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Funding opportunities for technology companies looking to scale up

Canada is technology incubator and home to a large number of small companies. According to the latest data available from Statistics Canada, 97.9% of employers were small businesses and 1.9% were medium-sized businesses in December 2017.

But scaling up to a medium-sized (100 to 499 employees) or a large business (500 or more employees) from a small business (less than 100 employees) is difficult for most companies, especially those in the technology sector.

The Organization for Economic Co-operation and Development (OECD) notes that Canada is near the top for many aspects of the technology development ecosystem, particularly for the early discovery phase of research and development when compared to other countries. However, we're near the bottom when trying to scale this technology through businesses to become large global enterprises.

Startups need access to capital to help them grow. Without capital, companies are unable to build a corporate infrastructure, move to a larger space, expand internationally, or find skilled employees in marketing, human resources, sales, and other departments.

Scaling up is also difficult because of Canada's market size. Our population is more than 37 million, but that's still less than California's population of 39.6 million and about one-ninth as small as the total U.S. population. In addition, our appetite for risk is smaller than it is in the U.S. and other larger countries, and access to international markets is much more difficult.

Available resources and considerations

In the past, most incentives were either Scientific Research and Experimental Development (SR&ED) or Industrial Research Assistance Program (IRAP) programs. Now, there are numerous tax incentives available for technology companies looking to

scale up. The federal government has recognized there's a gap and is increasing funding for later stages of technological development.

The incentives that are available will depend on the industry companies are in, and it can be complex for them to figure out what's available. The Strategic Innovation Fund, Sustainable Development Technology Canada, and the Business Scale-up and Productivity program are just a few examples of the foundations and programs that offer incentives.

If technology companies don't take advantage of these programs, it will be harder to scale up. Before making an application, there are a number of considerations. Firms must realize that incentives aren't just for a company's benefit, but for the entire ecosystem. Companies need to prove their idea is innovative and that it will have a positive impact on a company's customers, suppliers, workforce, and the community.

In addition, companies should be thinking big and not small. They should focus on large projects that can deliver measurable results. Also, an environmental benefits overlay on an application is beneficial. If there's a component that reduces greenhouse gases or improves energy management, for example, that can help improve an application's chance of being approved.

BDO can help

We work closely with companies to show them what government programs are available. We're regularly communicating with the intake personnel to understand what should be included in applications. Our professionals help technology companies with their applications, whether it be providing coaching on what to mention or writing the entire application so employers can focus on running their business. Contact us to find out how BDO can help.

TO LEARN MORE, CONTACT YOUR LOCAL BDO OFFICE OR:

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