



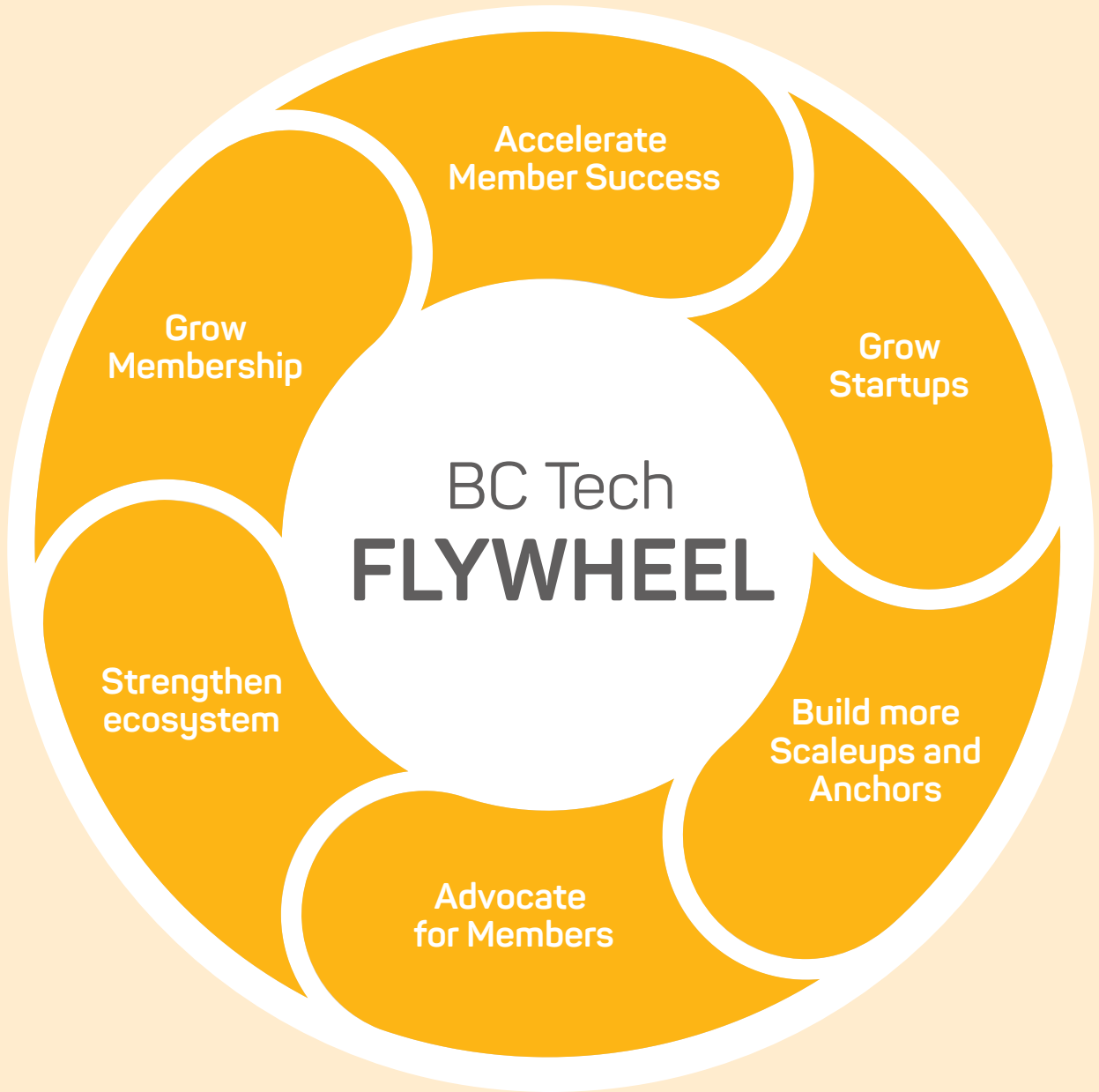
BC TECH
association



A New Economic Narrative for BC

STATE OF THE BC TECH NATION

October 2022



Accelerate
Member Success

Grow
Startups

Build more
Scaleups and
Anchors

Advocate
for Members

Strengthen
ecosystem

Grow
Membership

BC Tech
FLYWHEEL

State of the BC Tech Nation

Fall 2022 Report

After years of low interest rates, low inflation and strong growth of tech around the world, global market conditions have changed.

What does it mean for BC's tech sector?

How should BC's tech companies react? For some BC tech leaders, this will be the first time they experience a tougher phase of the economic cycle. How to react? What to pay attention to? How are others responding?

BC Tech conducted focus group interviews with 12 scale and anchor CEOs and founders in September 2022 to get their sense of 'the state of the BC tech nation' and found a community ready to face the challenges ahead with creativity and confidence.

The story they told was more nuanced than news headlines suggest and contained some great advice for startups.

We hope that this report will help many more of BC's growing tech companies tackle today's changed market conditions with confidence, equipped with #whatworks.

Community is – after all - defined by how we come together to address shared challenges, in good times and bad.

At BC Tech we're proud to lead such a vibrant, resilient community, one that sees the opportunity that comes with change and disruption and is unapologetically ambitious for BC and for Canada.

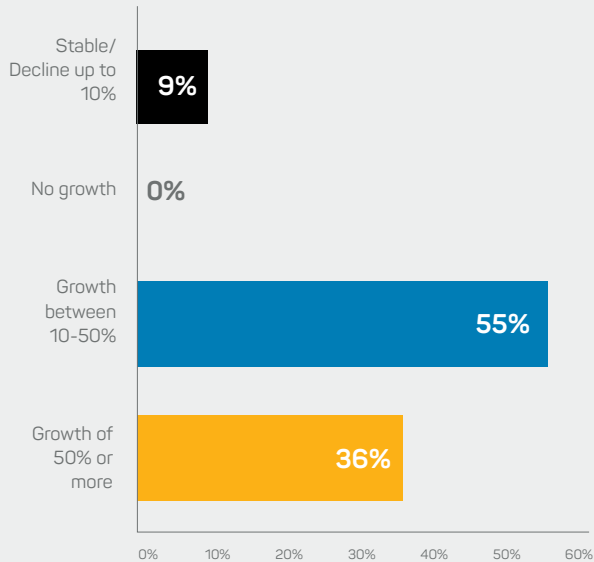
Jill Tipping

President and CEO

BC Tech

Companies are still growing amidst economic downturn

How much did your company grow in revenue from 2020 to 2021?



And looking forward to the current year, 82% are optimistic that growth will continue.

"For the last 16 years, *we've never had a declining quarter* when it comes to revenue. We're actually a little bit bullish because we think that the downturn in the economy provides us with better access to employees."

"It's a *good market for employees* looking to move jobs and find better salaries. And there's *a lot of competition*. What's going on right now is helping to normalize and stabilize it; so folks like us, and other smaller companies are able to hire."

Talent is still the #1 Challenge

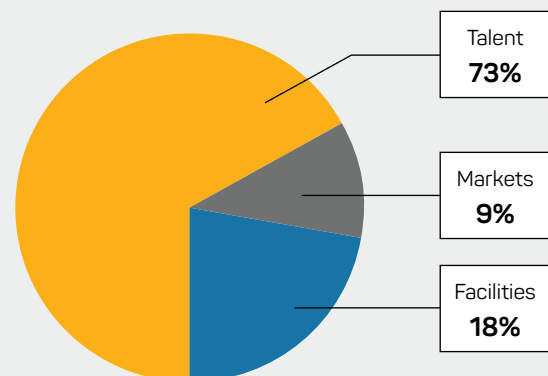
Resoundingly, the companies shared that talent is their primary challenge, but noted some recent relief, with layoffs in the market loosening up the talent crunch.



We are in a very fortunate position that we raised capital at the right time, and we have a business that generates cash. *We are still actively hiring* so we find ourselves in a position to where we can pick up some of that staff."

"Layoffs are the *natural forces of the economy* at play. I hope it's going to free some capacity up for the broader non unicorn tech company to *acquire talent*."

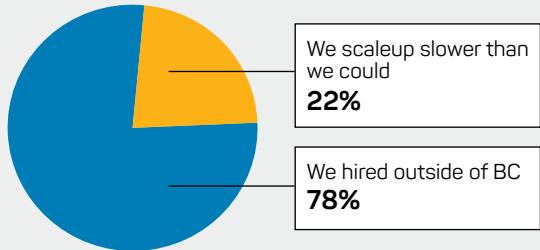
Commonly expressed limitations in BC are access to talent, capital or customers/markets. What is the number one challenge you faced in the period 2018 to 2021?



Jobs are going elsewhere

For the companies that expressed talent as a challenge, 78% had to hire outside of BC to solve the challenge. And 22%+ noted access to talent curtailed their ability to grow at the pace they could have. Where did they hire? Elsewhere in Canada, the US and in Europe.

If Talent supply limited your ability to grow, what was the consequence?



Many noted a specific challenge in recruiting senior talent and that often those roles will be hired out of market, where individuals have greater scale experience.

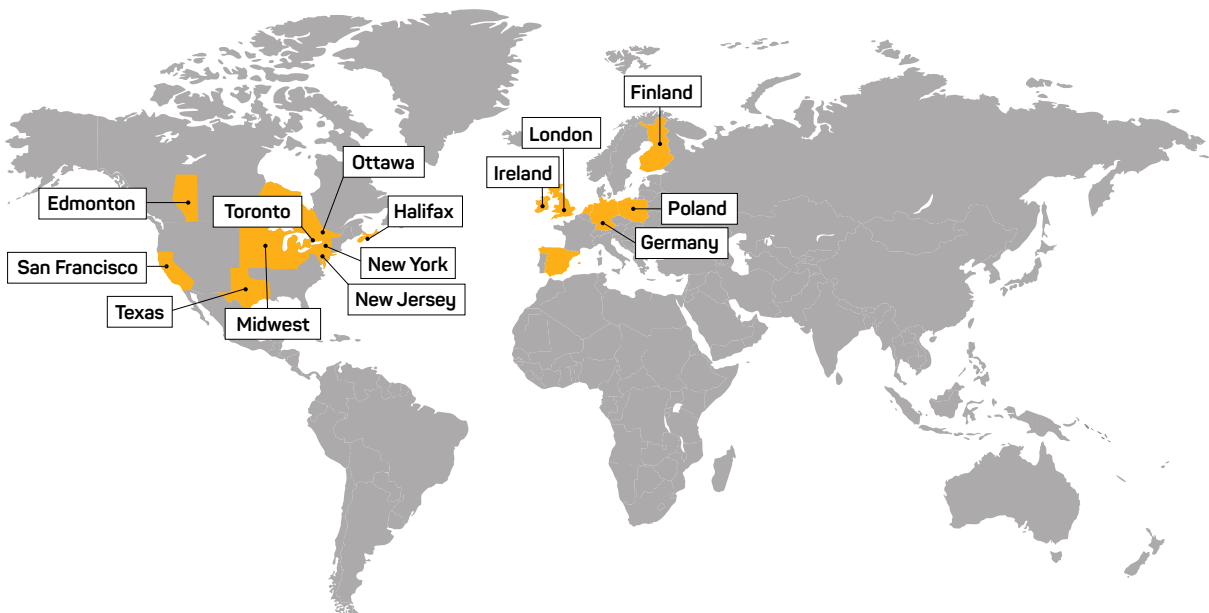
"Getting our hands on a sufficient senior resource base has been *really, really hard locally*. We see more success in London and New York. We're going to open 1000 square feet in Midtown in about 12 months, in large part to *access that talent pool*."

"*Finding executives* that have the kind of background we're looking for, and the kind of experience we're looking for *is extraordinarily challenging*. To that end we've made several new hires in our C suite that are based out of the Bay Area. Within BC, within Canada, *we weren't able to find that talent*."

"*We've always looked well beyond local*, but I think we're kind of expanding our model to adapt more to remote work. And, given that we're a manufacturing, engineering oriented business, that can be a challenge. Maybe for software companies they've been doing that forever, but it's a little bit different when you're actually *building hardware and equipment*."

"There's a *war for talent*. All of us are trying to find new talent pools and we're just starting to see what the concept of flexible working means from a location strategy. Can I *hire somebody elsewhere* to get the job done?"

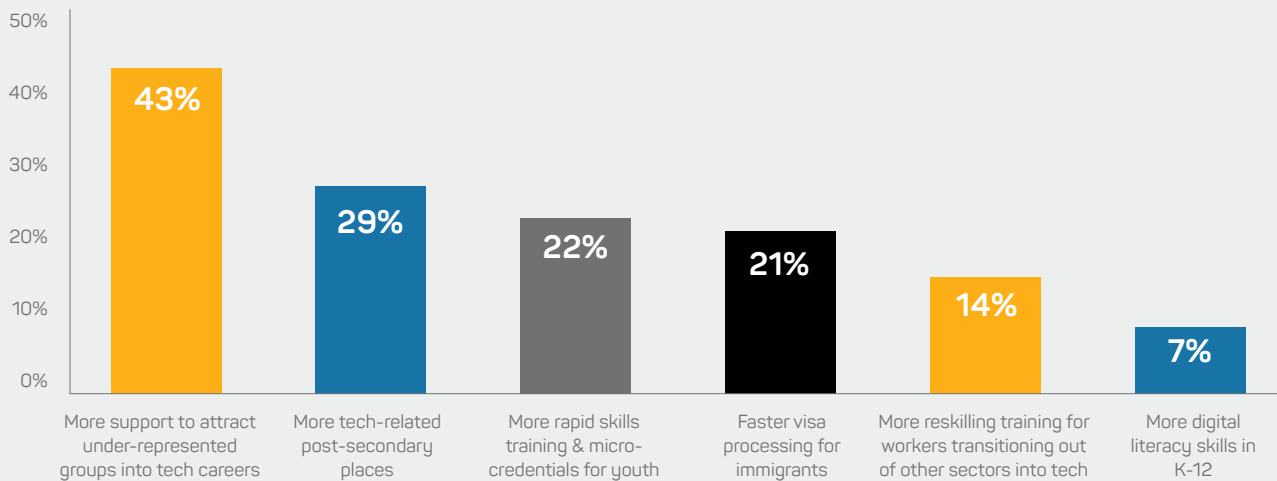
Where are they hiring?



BC needs to invest to grow and diversify the tech talent pool

29% of companies noted that more Post-Secondary places would help, but 65% noted that rapid skilling and support for under-represented groups were at the top of their priorities, to access a deeper/broader pool of talent in BC.

BC Tech is advocating for all of the following but please let us know your top 1 or 2 priorities?



I think there's an **incredible opportunity for companies** to really double-down on early talent and put in place strong training programs to really grow your own with more internship programs and hiring more students. **52% of our hires** in the first half of the year **are early talent** and I'm really proud of that number."

"To get into **Engineering at UBC takes a 94% average**. So that tells me, we need to have more spaces. There's a lot of people who have a desire to go into these programs. We need to continue to **expand to those people** who have reasonable expectations to make careers in those sectors."

"We are a **multidisciplinary company**, we're looking at everything from optics to electronics, to embedded firmware to motion control to robotics. We **need multidisciplinary teams**. Software is still probably the hardest roles to hire in Vancouver, but it gets so much emphasis already."

"I think we've all seen the press releases where Silicon Valley companies are doing layoffs. But what isn't always seen is the **thousands and thousands of roles that are still open** in the Valley and companies that are still growing and filling roles. Even with a really significant course correction, by the end of the year when we see the net I don't think it is going to be a shocking number. And it doesn't work for folks to try to overlay the BC conversation on the valley conversation, **it's just very different.**"

"In virtually every area, **we were facing challenges hiring** at the pace we needed to. And the main challenge is further up the funnel, how do we get more younger kids? How do we **drive diversity and inclusion**? How do we get people attracted to a sector that they may not have thought about as a career trajectory? We need to expose 10-year-olds and 15-year-olds and 5-year-olds to technologies, and give them a concrete idea of what some of these career opportunities look like.



Selling domestically is slow and frustrating

On the customers' side, many noted that selling into Canadian customers is slow and frustrating. In 80% of interviews, the companies were primarily selling outside of Canada with some having no domestic customers.



US folks think bigger, jump in both feet at a time, and that applies to technology as well, the pace at which they make decisions is **definitely faster than Canadian.**"

"There's a high degree of **risk aversion** from Canadian companies. They're less willing to try new and invest in something, it's more of a **fast follower** mentality, than a leader mentality."

"Selling in our own backyard has **always been a challenge** - we've been chasing the various levels of government for the better part of 10 years now, and **never had a breakthrough**. Canadians are not very good at buying from other Canadians."

"In Canada 80% of those companies that come up with a therapeutic idea, **can't test them in Canada**, in our health care system. It's a real hole in the ecosystem that all of the learning goes elsewhere. There's IP in the drug, sure, but what you learn about the drug **is done not here.**"



Recessions will increase demand for innovation and technology

Although all of the companies recognized that the current market poses challenges, they were also optimistic about the opportunities for technology adoption that arise when there is increased pressure to reduce costs and drive efficiencies across industries.



Recessionary times are tough markets, but you get all this **new creativity, innovation comes out** and all these new startups will emerge. Companies have to optimize their workflow and grow across every industry. That will **drive innovation** all the way through brick-and-mortar retail and service, food and beverage industries."

"The big macro trend of the **transition to clean energy**, it is forcing all large, traditional industrial **industries to change**. What that's going to drive is massive adoption of technology across traditional sectors."

"You know, technology and technology adoption are some of the clearest places that **companies can drive efficiencies and can drive productivity**. A lot of companies are looking to find ways to do more with less. I think **leveraging technology** is one of the clearest places, they can do that."

"We've seen that **digital transformations** are needed now more than ever. The pandemic accelerated everything, and **everyone is more connected now** to why tech is so important and critical. So, from that perspective, I see that **the future's bright**."

Supply chain issues are an increasing concern

Facilities Capacity (in terms of physical space and the right facilities for their companies being available in BC) was a common challenge.

Supply Chain -Global forces such as supply chain and international markets like China were also noted as a concern for those in the tech manufacturing space.

"Our **number one challenge is facilities**. There are not a lot of lab and office facilities in the Lower Mainland for biotech companies. So, we have had to **take this on ourselves**. And we are in the middle of three very large real estate projects as a result."

"One major challenge has been **finding industrial space**. In the Lower Mainland, as you're probably aware, it's like **less than 0.4% availability**."

"You see Apple talking about pulling production out of China, other than what's required for China. And **I think we'll follow them**. The challenge the world hasn't worked out, is that the supply chains to support that pull out, **aren't there yet**."

"With China, you know, we're **moving to minimize our exposure** from a supply chain perspective. But it isn't straight forward."



BC still has a Scaleup challenge

A common theme that arose was the challenge of supporting startups as they grow into Scaleups and anchors.



I would encourage founders to be ***bolder in their ambitions*** because that boldness, ultimately is a part of achieving big objectives. And if you're not bold at the beginning, the risk is you're always ***going to fall short*** or underachieve."



"***BC entrepreneurs are fearless***, we have more technology moonshots per capita than anywhere else. Let's solve quantum computing. 'Let's solve fusion'. 'Let's solve carbon capture.' 'Let's solve hydrogen fuel cells.' 'Let's solve regenerative medicine.' 'Let's solve pandemic response and antibody development.' ***These fearless moonshots that Vancouver entrepreneurs and technologists are prepared to take*** is something we should be really proud of. And we need to ***support them to scale.***"



"What I'd love to see is ***more expertise and growth*** on the go-to-market and execution side of how to ***scale businesses here in BC***. I don't think we're as sophisticated on the scale side in terms of the repeatability of how we build companies here."



"You know, ***VCs aren't altruistic entities*** who have social objectives. They have ***shareholder objectives***. If the goal is to hold the company for five to seven years and exit, you can't build those kinds of companies in that timescale."



"I've always wanted to see more of our local entrepreneurs and more our local tech businesses ***focused on long term***. There is a huge mindset locally of building a business to a ***certain scale***, and then the goal is to sell."



"There are a lot of tech companies for whom this is the first time they've seen this movie, and they're going to wonder, should I be taking 20% out, even though I may or may not be seeing an impact in my business? Or is everything still going to be okay, and should I still ***grab on to my talent?*** It's great that ***BC Tech is there as a resource*** for companies who are trying to figure out how to navigate uncertain, challenging times and ***support them with education and data*** so they can make informed decisions.



Macrotrends are our friend

Some companies noted that they are insulated from the downturn, being in industry verticals that are in high demand – such as cleantech and digital health.

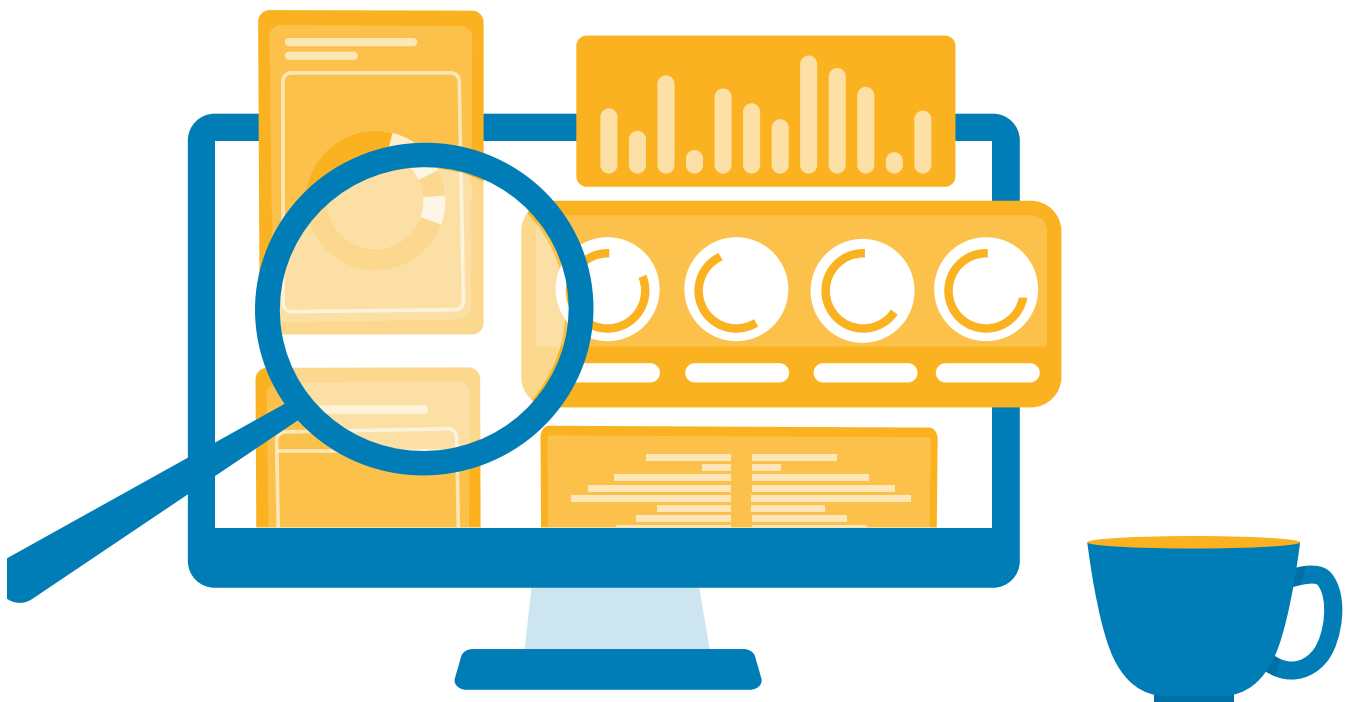


We're one of the companies that's lucky to have **benefited from COVID**. There's a lot more awareness around indoor air quality and cities throughout North America are pushing for higher Building Energy Efficient standards and building codes. There's a whole kind of **electrification movement of buildings** that really kind of aligns with our strategy. A lot of the **macro trends are helping us**."

"In the healthcare space, there's been a real **acceleration of digital technologies** like ours, so it's had a real boost and there's a lot of Greenfield opportunity for us. Health care **spending is not going to go away**."

"There's a huge macro trend in terms of **electrification in the world**, solar, and other renewables. So we're somewhat insulated from the near term impacts **economic downturn**, because it's such a strong macro trend."

"The downturn in the market has made it more difficult for competition who might otherwise want to **raise funds** and try if anything, to copy what we're doing. The tough **economic environment** has maybe bought us another three to five years of a head start for depending on how long this lasts!"



BC has a strong foundation on which to build

Without a doubt, the companies that participated in the interviews have high hopes for the BC tech ecosystem. The success we have seen to date from local founders and anchors provides us with a strong foundation and the ingredients at hand to build a prosperous future in BC.



Each one of those things **add to the ecosystem** in terms of the experience of the people. Those employees go and start other companies, and then they do things with one another. Sure, it's small, if you compare it to the big global centers, but **there's some dynamism there.**"



"The **ecosystem ingredients are here**, you know, we've got great universities and institutions that are **driving innovation**, there's a good ecosystem of technology companies."

"We talk a lot about the **pressure with hiring software engineers** and stuff like that, in Vancouver but it's still much worse in places like San Francisco Bay area, or through the Midwest of the US. **BC is great from an investment point** of view, because it's viewed as having the right combination of lower operating costs combined with achieving that critical mass in terms of the total size of the ecosystem where you can be successful - and it's finding that **delicate balance** at this point."



"You couldn't hope for a better place to start and scale up a company than BC."



Our thanks to:

AbCellera

Absolute

Allocadia

Clio

Cymax Group

Global Relay

Ideon

LMI

Oxygen8

Redlen

SAP

Thrive Health



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