Canada, they first acquired two companies in Waterloo (i.e., Postrank in 2011[8] and Bufferbox in 2012[9]). From there, they opened a Toronto-based office to serve as its national office and have since grown their footprint in both Kitchener/Waterloo and Toronto.

Investments and mergers and acquisitions will naturally happen over time (a couple London-based examples were presented in Recommendation #3 above), but continued effort should be made by stakeholders to continue to focus on growing the promising companies we have in London so that they are either more economically successful independently or become financially attractive to large entities for investments or merger

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[6] David Ciccarelli, Voices.com, May 10, 2018.
[7] Kapil Lakhotia, LEDC, June 4, 2018.
[8] Financial Post - http://business.financialpost.com/entrepreneur/fp-startups/google-scoops-up-waterloos-postrank
[9] Financial Post - http://business.financialpost.com/technology/google-inc-bufferbox-closing

and acquisitions.

5. Recruit from Western earlier.

One of London's many strengths is that two large and nationally respected post-secondary institutions – Fanshawe College and Western University – are both situated in the city. This gives employers access to a breadth of potential talent in tech that can help support the commencement and growth of local tech companies.

A lot of employers tend to think about recruitment from these institutions as a spring season action-item when students are graduating. Peter White, Executive Director of Government Relations at Western University, pointed out that there's an important nuance when recruiting software engineers and other software developers from Western University. Major brands, often from outside London, visit the university around October each year and begin offering letters of intent and employment agreements to acquire software engineering students who will be graduating the following spring. Any local companies who are beginning the conversation with Western to recruit in the new year may be too late in terms of acquiring the ideal skillsets that they are looking for to fill roles within their organizations.

6. Focus on seasoned employees for relocation.

Presumably, a lot of young professionals relocate from London to Toronto for two reasons. First, many recent graduates often express a desire to experience living in Toronto where there are many job opportunities and great amenities. Second, as Peter White pointed out, 85% of students that go to Western University aren't from the region to begin with.[10]

Where London has an advantage over a major economic hub like Toronto is the city's low cost of living. As professionals reach more of the middle to upper stage in their careers, their stage of life has often shifted too. For example, someone in their 30s may have a spouse/partner and a new family and therefore, priorities such as saving money and providing higher quality of life for their new family may become more important. For these professionals, at that given time, a city like London is often more attractive.

Effort should be made to attract more seasoned professionals from Toronto to move to London and secure employment in the tech sector (whether moving to London for the first time, coming back to London after having studied here or having been raised in London and returning home).

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[10] Peter White, Western University, May 24, 2018.

7. Encourage and enable Champions for key strategic projects.

More than one stakeholder brought up concerns that sometimes large and important projects that can really improve the quality of London fail to get off the ground. One stakeholder indicated that one of the challenges surrounding why large projects sometimes don't come to fruition in the city, is that although there's usually an obvious need for various community agencies to collaborate and be in alignment with the given project, often there is not one key stakeholder who's leading the initiative. The phrase this stakeholder used was someone that could "Champion" a project.

On all major community projects – whether it be development along the Thames River, centralized community innovation hub(s), entertainment venues, etc. – a clear "Champion" of the project should be established in each setting. These Champions are usually someone (or an organization) who has influence in the community, operates from sound principle-based values, and can advocate for the project over an extended period of time – and sometimes past additional municipal political terms – to see a project through to launch (e.g., The Community Foundation with its Back to the River Project).

8. Focus on collaboration.

In conversations with the Managing Editor at Business London, Sarah Jones, and the Vice President of Technology at CARPROOF, Aaron Finkenzeller, both stressed the need for London's tech sector to have a mindset of collaboration. Finkenzeller believes London should have, "an environment where collaboration is valued and encouraged."[11]

He expanded further and explained that when a community is a bit smaller, employers may have a concern that too much external collaboration of their employees could lead to staff leaving their companies in pursuit of other opportunities. In the same token, he also discouraged against this fear stating, "As much as those people are going to maybe recruit from us, we'll get people who are a better fit for us too... do you really want somebody who isn't a perfect fit and would leave if they had the opportunity...?" Finkenzeller also encouraged companies to build large and healthy talent pipelines and human resource plans that address: developing and helping advance the skillset of their current workforce; good relations with prospective and past employees; and conducting proactive succession planning within their company. As Finkenzeller concluded on this point, "Companies that don't have a good talent pipeline are probably more risk averse in having their good people out there."

9. Hold a digital economy job fair.

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[11] Aaron Finkenzeller, CARPROOF, June 25, 2018.

According to LEDC, at any given time, there's over 700 job postings in the creative tech sector available in the city. An easy win for the city is for an appropriate agency to hold an annual digital economy job fair. This would give an opportunity for employers to promote their company to students and professionals in the community who are looking to enter or advance their careers in tech. An annual digital economy job fair would also help highlight the strengths of London's growing tech sector.

Along with appropriate key community partners, an organization like the London Economic Development Corporation would probably be best situated to champion such an event.

10. Encourage London-based companies to create satellite offices elsewhere.

There are key advantages to London-based tech companies opening up satellite offices in other cities or regions. A London-based company that opens a satellite office in Toronto, for instance, may expose itself to new customers and a large volume of human resource talent in the new city. As people join the company via the satellite office, employees will become more exposed to London indirectly, which could lead to some of these employees deciding to move their families to London in the future when the time is right. "[Create satellite offices] as a means of drawing in additional talent," said David Ciccarelli, "…that's a way to get people from those other geographic hubs visiting London."[12]

As examples, a couple of the many London-based companies who have opened up satellite offices of late are Info-Tech Research Group (who opened a Toronto office) and Diply (who opened Toronto and Las Vegas offices).

11. Lobby for a regional tech educational centre.

In Toronto, a post-secondary institution exists called OCAD University that focuses on academic arts and design training. As its website states, "OCAD U is shaped by the international art and design leaders who lead, tech and study here."[13] As tech is now at the forefront of a lot of conversations and is a mandate of the federal government[14], there could be merit for the province to launch similar types of regional institutions for tech. As Kapil Lakhotia pointed out, "If a brand new structure was created only designed for technology and the different facets that it has, you're able to attract talent from all over the world that specializes in those pieces."[15] With a creative tech sector of over 9,000

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[12] David Ciccarelli, Voices.com, May 10, 2018.
[13] https://www.ocadu.ca/about/history.htm
[14] https://pm.gc.ca/eng/minister-innovation-science-and-economic-development-mandate-letter
[15] Kapil Lakhotia, LEDC, June 4, 2018.

employees, over 300 companies and as one of the central urban hubs of Southwestern Ontario, London is uniquely positioned to host and operate such a regional tech educational institution.

A joint stakeholder effort should occur to continue to lobby the government in this direction. London securing such an institution would be a boon: it would create new employment for the region; potentially attract the relocation of national and international educational instructors; and would increase the pipeline of high-quality, potential employees from which local tech companies can recruit to help continue fostering innovation and growth in the community.

12. Tech leaders should continue to engage post-secondary institutions.

Building a great and vibrant tech-oriented community takes an integrated, team effort. Whether through co-op/intern opportunities or on-campus speaking engagements, tech employers should continue to stay focused on engaging with students where they can at our two primary post-secondary institutions – Fanshawe College and Western University. As Ciccarelli pointed out, "There's an opportunity for business owners to open up their doors. There's also more opportunities for leaders to go into the schools like Ivey or Fanshawe and speak to the classes. If we don't want to have this brain drain where people just leave the city, the students need to know what the opportunities are."[16] White at Western University shared similar views, "If the students don't see where there's job opportunities, they go back home. Sixty percent go back to the GTHA and fifteen percent go back to various parts of Ontario."[17]

Greater engagement between employers and our local post-secondary institutions will benefit the individual companies – some of these students can become potential future clients or employees. As more students recognize London's growing tech cluster and with it the opportunities that are here, more will be apt to consider London for employment in the future.

Epilogue

London's tech sector has the potential for a bright future. There's reasons for this. The city has an already established creative-tech sector; a broad, diversified economy (strengths in automobile, defence, etc.); a city-wide transportation project underway; two of Canada's

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[16] David Ciccarelli, Voices.com, May 10, 2018.
[17] Peter White, Western University, May 24, 2018.

premiere post-secondary institutions; low cost of living; the potential for future high-speed rail that connects Toronto to London; modern amenities; and more.

London can become even more competitive in the digital economy and there's much to look forward to. To get there, it will take the leaders of today and tomorrow to adopt a mindful and committed strategy that leverages London's unmistakable strengths and the entrepreneurial spirit of the many leaders that have brought our city to this point.

The London Chamber plans to do its part too. The Chamber's membership is made up of a growing number of tech-related businesses. Approximately 9% of the Chamber's membership comes from the sector. Moreover, the tech/digital sector is one of the fastest growing and evolving sectors, not only in London but across the country, and its participants continue to contribute to the overall economy at an accelerated pace.

This evolution is further evidenced by the growing number of tech-based firms that have been nominated for the Chamber's Business Achievement Awards (BAAs) in recent years with a high percentage of them achieving the distinction of "Finalist" or "Winner" in several categories.

With this in mind, the Chamber will endeavour to engage specific stakeholders in the space to begin a collective conversation centred around this report's stated theme of *How to Make London Even More Competitive in the Digital Economy (Report).*

In the months ahead, the Chamber will host a *Digital Economy Roundtable* where invited stakeholders will participate in a conversation about how best to approach this topic with the *Report* serving as a background to inform the conversation.
It's the hope of the Chamber that by hosting such a roundtable, it demonstrates stewardship not only for its members in the sector but for the wider business community and the economic well-being of the city.

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