

ICE Final Report

Enabling Success for Toronto Ventures: Identifying Necessary Infrastructure in Toronto's Technology Sector Innovation Ecosystem

Submitted to

ICE

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Date: March 2025

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About this report

This report was commissioned by the Intergovernmental Committee for Economic and Labour Force Development (ICE) in partnership with the City of Toronto Economic Development and Culture Division.

The ICE Committee was established in 1997 by officials in the Government of Canada, the Province of Ontario, and the City of Toronto. The Committee's purpose is to better coordinate the economic and labour force development of the three governments (and the various departments and ministries within each government) in Toronto. ICE members are drawn from the departments and ministries involved with economic development and labour force development activities in Toronto at all three orders of government. Current ICE members include representatives from the:

- City of Toronto: Economic Development & Culture; Employment & Social Services; and Social Development, Finance & Administration Divisions (Toronto Newcomer Office and Youth Development Services,
- Province of Ontario: Ministries of Labour, Immigration, Training & Skills Development; and Economic Development, Job Creation and Trade.
- Government of Canada: Immigration, Refugees & Citizenship Canada; Innovation, Science & Economic Development Canada; Service Canada; and FedDev Ontario.

The City of Toronto Economic Development and Culture Division's services include providing support to start-up businesses and to incubators and accelerators.

For more information about ICE, please visit www.icecommittee.org.

For more information about the City of Toronto's services for small business start-ups and incubators and accelerators visit

<https://www.toronto.ca/business-economy/new-businesses-startups/>

Thanks to Participants

The research team would like to thank all participating organizations and interviewees for contributing to this study which include...



...And all our other participants who wish to remain anonymous.

Executive Summary

This research examines Toronto's technology sector's innovation infrastructure, identifying key challenges and opportunities to strengthen the startup ecosystem. Drawing from literature, Toronto's Startup podcast series Startup Talk,¹ Canadian Accelerator and Incubator Network's (CAIN) dataset,² informal discussions with leaders in the Toronto tech community, and 16 interviews with 20 experts, six primary infrastructure challenges were identified:

1. **Accessing Non-Monetary Resources** – Lack of awareness of existing offerings and fragmented support across the ecosystem. *Solution:* Develop an AI-powered tool to match startups with suitable accelerators and incubators and standardize information-sharing.
2. **Accessing Physical Infrastructure** – Over-centralization of physical infrastructure in downtown Toronto and insufficient lab/maker spaces. *Solution:* Decentralize infrastructure and expand access to critical facilities.
3. **Attracting and Retaining Ambitious Talent** – Shortage of ambitious executive-level talent for scaling ventures, as well as high living costs. *Solution:* Industry transition programs and financial incentives to retain skilled professionals.
4. **Accessing All Types of Funding** – Risk-averse investors, opaque financing processes and fragmented networks. *Solution:* Centralized funding platform and improved transparency across different types of capital.
5. **Securing Early Customers** – Canadian corporations are reluctant to adopt startup innovations. *Solution:* Expand corporate innovation challenges and streamline procurement.
6. **Networking** – Too many uncoordinated events and a lack of a flagship startup conference. *Solution:* Curate a centralized event platform and launch Toronto Tech Week.

Beyond High-Growth Tech

Toronto's focus on tech startups deprioritizes other sectors like manufacturing and consumer goods. To foster broader economic growth in the innovation ecosystem, policymakers should expand incubator models, adjust grant criteria, and support diverse ventures.

Conclusion

Toronto must streamline resource access, decentralize infrastructure, and foster inclusivity to remain a global startup leader. Key priorities identified from the research results include

¹ <https://torontostarts.com/startup-talk-toronto-startup-podcast/>

² Dataset includes 5,603 startups that worked specifically with the Toronto based incubators and accelerators identified by the City of Toronto www.toronto.ca/business-economy/new-businesses-startups/coworking-spaces/#location=&lat=&lng=&zoom=. These startups also worked collectively with over 175 different incubators and accelerators located in Canada and internationally.

enhancing coordination across the ecosystem, improving access to funding, and creating structured pathways for early customer adoption. A holistic approach will drive sustainable innovation and economic growth.

Chapter 1: Outlining the Infrastructure Challenge

This study looked at three sources of information as we outline the challenges and opportunities for Toronto: existing literature (see references for a full list of citations reviewed), 2024/25 podcasts from the Toronto's Startup podcast series Startup Talk,³ and the CAIN dataset that tracks startups that have specifically worked with business accelerators and incubators (BAIs) based in Toronto. This CAIN data draws from 231 incubators and accelerators (including most of the Toronto BAIs and all of its largest ones), 1,200 program cohorts, and over 20,000 startups for many years.⁴

The literature and podcast sources highlight many overlapping challenges in Toronto's tech sector innovation ecosystem, but they address these issues from different perspectives. While the literature tended to focus on structural gaps, sector-specific challenges, and systemic barriers, the podcasts tended to emphasize the current economic climate, investor sentiment, and practical advice for founders. Below is a comparison of key themes across both sources, supplemented by general observations based on CAIN data.

Funding Challenges

Literature:

- Notes a shortage of risk capital in Canada, leading to reliance on U.S. investors.
- Points to slower startup growth and early exits due to inadequate funding options.
- Identifies limited corporate involvement, reducing opportunities for startups to secure investment or partnerships.
- Discusses how incubators struggle to access funding, limiting their ability to support entrepreneurs.

Podcasts:

- Highlights recent economic conditions as a key factor in declining investment, particularly compared to 2021.
- Notes a shift towards fewer but larger investments, making it harder for early-stage startups to secure funding.
- Emphasizes Canadian investors' risk aversion compared to their U.S. counterparts.
- Suggests that founders should focus on revenue generation, proof of traction, and securing pilots to attract investment.

³ <https://torontostarts.com/startup-talk-toronto-startup-podcast/>. This podcast was chosen to highlight the different perspectives and immediacy between traditional literature and podcasts. It was not intended to be a comprehensive review of the large number of podcasts available. That is beyond the scope of this report.

⁴ An example of the CAIN data set for another Canadian ecosystem can be found at https://public.tableau.com/views/CAINStartupTrackerDemoFixedDesktopSizeVersion/CAINDemo?:language=en-GB&:sid=&:redirect=auth&:display_count=n&:origin=viz_share_link

While both sources agree that funding remains a top concern, the literature presents a long-term systemic issue, while the podcasts highlight current economic conditions and changing investor behaviours.

Geographic and Demographic Disparities

Literature:

- Discusses uneven resource distribution, with most startup activity concentrated in downtown Toronto, limiting opportunities for entrepreneurs in lower-income neighbourhoods and inner suburbs.
- Points to the underrepresentation of Indigenous entrepreneurs, compounded by poor data collection and a lack of targeted support.
- Mentions fragmentation in certain sectors, such as the fashion industry, where designers struggle to gain visibility and access opportunities.

Podcasts:

- Highlights challenges faced by immigrant entrepreneurs, including difficulty opening corporate bank accounts and navigating Canadian regulations.
- Discusses how government definitions of startups can create barriers to non-dilutive funding access for businesses that do not fit traditional tech-driven, high-growth models.

CAIN Data Observations:

- Female participation in Toronto's startup teams that have attracted investment is 17%, which is in line with the national average reported by the BAI PMF (Joshi and Tu 2024). However, this remains low.
- Over 75% of the startups have only one or two founders, which may limit the ability to scale and gain access to diverse skill sets.
- 16% of ventures working with incubators and accelerators never reached the stage of having a website, suggesting a significant proportion fail before achieving market visibility.
- An additional 16% have shut down their websites, which could indicate venture death or acquisition.

These sources highlight barriers to entry for marginalised groups, but they focus on different communities. The literature emphasizes Indigenous entrepreneurs and geographic disparities, while the podcasts emphasize immigrant entrepreneurs and bureaucratic challenges. CAIN data further supports gender disparities.

Defining and Supporting Startups

Literature:

- Suggests that Toronto's startup ecosystem is overly tech-centric, potentially stifling innovation in other industries.
- Points to a lack of structured scaling programs, making it difficult for ventures to transition from early-stage to high-growth companies.
- Mentions limited corporate partnerships and government involvement in supporting entrepreneurs.

Podcasts:

- Highlights a disconnect between the government's startup definition and priorities (which overemphasizes high-growth and high-scale technology ventures) and how the startup ecosystem actually functions.
- Suggests that small businesses and startups should be treated differently, as startups focus on rapid scaling while small businesses serve local markets.
- Notes that government support is insufficient, particularly in Ontario's tech hubs, requiring a more strategic approach.

CAIN Data Observations:

- The largest proportion of startups in Toronto working with BAIs are digital-based companies, which is typical for a tech-centric ecosystem.

Both the literature and the podcasts agree that government policies are misaligned with the needs of startups. The literature critiques the overemphasis on tech sectors and the lack of scaling programs, while podcasts argue that government funding models fail to account for how startups actually operate.

Market Conditions and Scaling

Literature:

- Emphasizes fragmentation within the national ecosystem, leading to inefficiencies and missed opportunities.
- Identifies slower growth trajectories and early exits as a problem for Canadian startups, often due to funding shortages and corporate disengagement.
- Notes the high cost of workspace as a barrier to long-term scaling in Toronto.

Podcasts:

- Stresses that competition is increasing, making it more difficult for startups to attract investors and customers.
- Suggests that founders need to demonstrate traction, show value early, and develop strong sales skills to compete in 2025.
- Discusses how external factors, such as interest rate increases and taxation changes, are making investors more cautious.

CAIN Data Observations:

- Job growth of 4.6% per year over the past two years suggests that, despite challenges, many startups are managing to scale at a modest rate. The job growth rate in Canada for companies with <20 employees over the same time period was 2.2%.⁵

The sources recognize scaling as a major challenge, but the literature examines systemic barriers, while podcasts focus on real-time shifts in investor expectations. The high cost of doing business in Toronto is a shared concern, though the literature explores it from an infrastructure standpoint, whereas podcasts link it to competitive pressures and investor behaviour. CAIN data further highlights the fragility of many startups, given the high rate of business closures.

Storytelling, Marketing, and Visibility

Literature:

- Notes that Toronto's startup scene lacks a strong online/social media presence compared to other global hubs.⁶
- Suggests that a city-led effort to promote success stories could improve visibility and attract talent.

Podcasts:

- Emphasizes that founders need to actively build relationships with investors and improve their ability to sell their products.
- Suggests that letters of intent and early traction are essential to capturing investor interest in a crowded market.

While the literature focuses on ecosystem-wide marketing efforts, podcasts highlight the importance of individual founders taking control of their visibility. Both agree that storytelling is crucial, but they frame it at different levels—citywide promotion versus personal engagement.

⁵ <https://quickbooks.intuit.com/r/small-business-data/index/#canada>

⁶ Code for Canada. (2021)

Bridging the Gaps

While both sources identify similar challenges, they provide different perspectives on how to address them. The literature takes a macro, ecosystem-level view, calling for policy changes, funding structures, and improved infrastructure. The podcasts focus on practical, founder-level strategies, offering adaptation techniques in a shifting economic landscape. CAIN data provides some quantitative evidence that aligns with these challenges.

A holistic approach should incorporate systemic solutions (mainly from the literature) alongside founder-focused strategies (mainly from the podcasts). Addressing funding gaps, redefining government support, improving visibility, and tackling geographic and demographic disparities will require both policy shifts and entrepreneurial resilience.

Focus of Study

Given the review of the challenges articulated above, the motivation of this study is to identify and further explore and expand upon the challenges in the Toronto technology sector innovation ecosystem. This sets the foundation for more deeply understanding what infrastructure is necessary to address these challenges in an effort to support ventures and founders to be even more successful in the system. This informs the primary research question of this study: “What infrastructure in the Toronto technology sector innovation ecosystem is needed to make ventures more successful?”

It is important to acknowledge that the needed infrastructure might not be the same for all ventures and founder teams. This may be especially true for newcomers and equity-deserving entrepreneurs. This is an important, highly complex issue and necessitates a dedicated study to properly explore it. An initial exploration was undertaken in this study by incorporating the secondary research question: “To what extent are these (infrastructure areas) especially more challenging for newcomers and equity-seeking founders?”

Chapter 2: Research Approach

The methodology of this research study followed a three-phased approach.

Phase 1: Cursory Gap Analysis

The research team reviewed all of the BAIs in Toronto using the City of Toronto's Accelerator, Incubator and Co-working space map along with CAIN's database of CAIN members. BAIs were mapped on CAIN's BAI Typology (Mayer 2023) as seen in Table 1 below to assess gaps.

The matrix is based on two axes. Firstly, whether a BAI has a sectoral focus or not (sector-agnostic). Most BAIs tend to focus on technology ventures, so sector-specific BAIs would include cleantech, medtech, fintech, etc. Those that are sector agnostic would tend to include support for ventures that span across many of these tech streams, or others outside of tech. The overemphasis of BAIs focusing on technology ventures was an interesting additional finding of this study and is further outlined in '5.3 Expanding Beyond Tech.' Secondly, the degree of accountability that the BAI places on ventures is another important differentiating axis for BAIs. BAIs that have strict accountability measures in place for their ventures or founders have a high level of expectation for participation and performance, and tend to have very competitive and strict application procedures. BAIs that take equity in participating ventures also tend to be strict. On the other hand, BAIs that have flexible accountability may have high expectations for performance and participation, but do not swiftly remove participants based on performance and tend to be less challenging to get into.

Table 1: CAIN BAI Typology

| | | Accountability | |
|--------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Flexible | Strict |
| Sector | Specific | <p>BAI Type #3: Precision platform</p> <p>Deepening and honing both venture and entrepreneurial competency to gain deeper sectoral traction</p> | <p>BAI Type #4: Massive growth platform</p> <p>Pushing, driving, shaping and forging selected organizations to massively scale by company valuation or impact</p> |
| | Agnostic | <p>BAI Type #1: Foundations & ecosystem-building platform</p> <p>Build the entrepreneurial foundations and an innovation platform for ventures and founders to build from</p> | <p>BAI Type #2: Finesse platform</p> <p>Refining and expanding venture growth and entrepreneurial competencies and creating connections across innovation ecosystem</p> |

The BAIs tended to map relatively evenly across sector-specificity, but it was not easy to discern with respect to accountability, so additional questioning was considered in the first round of interviews. This was mostly due to a high quantity of large Toronto-based BAIs having a wide array of programming with varying levels of accountability compared to other jurisdictions. This led to interviewees from these BAIs being selected who are accountable for different programs.

Phase 2: Interviews Round 1

9 interviews were conducted with 13 BAI leaders across 9 BAIs. BAIs were targeted for the first round of interviews because they are actors in the tech innovation ecosystem, have a significant amount of attention, touch with a variety of actors and likely have a wide perspective on the infrastructure challenges and needs as per the research question. At the same time, there is a selection bias if BAIs are the only sample in this study. The second round of interviews helped to mitigate this bias by interviewing other actors beyond BAIs.

For these interviews, a semi-structured interview was developed that helped to address the primary and secondary research questions as well as to inquire further into any nuances with respect to the accountability axis mentioned above. There seemed to be very little variance

across the responses from strict and flexible BAIs, which suggests that the research results of this study can apply across BAIs.

Interviews were recorded, transcribed and analyzed using thematic analysis. This included a line-by-line review of the transcripts to generate labels based on the interviewee responses, and was done with multiple researchers (in this instance, a blend of preliminary labels identified in Phase 1 and an opportunity to add any additional labels as they emerge in the data analysis). These labels were analyzed a second time to look for themes across them.

These preliminary results were presented to the ICE committee to solicit clarifying questions and feedback at this stage.

Phase 3: Interviews Round 2

Interviews were scheduled with seven additional leaders from various other actors in the innovation ecosystem (e.g. health networks, law firms, investors, etc.), including a few other BAIs. A new semi-structured interview guide was created with an aim to sample the results from Phase 2 with this wider audience to test the validity as well as to explore additional nuance (e.g. relative priority, further exploring 'why,' etc.). Theoretical sampling in this way is a good practice in qualitative research to help increase the validity of results.

These data were also recorded and transcribed and line-by-line labelled using the same themes as Phase 2, adding any new categories or themes as appropriate. The latter was not required because the themes were unanimously considered important and comprehensive infrastructure needs, with no critical gaps being identified. This is a sign that theoretical saturation occurred and is another positive signal of the validity of the results.

In total, there were 16 interviews conducted with 21 interviewees from 16 different organizations in the Toronto innovation ecosystem. This resulted in over 13 hours of recorded interviews and over 200 pages of transcripts.

Chapter 3: Research Results

The research explored the primary research question: What infrastructure in the Toronto technology sector innovation ecosystem is needed to make ventures more successful? And the secondary research question: To what extent are these more or less of a challenge for newcomers and equity-seeking founders?

The results of the interviews and literature review revealed the following results (see Table 2 below). Each theme will be explained in the subsequent sections, and recommendations will be proposed.

Table 2 - High-Level Research Results

| Theme | Required infrastructure... | Results |
|-------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | for accessing non-monetary resources | <ul style="list-style-type: none"> • General lack of awareness of existing resources (e.g. mentors, programs, databases, professional services, BAs, etc.) • Abundance of resources is challenging to make sense of • Lack of coordination across the system |
| 2 | for accessing physical resources ^{*7} | <ul style="list-style-type: none"> • Hyper-centralization of physical resources to the downtown core (vs periphery) • Generally insufficient quantity of resources (e.g. wet lab, manufacturing, maker space, co-working space) |
| 3 | to attract and retain ambitious talent | <ul style="list-style-type: none"> • General lack of available executive talent for scaling ventures • Unattractive cost of living for entrepreneurs |
| 4 | to access all types of funding* | <ul style="list-style-type: none"> • General lack of risk tolerance of Canadian investors (compared to the US) • Capital exists, although accessing it tends to be opaque or complicated |
| 5 | to secure early customers* | <ul style="list-style-type: none"> • General lack of risk tolerance for corporate Canada to adopt early-stage innovation • Customers exist, and most bridging programming is labor-intensive (and expensive) |
| 6 | for networking | <ul style="list-style-type: none"> • General lack of awareness of events • Abundance of events makes it challenging to filter • Lack of coordination across hosts • Opportunity for a globally-renowned conference to replace Collision |

The semi-structured interviews for the second tranche of interviews tested these themes for relevancy, accuracy and gaps. Interviewees were also asked to propose the “most important” infrastructure themes that would help ventures be more successful. **Interviewees were almost unanimous in that the most important three areas of focus were:**

- 1. Infrastructure for accessing non-monetary resources**
- 2. Infrastructure for attracting and retaining ambitious talent**
- 3. Infrastructure for accessing all types of funding**

⁷ * refers to infrastructure that is especially more challenging for newcomers and equity-seeking founders

This result will help decision-makers consider where investment and policy around innovation infrastructure would most support ventures. Importantly, all of the themes listed above are considered important and should not be neglected.

Theme 1: Infrastructure for Accessing Non-Monetary Resources

A key factor in the success of ventures and founders is access to non-monetary resources. While every startup encounters unpredictable challenges as it grows, certain patterns emerge where access to mentorship, networks, professional services (particularly those focused on startups), and structured programming can be invaluable. These non-monetary resources are often provided by BAIs.

Toronto has over 40 BAIs, and many interviewees noted their abundance—some even suggested an overabundance and of varying quality.

“We have way too many accelerators, and 90% of them are [not good].” - Interviewee

“There’s a fragmentation, not necessarily a lack of services. People don’t know where to go to get information.” - Interviewee

Findings from this study highlight two key challenges:

1. **Lack of awareness** of available resources.
2. **Lack of coordination** among BAIs and ecosystem actors.

Lack of Awareness: Finding the Right Resources Is Like Shopping Without a Directory

Many startups struggle to navigate Toronto’s innovation ecosystem, often unaware of which BAI provides the most relevant support. This problem is comparable to shopping in a crowded, disorganized mall without signage, maps, or store directories.

Just as shoppers may settle for the first store they find, startups often commit to the first BAI they encounter—even if a better-suited option exists elsewhere. With multiple BAIs offering overlapping services, ventures must rely on word-of-mouth or trial and error, much like asking friends for store recommendations instead of using a directory. The time investment required to find the right support can be excessive and overwhelming, leading founders to either choose suboptimal options or participate in multiple BAIs in sequence, and in some instances, simultaneously.

A heat map generated from CAIN’s dataset (see Figure 1 below) shows that startups are frequently engaging with multiple BAIs across Toronto and beyond.⁸ Key observations include:

- Startups commonly participate in both Toronto-based and national BAIs.
- There are strong connections between major Toronto BAIs (e.g., MaRS, OneEleven, NEXT Canada, and Creative Destruction Lab Toronto).
- Waterloo-based support systems, particularly Communitech, play a significant role in the Toronto startup ecosystem.
- Collision 2023 featured startups that had worked with a broad range of local and national BAIs.

These findings suggest that startups do not rely on a single incubator but instead move between multiple programs, reinforcing the need for better awareness and coordination.

Figure 1 - Frequency of Ventures Participating in Multiple BAIs

| BAI | TMU | U of T | YorkU | CDL-Toronto | NEXT | Techstars | OneEleven | MaRS | Collision 2023 |
|-------------------------|-------|--------|-------|-------------|--------|-----------|-----------|--------|----------------|
| MaRS Discovery District | 3.30% | 3.61% | 1.36% | 8.57% | 11.54% | 3.92% | 29.23% | | 2.78% |
| NEXT Canada | 5.30% | 2.72% | 1.59% | 12.29% | | 6.86% | 10.00% | 7.42% | 3.28% |
| C100 | 0.57% | 0.75% | 0.00% | 3.54% | 4.75% | 1.96% | 18.46% | 9.42% | 0.40% |
| DMZ | 2.87% | 1.77% | 0.68% | 4.47% | 9.73% | 4.90% | 20.00% | 8.13% | 3.68% |
| Startup Edmonton | 0.00% | 0.14% | 0.00% | 0.00% | 0.90% | 0.00% | 3.85% | 0.43% | 0.60% |
| Startup TNT | 0.29% | 0.48% | 0.45% | 0.93% | 0.90% | 1.96% | 0.77% | 0.00% | 3.28% |
| Platform Calgary | 0.00% | 0.48% | 1.81% | 0.93% | 0.90% | 0.98% | 2.31% | 1.28% | 4.87% |
| Startup Canada | 0.86% | 0.61% | 2.04% | 0.74% | 0.90% | 0.00% | 0.00% | 0.71% | 1.39% |
| Plug and Play | 1.29% | 0.95% | 1.13% | 1.49% | 1.58% | 0.00% | 1.54% | 2.57% | 3.08% |
| CDL-Toronto | 2.01% | 7.15% | 1.36% | | 15.38% | 5.88% | 7.69% | 8.56% | 2.09% |
| U of T | 7.74% | | 4.31% | 24.77% | 14.71% | 6.86% | 5.38% | 14.12% | 5.67% |
| CDMN | 1.72% | 1.29% | 0.68% | 6.89% | 13.57% | 0.98% | 7.69% | 14.69% | 0.60% |
| Futurpreneur | 1.15% | 0.54% | 1.13% | 0.00% | 3.39% | 0.00% | 1.54% | 2.00% | 0.89% |
| Foresight | 0.72% | 0.75% | 0.00% | 1.49% | 1.81% | 0.98% | 1.54% | 6.85% | 1.59% |
| City of Toronto | 3.01% | 3.07% | 6.80% | 3.72% | 6.79% | 5.88% | 7.69% | 3.57% | |
| Innovacorp | 0.72% | 0.75% | 0.00% | 0.19% | 1.13% | 0.00% | 0.00% | 2.71% | 0.20% |
| NewVenturesBC | 0.00% | 0.75% | 0.68% | 1.49% | 2.94% | 1.96% | 2.31% | 4.56% | 2.49% |
| entrepreneurship@UBC | 0.00% | 0.14% | 0.45% | 1.68% | 2.94% | 0.00% | 1.54% | 0.00% | 1.19% |
| Communitech | 5.30% | 3.61% | 3.85% | 8.57% | 11.54% | 2.94% | 13.08% | 10.56% | 4.37% |
| Lazaridis Institute | 0.14% | 0.27% | 0.00% | 0.93% | 1.81% | 0.00% | 10.00% | 3.00% | 0.60% |
| Alberta Catalyzer | 0.29% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.77% | 0.00% | 2.39% |
| centech | 0.29% | 0.61% | 0.45% | 1.12% | 0.90% | 0.00% | 0.00% | 1.28% | 3.68% |
| Velocity | 0.86% | 0.82% | 0.68% | 4.84% | 9.05% | 0.98% | 1.54% | 3.00% | 0.70% |
| Ryerson Biomedical Zone | | 0.89% | 0.45% | 1.49% | 3.17% | 0.00% | 2.31% | 1.28% | 0.20% |
| YSpace | 2.15% | 1.16% | | 1.30% | 4.07% | 1.96% | 1.54% | 1.14% | 3.78% |
| Innovation Factory | 1.58% | 2.25% | 2.27% | 5.40% | 5.20% | 0.00% | 2.31% | 2.28% | 4.17% |
| 500 Global | 0.43% | 0.27% | 0.23% | 1.86% | 2.26% | 0.00% | 3.08% | 1.43% | 0.50% |
| Google | 0.57% | 0.68% | 0.23% | 1.30% | 2.94% | 0.98% | 1.54% | 1.28% | 0.80% |
| League of Innovators | 0.43% | 0.41% | 0.00% | 0.00% | 2.49% | 0.00% | 0.00% | 0.29% | 0.50% |
| Accelerator Centre | 4.30% | 1.98% | 1.59% | 3.72% | 5.20% | 4.90% | 5.38% | 5.71% | 3.48% |
| L-Spark | 0.29% | 0.27% | 0.23% | 0.74% | 1.58% | 0.00% | 3.08% | 2.00% | 1.19% |
| Techstars | 1.15% | 1.29% | 1.59% | 3.35% | 6.33% | | 6.15% | 2.57% | 1.89% |
| J-Labs | 0.43% | 1.09% | 0.00% | 2.05% | 0.00% | 0.00% | 0.00% | 7.99% | 0.00% |
| Canada’s Tech Network | 1.00% | 0.34% | 0.68% | 0.56% | 3.17% | 0.00% | 0.77% | 1.71% | 0.99% |
| CANARIE | 1.86% | 1.23% | 2.95% | 1.49% | 1.81% | 0.98% | 2.31% | 3.71% | 2.09% |
| Treefrog Accelerator | 1.15% | 1.09% | 6.58% | 0.93% | 2.26% | 0.00% | 0.00% | 0.29% | 2.19% |
| OneEleven | 0.57% | 0.34% | 0.68% | 1.86% | 2.94% | 3.92% | | 5.42% | 0.99% |
| Y Combinator | 0.43% | 1.36% | 0.23% | 7.26% | 4.07% | 0.98% | 4.62% | 2.57% | 0.89% |
| WVenture | 0.00% | 0.75% | 0.68% | 1.49% | 2.94% | 1.96% | 2.31% | 4.56% | 2.49% |
| Entrepreneurship@UBC | 0.00% | 0.14% | 0.45% | 1.68% | 2.94% | 0.00% | 1.54% | 0.00% | 1.19% |
| Ripple Ventures | 0.00% | 0.07% | 0.00% | 0.19% | 1.58% | 2.94% | 0.77% | 0.29% | 0.80% |
| VentureLAB | 0.72% | 1.16% | 1.13% | 1.30% | 3.17% | 0.98% | 0.77% | 1.57% | 1.79% |

⁸ Heat map below generated for several Toronto BAIs. The darker the color, the greater the number of startups that have used both BAIs (% value = % startups associated with the column header). The BAIs listed down the side may be national rather than limited to Toronto.

Lack of Coordination: Too Many Overlapping Services Without Clear Differentiation

In addition to the challenge of finding resources, Toronto's innovation ecosystem suffers from fragmentation and a lack of coordination among BAIs. With so many accelerators and incubators launching new programs, staying up to date on available services is difficult.

Many BAIs provide similar non-monetary services, leading to competition for the same founders and funding sources rather than collaboration. Resource constraints further limit BAIs' ability to identify and establish partnerships, despite calls for greater collaboration (Code for Canada 2022).

While some BAIs attempt to hand off founders to the most suitable program after they complete one in their context, this remains an inconsistent and informal practice. As one interviewee explained:

"We're not looking at how we can collaborate or how we can develop [other BAIs'] market so that ventures are ready to onboard with others...Accessing non-monetary resources is less about the ventures themselves, but more about collaborating at the BAI level." - Interviewee

Some positive signs of increased collaboration have emerged in recent years. Nonetheless, many founders still rely on informal networks to navigate the system. Some simply avoid BAIs altogether due to the complexity of the ecosystem (Garcia 2024).

"The founders are just reaching out to each other." - Interviewee

"There's no community for [us] to understand how an incubator or accelerator works." - Interviewee

"Certainly, there are unique advantages and a unique value proposition that each [BAI] brings...We have started noticing more appetite within the ecosystem to work together rather than competing to get founder attention in a way that didn't exist 5 or 10 years ago. It reflects a more mature ecosystem, and the fundamental understanding that it's really time to double down on where each partner really excels to help these founders in their journey."

Recommendation: A Two-Part Infrastructure Solution for Accessing Non-Monetary Resources

Given the systemic communication challenges and fragmentation of available resources, a two-pronged infrastructure solution is recommended:

1. Standardized Information Across BAIs

- Establish baseline (or standards) of information requirements for all Toronto-based BAIs and other providers of non-monetary resources.
- Ensure that this information is clearly displayed on their websites, helping ventures differentiate between offerings.

2. AI-Powered Tool for Startups

- Develop a Generative AI-powered tool that screens BAIs based on the identified needs of ventures and founders. The overall efficacy of this is augmented by Recommendation #1.
- Promote this tool through a targeted and systematic communication campaign across all actors working with startups.

Much like online shopping platforms use **search filters, recommendations, and chatbots** to help customers find the right products, an AI-powered tool could:

- Provide real-time guidance for startups navigating the ecosystem.
- Standardize how BAIs present their offerings, making it easier to compare options.
- Reduce the time investment needed to find the right support.
- Minimize ongoing maintenance costs required to provide this support to ventures and founders across time (e.g. no need to maintain a database)

For this to be successful, BAIs must commit to keeping their content updated and ensuring their value propositions are clearly communicated. While not a perfect solution, it aligns with the concept of a practical, but evolving, map of the ecosystem (Isenberg 2010).

Theme 2: Infrastructure for Accessing Physical Resources

Access to physical resources is a key determinant of success for ventures and founders. These resources include:

- **Office space** (e.g., co-working spaces)
- **Lab space** (e.g., dry or wet labs)
- **Maker spaces** (for prototyping)
- **Manufacturing facilities** (for larger-scale prototyping and pilot production)

While some software companies can develop prototypes without dedicated facilities, many hardware and life sciences ventures require physical resources for R&D and production.

Just as factories support manufacturing and office buildings house service businesses, startups have different infrastructure needs depending on their focus (see Table 3 below).

Table 3 - Software vs. Hardware: Infrastructure Challenges

| Factor | Software Startup Needs | Hardware Startup Needs |
|----------------------|--------------------------------------------|-------------------------------------------------------------------------|
| Workspace | Co-working, remote-friendly | Maker spaces, dry/wet labs, manufacturing facilities |
| Prototyping | Digital tools | 3D printers, CNC ⁹ machines, (specialized) testing equipment |
| Scaling Needs | Cloud servers, digital tools | Industrial space, supply chains |
| Location | Operates anywhere with internet | Proximity to labs, suppliers |
| Capital | Lower initial costs beyond human resources | Higher equipment, materials, and prototyping costs |
| Barriers | High-speed internet, securing tech talent | Limited affordable physical spaces, high competition |

Infrastructure Planning Must Account for Industry-Specific Needs

Cities looking to cultivate a diverse and resilient startup ecosystem must invest in both digital and physical infrastructure:

⁹ CNC = Computer Numerical Control

- For Software Startups: These can begin operations in a coffee shop or a co-working space, relying only on internet access and cloud services. Key needs are remote-friendly co-working spaces, cloud computing credits, and high-speed internet infrastructure.
- For Hardware Startups: They require specialized labs and manufacturing facilities, and without access, progress is severely constrained. Key needs are advanced manufacturing hubs, decentralized wet labs, and prototyping facilities.

Without access to critical infrastructure, startups are either constrained in their growth potential (and speed) or often forced to relocate to other cities where these resources are available.

Recognizing the nuances outlined above, this study identified two major themes with respect to accessing physical resources for startups in Toronto:

1. **Hyper-centralization of physical resources**
2. **General lack of access to key infrastructure**

Hyper-Centralization of Physical Resources

Toronto's startup ecosystem is highly centralized, with most physical resources concentrated in the downtown core. This creates accessibility issues for ventures operating in peripheral areas.

“Downtown is clogged. It's already built. What about the peripherals? How can we build up across the board evenly and spread out?” - Interviewee

The centralization of Toronto's startup infrastructure is largely influenced by the proximity of major universities and research institutions. Many of these facilities are directly linked to academic institutions that prioritize research over entrepreneurship, limiting access for startups that require dedicated spaces for business growth. Additionally, the high capital costs and long payback periods associated with building new infrastructure deter investors from funding physical resources outside the city's core. As a result, most essential startup infrastructure remains concentrated in downtown Toronto, making it difficult for entrepreneurs in peripheral areas to conveniently access necessary resources.

Recognizing these challenges, the City of Toronto has introduced an “Accelerators, Incubators & Co-working Spaces” map, which provides an overview of available spaces across the city. Additionally, some BAIs have begun expanding their presence by offering satellite access to startups in peripheral areas. While these initiatives aim to decentralize resources, they have yet to fully resolve the disparities in access to infrastructure.

Despite these efforts, centralization continues to disproportionately impact founders from newcomer and equity-deserving communities. Economic barriers prevent many entrepreneurs from living in the downtown core, forcing them to endure long commutes to reach essential

startup facilities. Furthermore, the absence of dedicated spaces for underrepresented founders adds another layer of difficulty, creating obstacles to participation and limiting the inclusivity of the city's startup ecosystem. Without targeted interventions to support these entrepreneurs, the challenge of centralization will remain a significant barrier to equitable access and business success.

“There is no physical infrastructure that's dedicated [to equity-deserving groups] because it's always a shared space.” - Interviewee

This suggests that dedicated physical spaces could better support these communities.

Insufficient Quantity of Critical Physical Resources

Beyond centralization, there is an overall shortage of physical infrastructure for startups in Toronto. For example, maker spaces are largely private and scarce (Vinodrai, Nader & Zavarella 2021), and advanced manufacturing facilities remain limited, though awareness is growing (BHive 2022). Wet lab space is critically lacking, forcing biotech startups to relocate to Waterloo or other cities with more affordable options.

“We've lost businesses to Waterloo, McMaster—there's more affordable wet lab space there.” - Interviewee

“We are bleeding companies out of the city of Toronto because there's no co-working wet space available.” - Interviewee

With MaRS as the only third-party facility outside of academia and hospitals, and almost at full capacity (Toronto Global & Shift Health 2022), the lack of wet lab space remains a major barrier for life sciences startups (Chong 2024).

Recommendations

Toronto's tech sector innovation ecosystem must address both the lack of physical infrastructure and its centralization if it wants to remain globally competitive.

- Software startups require cloud services and co-working hubs, while hardware startups need manufacturing facilities and prototyping labs.
- Hyper-centralization in the downtown core is a barrier for founders in peripheral areas, particularly newcomer and equity-deserving entrepreneurs.
- The shortage of wet lab space is driving biotech companies out of Toronto to cities with more accessible and more affordable infrastructure.

By investing in decentralized physical resources, improving access, and fostering collaboration between BAIs, Toronto can retain high-growth ventures and support a more inclusive, diverse, and resilient innovation ecosystem.

Given the high degree of centralization and insufficient infrastructure, key recommendations include:

1. Map Existing Physical Assets

- Identify and publicize available Technical Assistance Centres (TACs), unique lab equipment, and startup-friendly facilities across the country.
- Conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them.

2. Improve Transparency in Infrastructure Funding

- Provide clear visibility into which infrastructure projects have been approved for funding across time horizons. This allows BAIs and startups to plan for medium- and long-term infrastructure needs.

3. Explore Programs that Enable Access to Physical Resources

- Create a "Co-Working Space Visa" program across BAIs to allow entrepreneurs to access multiple BAI spaces across Toronto.
- Subsidize transit costs for founders from newcomer and equity-deserving communities to improve access to physical spaces.
- Launch grants for universities to share labs, equipment, and expertise with local startups.
- Fund grassroots co-working spaces tailored to newcomer and equity-deserving entrepreneurs, prioritizing specific neighbourhoods.

Theme 3: Infrastructure to Attract and Retain Ambitious Talent

Attracting and retaining ambitious talent is a crucial factor in the success of ventures and founders. However, this is not an automatic process in that it requires deliberate efforts to both draw in and keep skilled individuals in Toronto's innovation ecosystem. This also highlights the importance of people wanting to live and build their careers in the city for reasons beyond just business opportunities (Code for Conduct 2022).

At the heart of this challenge are two key issues: the need for executive leadership within startups and the high cost of living. Interviewees repeatedly emphasized that founder ambition is a critical success factor for entrepreneurship. Many successful founders have launched multiple ventures before, demonstrating persistence and a willingness to embrace the common startup mantra of "fast failure." While this approach is widely recognized as part of the entrepreneurial journey, the data suggests that Toronto startups within BAI programs are not necessarily following this pattern.

The CAIN dataset shows that the average age of a startup at the time of closure is 6.4 years, with a median of 5 years, and the most common closure ages are 4 and 5 years. This suggests that startups within BAIs may be operating for longer periods before either exiting or shutting down, rather than failing fast and iterating quickly.

Industry Experience and Founder Engagement with BAIs

To assess Toronto's competitiveness in attracting and retaining founders, an analysis was conducted using LinkedIn data on individuals who have previously worked with major tech firms or universities and now identify as founders. The findings (see Table 4 below) show that the Greater Toronto Area (GTA) has the highest number of founders associated with major Canadian companies, even when those companies originated in other cities. The GTA was considered here due to access to data and the assumption that many founders may commute to the downtown core, as per the results of the last section.

A similar analysis of graduates from four Canadian universities showed that many founders remain in the GTA rather than in the cities where they studied. This suggests that Toronto is competitive on a national scale when it comes to attracting and retaining founders post-graduation (see Table 4 below).

When cross-referencing these founders with tech experience with the CAIN database of startups participating in BAI programs, it became evident that experienced founders from major tech firms are not significantly engaging with Toronto's BAIs.

Table 4 - Geography of Founders Formerly Working from Large Tech Companies and University Grads

| Organization | GTA founders | Waterloo founders | Montreal founders | Ottawa founders |
|---------------------|--------------|-------------------|-------------------|-----------------|
| Blackberry | 213 | 151 | 10 | 41 |
| Shopify | 244 | 23 | 34 | 110 |
| OpenText | 59 | 38 | 6 | 2 |
| Telus | 348 | 15 | 148 | 25 |
| Bombardier | 47 | 2 | 299 | 9 |
| Intuit | 35 | 3 | 1 | 2 |
| Uber | 78 | 2 | 10 | 1 |
| Google | 169 | 29 | 42 | 7 |
| Meta | 70 | 7 | 8 | 4 |
| X | 13 | 2 | 1 | 0 |
| IBM | 724 | 26 | 138 | 72 |
| Universities | | | | |
| U of T | 6500 | 104 | 162 | 148 |
| Waterloo | 1500 | 792 | 67 | 144 |
| McGill | 1000 | 12 | 2500 | 186 |
| U Ottawa | 575 | 25 | 285 | 1000 |

This lack of engagement suggests a potential gap in the startup support ecosystem. One interviewee noted that increasing participation from individuals with industry experience would be beneficial. While corporate and open innovation challenges could help bridge this gap, running such initiatives requires significant resources, as one participant pointed out:

“The more ideas we can get, or the more founders that can emerge from industry itself and come into the entrepreneurship space, the better.” - Interviewee

“It’s really tough as a BAI to run open innovation challenges or modules or programs without a lot of support and resources.” - Interviewee

Table 5 - Geography of Self-identifying Founders

| City | Ratio |
|----------------|-------|
| GTA | 14% |
| Boston | 15% |
| Tel Aviv | 23% |
| London (UK) | 15% |
| Silicon Valley | 24% |
| New York | 13% |
| Los Angeles | 15% |

Further analysis of LinkedIn data revealed that of the 50,000 individuals in the GTA who identify as founders or co-founders, 14% have been a founder previously, indicating they are repeat entrepreneurs. Compared to six leading global startup hubs, the GTA ranks similarly to four of them but lags behind Tel Aviv and Silicon Valley. More importantly, among these repeat entrepreneurs, 43% are leading companies less than five years old, making them potential candidates for BAI programs. Cross-referencing this group with startups that have worked with Toronto-based BAIs showed very low engagement of repeat founders with BAI programming. This tells us that these two important groups of founders are not engaging with the Toronto BAI ecosystem as program participants, raising questions about how the ecosystem can better support and attract them.

Executive Leadership in Startups

As startups scale, there is an increasing need to bring on executive-level leaders who can help ventures grow, which extends far beyond the support that executive mentors or executives-in-residence at BAIs can provide. A similar LinkedIn analysis was conducted on individuals who have worked in major tech firms or universities and now hold C-suite roles (CEO, COO, CFO, CTO, or CIO) in various Canadian cities. The findings (see Table 6 below) indicate that Toronto is competitive in attracting executive talent from established tech companies and is a helping force for addressing this infrastructure need.

Table 6 - Current C-Suite Executives Previously Working at Selected Large Tech Firms

| Company | GTA | Waterloo | Montreal | Ottawa |
|-------------------|------------|-----------------|-----------------|---------------|
| Blackberry | 128 | 115 | 5 | 23 |
| Shopify | 32 | 4 | 9 | 33 |
| OpenText | 35 | 20 | 7 | 3 |
| Telus | 214 | 2 | 87 | 17 |
| Bombardier | 55 | 1 | 223 | 8 |
| Intuit | 15 | 1 | 0 | 2 |
| Uber | 25 | 2 | 1 | 0 |
| Google | 74 | 9 | 15 | 3 |
| Meta | 10 | 2 | 0 | 0 |
| X | 2 | 0 | 0 | 1 |
| IBM | 565 | 19 | 104 | 80 |

To gauge how experienced professionals are contributing to the ecosystem, either as founders or as executive leaders, a ratio was calculated based on the data presented above (see Table 7 below). In Toronto, there is a 1.7:1 ratio of founders to C-suite executives, meaning that more industry professionals are choosing to launch ventures rather than take executive roles in existing startups, which signals another helping force related to addressing this infrastructure need. However, the data varied significantly across different companies, which may reflect differences in corporate culture and how leadership talent is distributed geographically.

Table 7 - Founder Experience to C-suite Ratio

| Company | Founder | C-suite | Ratio |
|-------------------|----------------|----------------|--------------|
| Blackberry | 213 | 128 | 1.7 |
| Shopify | 244 | 32 | 7.6 |
| OpenText | 59 | 35 | 1.7 |
| Telus | 348 | 214 | 1.6 |
| Bombardier | 47 | 55 | 0.9 |
| Intuit | 35 | 15 | 2.3 |
| Uber | 78 | 25 | 3.1 |
| Google | 169 | 74 | 2.3 |
| Meta | 70 | 10 | 7 |
| X | 13 | 2 | 6.5 |
| IBM | 724 | 565 | 1.3 |

Challenges of Retention: The Cost of Living and US Migration

One of the most significant challenges in retaining startup venture talent is the high cost of living in Toronto. While founders may be willing to make financial sacrifices to pursue their ventures, securing affordable housing and workspace remains a major barrier.

“Holding on to ambitious talent is a real problem. They get frustrated because they watch their idea roll down the drain as they scramble to find a [literal] home for themselves. Most of them are willing to figure out how they’re going to put bread on the table, but not having a place to build the product that will ultimately open up the flood channels is frustrating. And that’s why we’re seeing these people bleed away from the city of Toronto.” - Interviewee

This issue is particularly pronounced for newcomers and equity-deserving founders, who may face additional systemic socio-economic challenges that are further exacerbated by the city’s high cost of living and workspace. While Toronto has high levels of entrepreneurial activity among newcomers, many are not engaged in tech-focused ventures, and there is a lack of visible success stories from these communities. As one interviewee put it,

“There are not a lot of examples of women or minorities that have scaled or have ‘been there, done that.’ I think that whole inspiration piece is really important, and seeing people who look like you have made it helps motivate you to keep going and push.” - Interviewee

Another challenge impacting retention is US migration. Startups frequently move to the United States for reasons such as access to talent, funding, physical resources, and market opportunities.

“Obviously, we’re trying to get companies to stay in Canada. At later stages, part of the reason why most of the scaling companies move to the US is because of that talent piece.” - Interviewee

However, some see an opportunity in the shifting geopolitical landscape, with another interviewee observing, *“The US Administration is literally driving people out, and a lot of qualified talent.”* This suggests that Toronto may have a unique opportunity to position itself as a

stable and attractive alternative for entrepreneurs seeking a more predictable business environment.

At the time of writing (March 2025), ongoing trade relations between the US Administration and the Government of Canada have created uncertainty around tariffs, which could impact Toronto-based startups looking to expand southward. This uncertainty complicates decision-making for startups, making it unclear whether staying in Canada or moving to the US is the better long-term strategy.

A Word on ‘Ambition’

The infrastructure identified and expanded upon in this section directs attention to ‘ambitious’ talent. It repeatedly surfaced in the interviews that the most successful ventures and founders in the innovation ecosystem required highly ambitious founders. Many ventures and founders do not have dreams of massive growth, which presents an important nuance in the nature of this study and the research question (see Chapter 3: Additional Considerations). In this study, interviewees tended to consider ‘successful’ ventures and founders as those that have scaled and grown significantly. Given that ambition is a critical element of these ventures, the talent of new founders and scaling teams of ventures also require a high level of ambition in order to grow and was a strong element of this research result.

Recommendations

To strengthen its startup ecosystem, Toronto must take proactive steps to attract and retain ambitious talent. Some key strategies include:

- **Building a pipeline of founders from industry:** More open innovation initiatives should be introduced to encourage experienced professionals from established tech firms to transition into entrepreneurship.
- **Enhancing corporate-to-startup transition programs:** These programs could bridge the gap between industry experience and startup leadership, ensuring that high-potential professionals are supported in launching new ventures.
- **Recruiting international executives:** Actively attracting experienced leaders from global markets could help address leadership gaps in scaling companies.

Additionally, promoting Toronto’s success stories through case studies and documentaries featuring diverse founders who have scaled their companies could inspire and motivate the next generation of entrepreneurs.

Theme 4: Infrastructure to Access All Types of Funding

A critical factor in the success of ventures and founders is access to all forms of funding. One of the most persistent challenges for startups is securing sufficient capital to sustain operations and drive growth.

The Investment Landscape in Toronto

Startups can secure funding from various sources, some of which include:

- **Retained earnings:** These are the profits a company has made over time that haven't been paid out to shareholders as dividends. Instead, the company keeps (or "retains") this money and often reinvests it to grow the business.
- **Grants and subsidies:** This is money given to a business that doesn't need to be paid back and is often issued for specific purposes by the funder based on its priorities (e.g. research, hiring, de-risking a technology, etc.).
- **Equity investors:** These are investors who give money to a business in exchange for ownership (shares) in the company and earn money if a company does well through dividends or by selling their shares at a later time. Many types of equity investors exist depending on the stage of the company, the amount of money being raised by the company, etc. and can be characterized as angel investors, venture capitalists, accelerator funds, private-equity funds, etc.)
- **Debt financing:** This is when a company borrows money (like from a bank or investor) and agrees to pay it back later with interest rather than for shares in a company.
- **Non-dilutive funding:** This is money a company receives without giving up any ownership or shares. This includes retained earnings, grants and subsidies or debt financing, where the founders keep full control of the company.

Many technology ventures, especially high-growth ones, require equity financing to match their cash flow needs for rapid growth. Although this is not the only source of financing, many successful ventures tend to require it, so the overall access to equity financing, especially venture capital, is a helpful part of an innovation ecosystem. Toronto has a vibrant funding ecosystem with significant venture capital (VC) activity. In 2024, the city recorded 168 VC deals, amounting to \$2.2 billion in total investment, with 32% of deals led by US investors (CVCA 2024).

The Changing Investment Landscape in Canada

Seed-stage funding (i.e. funding for a new startup in its first steps, raising money to grow from an idea to a more proven business) in Canada has seen a significant decline, despite participation from U.S. and international investors. Historically, Canada has favoured Series A and B investments (i.e. investment dedicated to turning a growing venture into a larger, more established company) over early-stage seed funding. During economic downturns, seed-stage investments decrease even further, as investors wait for companies to demonstrate revenue

generation and product-market fit before committing capital. Many Canadian seed-stage funds allocate 10-25% of their capital to U.S. startups, further reducing the availability of early-stage funding domestically.

Some large U.S. venture firms have established scout programs in Canada, selectively making early investments and doing even more in larger future funding rounds. While these firms are actively engaging with the Toronto market, they remain highly selective, investing in a relatively small number of startups. This activity has not been sufficient to offset the decline in seed funding.

In Canada's major economic hubs, including Toronto, solo general partners (GPs) are launching small venture funds, typically ranging from \$5M-\$6M, after leaving larger institutions. However, these smaller funds lack the capacity to lead investment rounds, instead relying on larger (institutional) investors rather than smaller (angel or venture capital) funds. This has widened the gap in early-stage funding availability.

This trend is partially driven by market cycles. Many funds that raised large amounts in 2020–2021 are now experiencing low returns (Total Value to Paid-In Capital - TVPI), no distributions of cash back to investors, and markdowns. With limited fundraising opportunities, many investors are shifting towards launching smaller, independent funds rather than raising larger-scale venture capital funds.

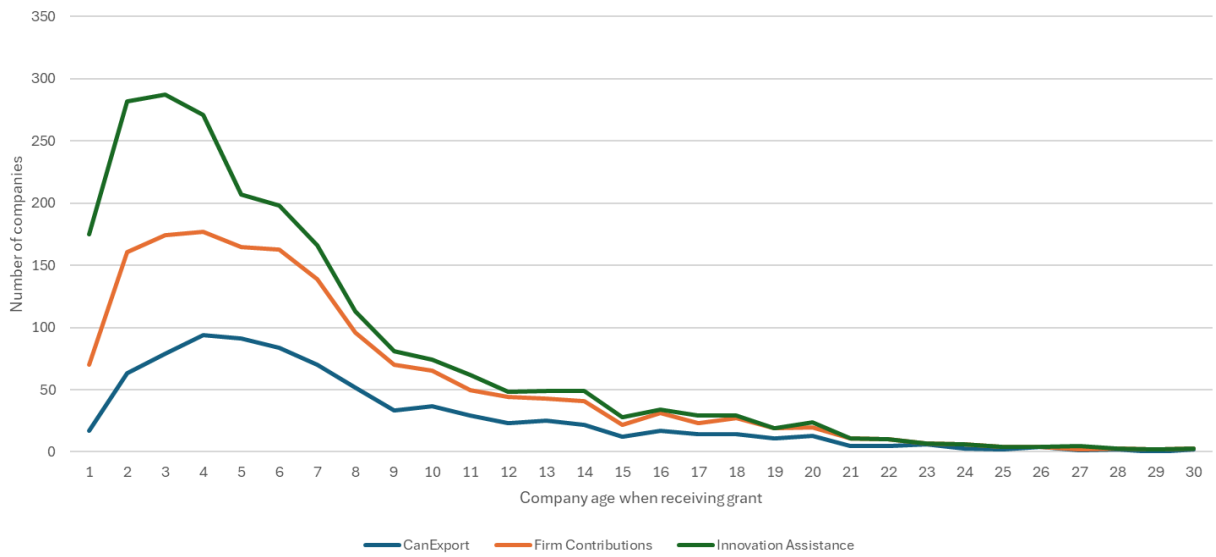
Despite the changing landscape, there exist common investor concerns for funding ventures, which include:

- BAs train startups for pitch competitions but often fail to ensure they demonstrate customer engagement and business fundamentals.
- Many BA-supported startups lack knowledge of investment mechanics, including how investor term sheets, valuations, and cap tables work.
- BAs often employ program staff who lack direct investment experience, making it harder for startups to receive relevant guidance.

Non-Dilutive Funding Options

Government grants and subsidies remain an essential alternative to equity investment. Programs such as NRC-IRAP and CanExport provide grants and subsidies, but accessing these funds can be complicated. Despite these challenges, non-dilutive funding can play a crucial role in early-stage company development. While these grants align with early-stage angel/VC funding levels, their timing at target companies can be different. They are not designed to sustain companies long-term, but rather to fund product development and commercialization, such as the grants illustrated in Figure 2 below.

Figure 2 - Number of Agreements between NRC and Toronto-based Companies since 2018



Since 2018, the total funding allocated to Toronto-based startups through major programs is outlined in Table 8 below.

Table 8 - Total Funding per Major Granting Program to Toronto-Based Startups

| Grant | Average Value | Median | Mode | Total Value |
|-----------------------|---------------|---------|---------|-------------|
| CanExport | \$33.3K | \$33.0K | \$30.0K | \$24.7M |
| NRC-IRAP | \$163.3K | \$75.0K | \$50.0K | \$180.3M |
| Innovation Assistance | \$111.5K | \$40.6K | \$30.5K | \$83.2M |

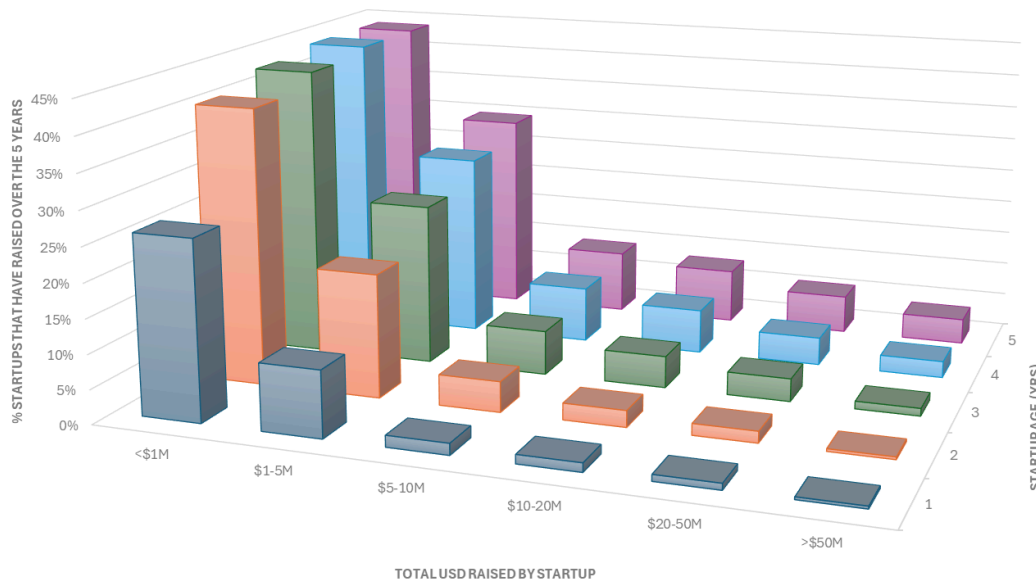
Understanding Investment Timelines

One of the most prevalent issues in startup investment is the misalignment between perception and reality regarding the timeframes for securing investment. Data from Crunchbase on Toronto-based startups founded between 2015 and 2019 shows the following patterns over their first five years:

- **1–2 years:** to secure an initial investment (<\$1M)
- **2–4 years:** to secure \$1–10M in total investment
- **4–5 years:** to secure significant investment
- **Only 4%** reached more than \$50M in total investment within five years

These timelines (see Figure 3 below) often differ from the expectations of first-time entrepreneurs. They also highlight the high-risk, high-return nature of VC, where only a small number of startups are projected to generate significant returns. VC funds are structured to return capital quickly, shaping investment decisions and leading to a preference for startups that can scale quickly.

Figure 3 - Time Taken for Startups to Reach Different Levels of Investment (2015-2019)



Linking Business Models to Financing Pathways

Just as different startups require different types of infrastructure, software and hardware startups tend to follow distinct financing pathways. Software startups generally align with venture capital, while hardware startups often rely on alternative financing.

Typical Software Startups Investment Pathways

Some software companies practice bootstrapping, where small investments are secured and growth is from reinvested venture profits (i.e. retained earnings); however, most elect to finance growth through equity financing like venture capital. This financing path between venture capital and software companies tends to be common because of:

- **Scalability and High Margins:** Software products (e.g. mobile apps) can be easily replicated and provided at significantly lower marginal costs to new customers, allowing for high scalability of marginal profitability.
- **Fast Growth Potential:** VCs seek exponential growth, which software startups can achieve, often without heavy capital investment. The primary expenses for software startups are talent-related (engineers, developers, marketers) rather than equipment or

real estate. As well, software firms can often more easily put forward a minimum viable product to the market to test and improve and, in turn, sell (i.e. shorter development cycles).

Typical Hardware Startups Investment Pathways

Unlike software startups, hardware companies require higher upfront capital investment and have longer development cycles, making them less attractive to traditional equity or VC investors. This is largely due to a higher capital-intensive development (i.e. prototyping, testing, and manufacturing require expensive equipment and facilities), a longer path to revenue (e.g. it can take years to develop, certify, and commercialize a hardware product), and a higher risk of supply chain issues (i.e. dependency on materials, factories, and distribution, which adds risk). Instead, these ventures often seek funding from government grants and subsidies, strategic corporate investors, debt financing, crowdfunding and pre-sales and revenue-based financing.

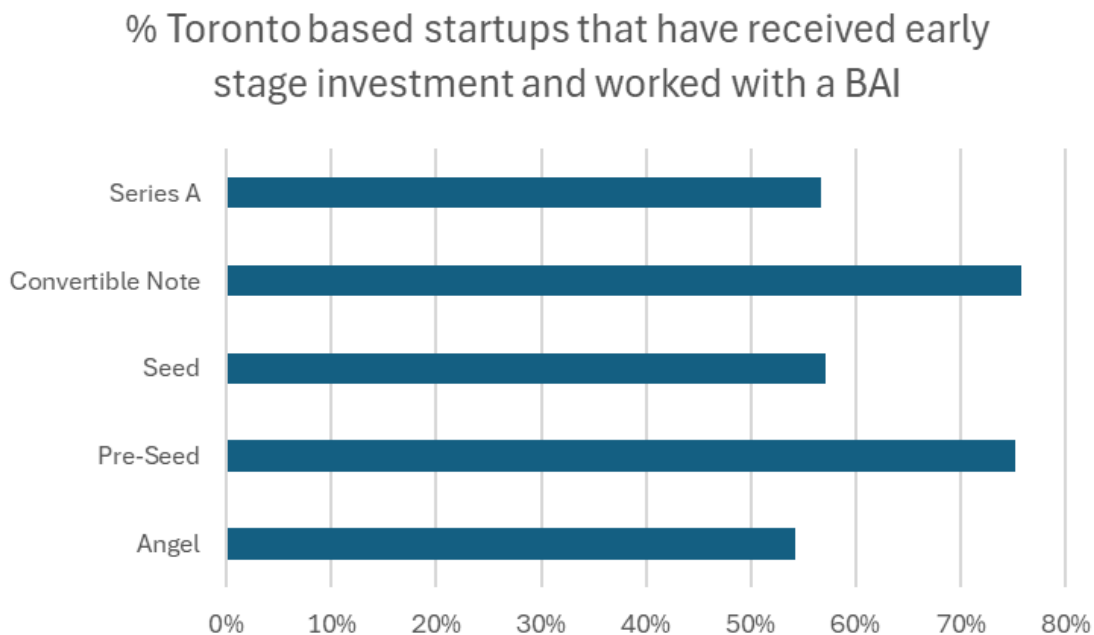
By recognizing these differences, Toronto can build a more inclusive and resilient startup ecosystem that supports both fast-scaling digital startups and capital-intensive deep tech companies.

The Role of Business Accelerators and Incubators in Investment

To better understand the role of BAIs in supporting startups to secure investment, this study cross-referenced 10 years of Crunchbase data on early-stage investments in Toronto startups with the CAIN dataset of startups that have gone through BAI programs. Findings show (see Figure 4 below) that 54-76% of funded Toronto startups had engaged with BAI at some point in their development.¹⁰

¹⁰ Definitions for Figure 4 terminology can be found here: <https://support.crunchbase.com/hc/en-us/articles/115010458467-Glossary-of-Funding-Types>

Figure 4 - Percentage of Toronto-based Startups that Received Early-Stage Investment and Worked with a BAI



Additional data was analyzed from startup lawyers and revealed common challenges in how BAIs prepare startups for investment. These included:

- **Overestimating valuations** based on outdated market trends led to misalignment with investor expectations.
- **Misuse of SAFEs (Simple Agreements for Future Equity)** due to a lack of understanding of pre-money vs. post-money valuation structures, sometimes resulting in excessive founder dilution.
- **Cap table mismanagement** which deters investors and creates legal complications.

These findings suggest that BAIs play an important role in the venture financing system, and there is room for improvement in preparing ventures and founders to secure financing when desired.

Challenges in Accessing All Types of Funding

Ultimately, the results of this study showed there is a general lack of risk tolerance of Canadian investors (compared to the US). As one interviewee explained,

“There is a lot of capital and investment from VCs and angel investors. But Canadian investors are very conservative. How do we create a culture where investors take a more U.S.-style approach, where they invest early because they believe in the founder, versus waiting until a company has \$1 million in annual recurring revenue?” - Interviewee

Secondly, as articulated above, capital of all forms exists in Toronto. However, it is challenging for ventures and founders to access. Startups face significant challenges in navigating the various funding channels, each with its own investment thesis and requirements.

“The funding landscape has always been confusing, both on the VC side and the grant side. There are thousands of grants, but no one knows what they’re eligible for.” - Interviewee

“Much of the (non-dilutive) funding available, like Mitacs and Tri-Council grants, is geared towards academic and lab research rather than entrepreneurial ventures.” - Interviewee

One key difficulty highlighted by interviewees is accessing family offices (i.e. a private firm that invests the assets of a wealthy family, often including direct investments in startups), which play an important role in bridging the gap between angel investors and venture capital. Another interviewee suggested the need for a centralized funding hub. Although some resources exist, such as the City of Toronto’s list of 90+ funding sources for small businesses, there remains a need for better curation and accessibility.

“Family offices are critical, but there’s no database or system for finding them. It’s really difficult to connect with them.” - Interviewee

“If there were a central place where venture capital funds and family offices could cycle through monthly, it would be easier for startups to connect with investors.” - Interviewee

Increased Difficulty for Newcomers and Equity-Deserving Communities

This issue was clearly highlighted by a quote found in the literature (Alang and Paterson 2021), *“We have a class problem in startups... Innovation is still a rich man’s job, not just because of the attitudes around it - you have to have the ability to draw a low salary. Angel financing is hard: people don’t want founders to take salaries at the start. But you might not come from a wealthy family, and you actually need to pay your rent. The fact that early-stage financing is called the ‘friends and family round’ speaks to the implicit assumptions about having access to capital and being part of a social or economic milieu that has sufficient funds to be investing at all.”*

This sentiment was reinforced by multiple interviewees, especially as it related to newcomers and equity-deserving communities.

“We know the issues of [racialized] and especially [racialized] women entrepreneurs, and folks from the LGBTQ community are intersectional. We know they’re not getting as much funding.” - Interviewee

“On the access to capital piece, it’s just easier for white men to access funding.” - Interviewee

“Even those Canadian startups founded by a newcomer that have been here for a while don’t understand how the investment ecosystem works and distrust investors.” - Interviewee

For newcomers to Canada, accessing banking services and credit is also a major obstacle. Banks are often unwilling to provide business credit, meaningful credit card limits, or startup-friendly financial products. This makes it difficult for newcomers to establish their businesses, forcing them to navigate complex financial barriers.

One of the biggest challenges for newcomers is that Canadian banks rely heavily on credit history when assessing loan and credit applications. Many newcomers arrive with no Canadian credit history, making it nearly impossible to qualify for business loans or credit cards. Even if they had strong credit in their home country, banks do not consider foreign credit scores, forcing them to start from scratch. Without a credit history, banks demand personal assets or large cash deposits as collateral, which most new immigrants do not have.

Even when banks approve business credit cards for newcomers, the limits are often very low and not useful for growing a business. Many receive credit limits as low as \$500 to \$2,000, which is insufficient for operational expenses. Higher credit limits require a strong personal credit history, which newcomers don’t yet have. Some banks require two years of business operation before offering meaningful credit lines, making it difficult to get started.

Recommendations for Strengthening Toronto's Investment Ecosystem

To address funding gaps and investor risk aversion, Toronto should:

- **Establish a centralized data platform** mapping all funding options (e.g. family offices, VC funds, non-dilutive funding, etc.) for startups that includes high-level investment theses, preferred venture stages to invest in, age of fund, founder profiles, etc.
 - Conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them.
- **Enhance investor-BAI collaboration** to improve startups' understanding of investment mechanics.
- **Advocate for policies to de-risk bank lending** for newcomer entrepreneurs.

Theme 5: Infrastructure to Secure Early Customers

A critical factor in the success of ventures and founders is securing early customers. For any business to thrive, it must have paying customers. The greatest challenge for ventures and founders is demonstrating product-market fit, often measured by traction and existing revenue.

Founders face a classic chicken-and-egg scenario: they must develop a prototype and advance technological readiness levels to the point where customers are willing to pay. Some large companies are early adopters and are drawn to new solutions, excited by the value proposition, or confident that the technology and business are de-risked enough to invest in. These first customers are strategically significant not only because they generate revenue but also because they enable ventures to refine their product-market fit and business model through direct engagement.

There are two primary challenges to securing early customers for startups in Toronto:

1. Corporate Canada is generally risk-averse (especially in business-to-business sectors).
2. The high cost of de-risking technology for corporate buyers.

1. Risk Aversion Among Canadian Corporations

Compared to their U.S. counterparts, Canadian corporations tend to be more risk-averse in adopting innovations from local startups (similar to the risk aversion seen among Canadian investors).

“Ventures can't find corporate receptors for what they're doing in Canada. And it's not specific to one industry.” - Interviewee

This risk aversion makes it difficult for ventures to acquire early customers, which limits their ability to develop products further, demonstrate traction for investors, and attract additional customers. The benefits of addressing this well were shared by an interviewee who said, “[A successful Toronto startup] leveraged their [Canadian] partnerships to build their brand and create that visibility and really get on the radars of international customers and built that relationship early on.”

This systemic challenge is difficult to address because it requires shifting corporate procurement practices, but presents a significant opportunity for ventures and founders. Some initiatives have successfully helped de-risk these investments for Canadian corporations.

2. The High Cost of De-Risking Technology for Large Firms

Toronto is home to many large corporations that could serve as first customers for local startups. Some initiatives have supported Canadian tech adoption by these firms. As one interviewee explained:

“You are looking at apprehension from incumbents who ask, ‘Why are you coming in?’ Supporting corporate labs helps align incentives.” - Interviewee

Corporate labs source industry problems from large firms and task innovators with solving them. This model gives ventures an opportunity to secure an early customer. However, it presents challenges such as intellectual property ownership disputes, the risk and opportunity cost of losing competitions, and the resource-intensive nature of these programs for BAIs.

Another de-risking model is the CAN Health Network, which connects healthcare practitioners with Canadian innovators to develop solutions. Unlike corporate innovation labs, CAN Health commits to piloting solutions and, if successful, facilitates additional procurement from other healthcare networks across Canada. This structured approach creates a pathway to securing multiple early customers.

“Customers that have the... know-how to be joint development partners... There's still a large gap that exists at that early stage.”

Challenges for Newcomer Founders

Newcomer founders face additional barriers in securing early customers. As one interviewee noted:

“It's not that there is nothing you can do for newcomers. It's [often] an internal battle. They are coming to a different market with different systems and have to adapt. It takes probably double or triple the time to grow a company for them to understand how to acquire customers here.” - Interviewee

Given these challenges, additional support structures are needed for newcomer founders.

What Role Should the Ecosystem Play?

A key debate in addressing this issue is whether the startup ecosystem should focus on:

1. Directly supporting startups in securing customers
2. Building networks that connect ventures to potential buyers
3. Educating startups on customer acquisition strategies

Each approach has strengths and drawbacks.

1. Direct Support for Startups to Secure Customers

This approach includes direct interventions such as government-backed corporate piloting programs, procurement initiatives, or subsidies encouraging large firms to buy from startups.

Pros:

- Accelerates traction and revenue generation.
- Lowers risk for corporations and encourages innovation adoption.
- Helps address market failures, particularly in industries with high entry barriers.

Cons:

- Risk of inefficiency - startups may become reliant on public-sector intervention instead of developing independent sales capabilities.
- Can distort market incentives if purchases are driven by incentives rather than real value.
- Difficult to scale across industries and may disproportionately benefit certain sectors.

2. Building Networks with Potential Buyers

This strategy involves fostering industry partnerships, trade missions, and B2B matchmaking initiatives to help startups access potential customers.

Pros:

- Provides startups with credibility and access to decision-makers.
- Encourages long-term business relationships rather than one-off government support.
- Helps startups refine their value proposition based on real customer feedback.

Cons:

- Slower path to securing customers compared to direct support.
- Effectiveness depends on a startup's ability to leverage networks - some may struggle without additional sales training.
- Requires active industry participation, which can be limited due to corporate risk aversion.

3. Teaching Startups About Customer Acquisition

This approach focuses on providing founders with the skills, tools, and mentorship needed to secure customers independently, such as through structured sales training programs.

Pros:

- Builds long-term sales and business development skills within startups.
- Scalable and cost-effective compared to direct intervention.
- Encourages founders to take ownership of customer acquisition rather than relying on external programs.

Cons:

- Takes time to yield results—startups may struggle while developing sales capabilities.
- Some industries (e.g., deeptech, healthtech) require more than sales training due to complex procurement processes.
- Without direct exposure to potential buyers, theoretical sales training may not be enough.

Recommendations for Strengthening the Toronto Startup Ecosystem: A Hybrid Model

Given corporate Canada's risk aversion and startups' persistent need for early customers, additional infrastructure is required in the Toronto ecosystem.

- **Expand Corporate Innovation Challenges:** Increase funding for initiatives that encourage corporate-startup collaboration.
- **Incentivize Corporate Piloting:** Require large firms receiving provincial tax credits to allocate R&D budgets to testing Toronto startups' solutions.
- **Scale Sales Training Programs:** Upgrade 'Go-to-Market' training to provide structured sales training, contract negotiation, and customer-relationship-management (CRM) tools, with scholarships for underrepresented founders.
- **Strengthen Industry Partnerships:** Develop a program where universities and industry commit to co-developing products with local startups, with grants to offset corporate risk.

Theme 6: Infrastructure for Networking

Networking is a fundamental driver of success for ventures and founders. A healthy innovation and entrepreneurial ecosystem relies on networking to create opportunities for diverse stakeholders to connect and exchange ideas (Prokop & Thompson, 2023). The frequency of these interactions increases value exchange and fosters innovation across the system (Budden & Murray, 2022).

In the Toronto innovation ecosystem, research identified three key challenges related to networking:

1. An overwhelming number of networking opportunities
2. Geographic dispersion and accessibility barriers
3. The absence of a large-scale networking event following the cancellation of Collision

Challenges in Networking Within the Toronto Innovation Ecosystem

1. Overabundance of Networking Events

Toronto hosts a vast number of networking events, making it difficult for ventures and founders to determine which will be the most beneficial. Similar to the high volume of BAIs discussed in Theme 1, the sheer number of events creates an opportunity cost for entrepreneurs who must spend time evaluating options without clear guidance on which will provide the most value.

Event hosts also dedicate significant resources to organizing and promoting these gatherings, often without coordination with other organizations. While some efforts have been made to centralize event listings (e.g., the City of Toronto's event webpage), awareness of these resources remains low. Additionally, better curation would enhance usability, for instance, by categorizing events by target audience and expected outcomes for attendees.

Interestingly, informal networking events were noted as particularly valuable and generally lacking in Toronto. One interviewee highlighted that some of the most impactful networking does not occur at traditional pitch nights or panel discussions but rather in unconventional settings:

“There are these events that you wouldn't really characterize with building companies, like poker nights or debates on highly specific topics that have nothing to do with venture building.” - Interviewee

Another interviewee emphasized the importance of structuring events around meaningful human interaction rather than passive listening experiences:

“It’s easy to measure how much revenue was generated from sponsoring an event. It’s very hard to measure what that did for the participants. Qualitative metrics are hard, but I would encourage big companies that are sponsoring these events to [think beyond] putting a QR code up, pitching for 10 minutes, and getting signups.” - Interviewee

This highlights the need to rethink how networking events are structured and how success is measured, not just in terms of sponsorship revenue but in terms of the long-term relationships and business opportunities created for participants.

2. Geographic Accessibility and Inclusivity

As seen with the physical infrastructure challenges in Theme 2, the majority of networking events take place in downtown Toronto. This presents a significant barrier for many ventures and founders, particularly newcomers and equity-deserving entrepreneurs, who often live in suburban areas.

The commute to downtown represents both a financial and time cost, adding to the opportunity cost of attending events. For many founders, these barriers make participation difficult, limiting access to critical networking opportunities.

3. The Replacement of Collision with Toronto Tech Week

The cancellation of Collision has created a gap in large-scale networking opportunities in Toronto. However, this challenge presents an opportunity to rethink and build a stronger, more tailored event for the local startup ecosystem.

To address this, Toronto Tech Week is being rolled out in 2025 as a new flagship event designed to provide high-impact networking, attract international investors and entrepreneurs, and showcase the city’s innovation ecosystem. An interviewee described the need for a major, global-facing event:

“South by Southwest is probably the best example, where they take over the entire town. Why don’t we invest the money we put into Collision to create our own version of that? ...That’s how you’re going to attract international investors, big brands, and major companies and make Toronto a hotbed. I [currently] don’t hear international groups saying, ‘Oh yeah, I need to go to Toronto for this conference and meet all these companies.’” - Interviewee

Toronto Tech Week has the potential to fill this gap while addressing the shortcomings of Collision, such as its lack of deep local ecosystem engagement. A well-designed event that integrates Toronto's key innovation players - including universities, accelerators, and industry leaders - can elevate the city's global reputation and create lasting business opportunities for local startups.

Recommendations to Strengthen Networking in Toronto's Tech Sector Innovation Ecosystem

Given the challenges outlined above, strategic interventions are needed to enhance networking opportunities while ensuring accessibility, coordination, and long-term impact.

- **Create a centralized event platform.**
 - Enhance a curated event calendar with high-level features (e.g. event type, location prioritization, equity-focused opportunities).
 - Conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them.
- **Improve coordination across ecosystem players.**
 - Establish shared resources among BAIs and other innovation hubs to coordinate networking events.
 - Ensure funding is directed toward initiatives that enhance collaboration rather than event duplication.
- **Request inclusive and participatory event design** for publicly funded events (e.g. speaker diversity, accessibility support like childcare, unstructured networking)
- **Launch Toronto Tech Week as an important global innovation event**
 - Establish Toronto Tech Week as a premier innovation festival that brings together global entrepreneurs, investors, and industry leaders.
 - Consider planning this event with consideration of all of the Themes outlined in this report.

Chapter 4: Additional Considerations (Scale- and Tech-centricity Mindset)

Beyond High-Growth Tech: Expanding Support for All Ventures

During the data collection and analysis for this research project, a recurring theme emerged in interviews that, while slightly outside the initial scope, warranted inclusion: the disproportionate focus on high-growth technology startups in Toronto, particularly those with the potential to scale into ‘unicorns’ (valued at over \$1 billion). The prevalence of this topic, raised without prompting, suggests it is a critical discussion point for Toronto’s innovation ecosystem.

Supporting Ventures Beyond Tech

Over the past several decades, significant attention and resources have been directed toward developing the technology sector. Tech companies have delivered strong benefits in revenue growth, job creation, and economic development - metrics that funders often prioritize. While the tech sector remains a vital driver of innovation and entrepreneurial activity, this intense focus has diverted attention and resources from other potential high-growth industries.

Several sectors were identified by interviewees as ripe for growth in Toronto, including manufacturing, construction, consumer products and goods, the service industry, and restaurants. One interviewee referred to these as “*non-sexy innovation*” sectors - industries that do not fit the traditional narrative of high-growth tech but still offer significant economic potential.

For example, an interviewee highlighted a consumer packaged goods (CPG) company that successfully piloted a product at Billy Bishop Airport and is now in discussions with Pearson Airport and continues on a fast growth trajectory. Despite the company showing signs of early success, its needs differ from those of a tech startup and need to be uniquely tailored for scaling successfully.

To foster a robust innovation ecosystem, Toronto must invest in infrastructure and support mechanisms that accommodate ventures across all industries. This is especially critical for newcomers to Canada, who bring diverse entrepreneurial ideas even outside of tech but often face systemic barriers in accessing funding, mentorship, and networking opportunities.

An interviewee provided insight into these challenges:

“It’s interesting if you look at an organization like SheEO that specifically focuses on women founders—they get a disproportionate number of consumer goods

businesses. There are a lot of women-led businesses that are not served because they're 'not tech enough' to join an accelerator... And others who don't have a PhD but have a trade degree and are, say, a contractor. They're setting up businesses where some of the entrepreneurial skills we teach could be really useful, but because they're not science- or tech-based, they don't get served." - Interviewee

This emergent result of the research does not suggest that this is a blind spot for the Toronto innovation ecosystem. There are programs and initiatives underway - for example, the Toronto Entrepreneurship Services team (specifically Toronto Small Business Enterprise Centre) provides entrepreneurial skills training and microgrants to startups and small businesses, and the majority fall within the “traditional” sectors - that center these organizations, however, there is a clear opportunity to consider how to integrate some of the resources, programming, funding, and financing that have been developed in the technology sector with other sectors. This suggests that a future research project could explore how the collaboration or intersections of tech and other sectors could increase Toronto’s innovation ecosystem (including sectors beyond tech).

Supporting Scale - Even If It's Not a Unicorn

Many sectors do not follow the same rapid scalability trajectory as tech companies. Their growth may take longer, and their revenue generation, job creation, and valuations may differ. While tech startups may have the highest potential for the fastest billion-dollar exits, other industries contribute meaningfully to economic growth and job creation.

Despite this, much of Toronto’s innovation infrastructure remains focused on producing the next \$1 billion company. This emphasis overshadows ventures that do not fit the high-growth tech model but still create significant economic and social value.

An interviewee provided an example of Jugo Juice, a business that has scaled to over 100 locations, generates over \$100 million in annual revenue, and employs 300 people. Yet, because it is not a tech company, it likely would not have had access to the same early-stage support that many tech startups receive. The interviewee emphasized:

“Is [Jugo Juice] not a successful company with a healthy level of scale that deserves support in its early days, even though it isn't tech?” - Interviewee

The same pattern applies to smaller ventures, such as a barber shop or restaurant, scaling to three or four locations. Interviewees noted that businesses like this, despite demonstrating clear growth potential, are often overlooked in Toronto’s innovation ecosystem.

The prevailing belief that infrastructure should primarily serve ventures with massive scaling potential needs to be reconsidered. One interviewee summarized this issue:

“Underserved parts of Toronto’s innovation ecosystem are engaging in ‘non-sexy innovation’ - like a newcomer woman who wants to open a small restaurant. She’s creating new businesses, creating jobs, doing a lot of interesting things, but she will find it nearly impossible because of the way the city does things and the barriers in place. ... We had Syrian women arriving in Toronto as refugees. Their husbands and families were relocated to hotels across the city because there was nowhere else for them to go. These women wanted two things: to support their families and to make and sell their food. But it wasn’t seen as ‘sexy’ innovation, like ‘Oh, we’re going to use AI to solve neonatal problems,’ where VCs would be lining up at the door to invest.” - Interviewee

This systemic bias leaves many high-potential entrepreneurs, especially newcomers, without the support they need to succeed.

Recommendations for a More Inclusive Innovation Ecosystem

Addressing this imbalance requires a shift in policy and investment priorities. Governments, BAIs, and investors must broaden their focus beyond high-growth tech startups to support a wider spectrum of entrepreneurial activity. A more inclusive approach will strengthen Toronto’s economic resilience and ensure that its innovation ecosystem supports ventures across all industries.

1. Expand Innovation Infrastructure to Support All Sectors

- Develop sector-specific incubators beyond tech, particularly in industries such as manufacturing, CPG, and service-based businesses.
- Create dedicated funding streams for high-growth businesses in non-tech sectors, particularly for newcomers and equity-deserving founders.
- Enhance mentorship and training programs for entrepreneurs in diverse industries, ensuring they receive the same level of guidance as tech founders.

2. Adjust Funding and Policy Priorities

- Reassess government grants and accelerator criteria to ensure they are not disproportionately skewed towards tech startups.

- Introduce hybrid funding models that account for different scaling trajectories beyond the rapid-growth expectations of VC-backed tech startups.
- Support community-based business accelerators that focus on local economic development rather than billion-dollar exits.

3. Foster a Cultural Shift in the Innovation Ecosystem

- Highlight success stories of scaled ventures outside of tech to challenge the prevailing narrative that only 'unicorns' matter.
- Redefine success metrics to include revenue growth, job creation, and sustainable business models in addition to valuations.
- Educate investors and policymakers on the economic impact of diverse entrepreneurial sectors.

Chapter 5: Conclusion

Summary of Findings

This research explored the primary question: **What infrastructure in the Toronto technology sector innovation ecosystem is needed to make ventures more successful?** and the secondary question: **To what extent are these challenges greater for newcomers and equity-seeking founders?**

Through 16 interviews and a literature review, six key infrastructure themes emerged. The themes and recommendations are as follows (the top three priorities identified by interviewees are starred):

1. ***Access to non-monetary resources*** – Lack of awareness and coordination among startup support programs.
 - a. Recommendation: Enhancing Coordination Across the Ecosystem
 - i. Establish baseline (or standards) of information requirements for all Toronto-based BAIs and other providers of non-monetary resources and ensure that this information is clearly displayed on their websites
 - ii. Develop a Generative AI-powered tool that screens BAIs based on the identified needs of ventures and founders. The overall efficacy of this is augmented by Recommendation #1.
 - iii. Promote this tool through a targeted and systematic communication campaign across all actors working with startups.
2. **Physical infrastructure** – Over-centralization in downtown Toronto and insufficient lab, maker, and manufacturing spaces.
 - a. Recommendation: Mapping and Expanding Physical Infrastructure Access
 - i. Identify and publicize available Technical Assistance Centres (TACs), unique lab equipment, and startup-friendly facilities across the country.
 - ii. Conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them.
 - iii. Provide clear visibility into which infrastructure projects have been approved for funding across time horizons.
 - iv. Create a “Co-Working Space Visa” program across BAIs to allow entrepreneurs to access multiple BAI space across Toronto.
 - v. Subsidize transit costs for founders from newcomer and equity-deserving communities to improve access to physical spaces.
 - vi. Launch grants for universities to share labs, equipment, and expertise with local startups.
 - vii. Fund grassroots co-working spaces tailored to newcomer and Indigenous entrepreneurs, prioritizing specific neighbourhoods.
3. ***Talent attraction and retention*** – Shortage of executive-level startup talent and high living costs.

- a. Recommendation: Increasing Opportunities for Executives to Participate in Entrepreneurship in Toronto
 - i. Building a pipeline of founders from industry: More open innovation initiatives should be introduced to encourage experienced professionals from established tech firms to transition into entrepreneurship.
 - ii. Enhancing corporate-to-startup transition programs: These programs could bridge the gap between industry experience and startup leadership, ensuring that high-potential professionals are supported in launching new ventures.
 - iii. Recruiting international executives: Actively attracting experienced leaders from global markets could help address leadership gaps in scaling companies.
- 4. ***Funding access*** – Risk-averse investors, opaque investment processes, and limited non-dilutive funding.
 - a. Recommendation: Increase Awareness, Transparency and Interaction Across Ecosystem
 - i. Establish a centralized data platform mapping all funding options (e.g. family offices, VC funds, non-dilutive funding, etc.) for startups that includes high-level investment theses, preferred venture stages to invest in, age of fund, founder profiles, etc.
 - ii. Conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them.
 - iii. Enhance investor-BAI collaboration to improve startups' understanding of investment mechanics.
 - iv. Advocate for policies to de-risk bank lending for newcomer entrepreneurs.
- 5. **Early customer acquisition** – Corporate Canada's reluctance to adopt startup innovations and the high cost of bridging programs.
 - a. Recommendation: Increase Meaningful Engagements across Ventures and Large Industry Players
 - i. Expand Corporate Innovation Challenges: Increase funding for initiatives that encourage corporate-startup collaboration.
 - ii. Incentivize Corporate Piloting: Require large firms receiving provincial tax credits to allocate R&D budgets to testing Toronto startups' solutions.
 - iii. Scale Sales Training Programs: Upgrade Go-to-Market training to provide structured sales training, contract negotiation, and CRM tools, with scholarships for underrepresented founders.
 - iv. Strengthen Industry Partnerships: Develop a program where universities and industry commit to co-developing products with local startups, with grants to offset corporate risk.
- 6. **Networking** – Overabundance of events with limited coordination and the need for a globally recognized startup event.
 - a. Recommendation:

- i. Create a centralized event platform with more information and conduct a targeted awareness campaign to ensure startups and BAIs know where to find these resources and how to use them
 - ii. Improve coordination across ecosystem players by establishing shared resources among BAIs and other innovation hubs to coordinate networking events, ensuring funding is directed toward initiatives that enhance collaboration rather than event duplication and requesting inclusive and participatory event design for publicly funded events
- Launch Toronto Tech Week as an important global innovation event and consider planning this event with consideration to all of the themes outlined in this report

Expanding Beyond High-Growth Tech

While Toronto prioritizes high-growth tech startups, diverse industries like manufacturing, consumer goods, and services also require support. Many high-potential businesses lack access to mentorship, funding, and networking due to systemic biases that favors tech ventures.

Recommendations for Broader Support

- Expand BAI models and funding programs beyond tech startups.
- Adjust grant criteria to accommodate diverse business growth trajectories.
- Increase support for grassroots innovation hubs and community-based entrepreneurs.

Toronto has abundant entrepreneurial resources but struggles with coordination, accessibility, and inclusivity. By streamlining infrastructure, decentralizing resources, and broadening support, Toronto can strengthen its innovation ecosystem, attract global talent, and create long-term economic success.

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Appendix

About CAIN

The Canadian Accelerator and Incubator Network Association (“CAIN”) CAIN is a non-profit society, with General Members making up an influential network of Business Accelerators and Incubators (“BAIs”), also referred to as Business Incubators by the SUV Program, creating one collaborative voice for the innovation support ecosystem in Canada. CAIN’s purpose is to support the healthy development of the Canadian innovation ecosystem and to promote collaboration, information sharing and the fostering of impactful relationships among BAI’s across Canada, including strategic initiatives with partners and government.

CAIN’S GENERAL MEMBERS

CAIN’s General Member organizations are all BAIs, which we define as any formal organization whose primary function is to support and develop growing Canadian companies and entrepreneurs with at least one full-time employee. CAIN currently has 175+ General Members from across Canada including urban and rural regions in all 10 provinces in Canada (+ the Yukon!). Our General Members are diverse in the stage of companies they support, with some also having a focus on a particular industry or vertical.

CAIN’s membership breakdown by region:

- ~24% are from Western Canada
- ~9% are from Atlantic
- ~12% are from the Prairies
- ~36% are from Ontario
- ~17% are from Quebec
- ~1% are from the North
- ~1% are national

Research team & bios

Matt Mayer - CAIN Research Lead

Matt is a 2-time founder and leader in strategy, innovation, and organizational excellence. He has extensive experience working with organizations in various sectors to move towards a sustainable future, including facilitating collaboration and innovation with unusual suspects. His work showcases cutting-edge approaches to mobilizing people and organizations to thrive in the 21st century.



Matt is a Doctor of Business Administration. He also completed an MSc in Strategic Leadership towards Sustainability from Blekinge Institute of Technology in Sweden and a BComm degree in General Management from the University of Victoria. He has published articles on innovation and sustainability and is a sessional instructor at the graduate and undergraduate level at the University of Calgary and Mount Royal University on courses related to strategy, innovation and sustainable development.

Chris Diaper - CAIN CEO

Chris has a wealth of experience in startup ecosystem development. In his previous role as Managing Director at CAIN he developed the startup tracker service and established CAIN's lead role in the Business Accelerator and Incubator Performance Measurement Framework, a multi-year data project between CAIN, MAIN, Stats Canada, Innovation, Science and Economic Development Canada, and Canadian incubators and accelerators. Prior to that, he was the Director of Strategic Partnerships at TEC Edmonton where he built and ran their international startup programming.



Chris started his career by obtaining a PhD in chemistry and working in the pharmaceutical sector, initially as a medicinal chemist and then in business development.

Johanna Lau - CAIN Manager of Stakeholder Relations

Johanna Lau is the Manager of Stakeholder Relations at CAIN, where she supports strategic initiatives to share ecosystem learnings and strengthen member relations.



Johanna is pursuing a BCom degree at McGill University, with a double concentration in Sustainability and Social Enterprise Strategy. Originally from Edmonton, she has always focused on giving back to her community – whether it was through serving as a Student Trustee to provide student voice on policy decisions in her school division, or advocating for youth citizenship as a United Way Youth Ambassador. At McGill, she was the Editor in Chief for ESG McGill, a youth-founded business club that publishes articles on ESG topics. She has also worked as a research fellow on studying the financial sustainability of fair trade organizations and social enterprises. Johanna deeply believes that business innovation can be a force for social good, and aims to be involved in the developmental shift toward sustainable business.

Mirai Fukushima - CAIN Data Analyst

Mirai Fukushima is CAIN's contract Data Analyst specializing in visualizing and managing data. She aggregates data related to startups, incubators, and accelerators in Canada from various sources and creates easy-to-understand visual deliverables for future analysis.



Originally from Japan, she has been in Canada since 2022 to pursue a Data Analytics diploma. Mirai used to work as a newspaper writer (police beat) in Japan for 3 years. During that period, she once got the scoop on a traditional gender issue in the Japanese wrestling world with thousands of public opinions, which was top national news. Her interest in numbers and visualization led her to change her career path. In addition to CAIN, she is a Data Journalist, writing data analytical articles for Toronto-based Japanese people.

As a contract intern at CAIN, she created a networking and acquisition map of Canadian startups using Tableau's visualization tool. Data is constantly changing. Her goal is to deliver meaningful and accessible dashboards to CAIN's members.