



Anchor companies and “sticky capital”

A prescription for attracting bioscience investment to Ontario

Despite the presence of many emerging leading-edge, health science companies in Ontario, we continue to struggle to anchor and grow these companies here at home. What's holding them back? *Why can't Ontario become the home of world leading health science technology companies?*

Those were the driving questions behind our effort to bring health science industry thought leaders together to examine ways to make Ontario a world leader in a \$9 trillion global market. Yes, you're reading that right. The global health sciences economy is a \$9 trillion annual market – and to put that in perspective, the global automotive industry is a little over \$1 trillion.

While many of our research institutes and universities are world class and turn out leading-edge research and innovation, and Ontario boasts 1,900 life science companies that contribute \$21.6 billion in GDP and provide 60,000 well-paying jobs, we're lagging on our potential. Despite the presence of many emerging companies, we don't yet have a homegrown “anchor” company that is a global brand and dominant leader in its field. We need one.

When looking at other jurisdictions around the world that have strong and growing health science sectors, a common key feature is an “anchor company” that attracts talent and capital and spins off other companies, research and investment that grow the local ecosystem. Look at Medtronic in the Minneapolis/St. Paul area, or Pfizer in Connecticut, or Novartis in Basel. These companies anchor a cluster of innovation and economic activity in their regions that, in turn, spins off thousands of other companies and jobs. Ontario has companies that may someday become these anchors, but we need multiple companies that can make Ontario a world leader and attract even more investment. The question becomes, how do we get there?

When we brought together 50 industry leaders, investors, government leaders, academics and health system leaders together for a summit on this topic, we concluded that the key driver is access to capital – and in particular, “sticky capital”. We need investments that not only grow companies, but also reinvest returns in new ventures.

We need to move from a model of selling our early stage innovation assets, to one that invests and grows innovation assets within the province to a point where they can supply a global market. In other words, Ontario needs to build a health sciences economy that will facilitate capital investment, and generate returns from novel technologies and Ontario-based companies that can export to a global market.

To accomplish this, our group advised that the answers lie in close partnership and cooperation between academic institutions, hospitals and healthcare delivery agencies, the private sector and government – players that all have slightly different agendas and have not always worked together. All these players have a big role to play and a key driver of success will be coordinated action.

More specifically, for our universities and research institutes to encourage the commercialization of the innovation residing in these academic institutions, we need a set of intellectual property commercialization terms that compare favourably to competitors around the world and are standardized across the province.

Ontario's hospitals and health care providers need to be key partners in adopting innovative technologies by shedding all barriers that might prevent them from being early adopters of technology. Being an early adopter of any innovation carries a degree of risk, but these risks can be mitigated and the rewards can be very high. Having a robust domestic market for innovative technology will provide the early market data and proving ground innovations need to thrive and attract global investors, and it means Ontario patients will have access to the very latest technologies and treatments. A true win-win.

To attract capital, Ontario must continue to build an ecosystem that supports high growth health sciences business that export to a global marketplace and generate above-average returns for these innovative technologies. How do we do that? Continue to turn out the highest quality graduates in science and business from our post-secondary institutions and attract talent from around the world; continue to invest in the labs and commercialization infrastructure that is turning out innovative technologies; continue to showcase Ontario companies and innovations to markets around the world; and continue to build a business-friendly environment that is consistent, predictable and doesn't penalize high-risk investments.

On paper, it sounds like a simple prescription, but if we execute on this strategy – and stay focused on it – the potential rewards of improved patient outcomes, increased health care efficiency and greater prosperity for all are achievable. Let's get started.



About OBIO®

The Ontario Bioscience Innovation Organization (OBIO®) is a not-for-profit, membership-based organization engaged in the development of an integrated health innovation economy for Ontario and one that will become a global leader in providing health technology products and services to the international marketplace. OBIO advances this goal through advocacy, promotion and strategic leadership and via collaborative partnerships with industry, academia, the health system and government. Its latest white paper “Tackling the Anchor Company Challenge” can be found at: www.obio.ca. Follow OBIO on Twitter @OBIOscience.