

September 15, 2011

The Empire Club Presents

Chris O'Neill: Innovation @ Google

Chairman: Verity Craig, President, The Empire Club of Canada

Welcome Address by Verity Craig

Before we introduce our keynote speaker today, it gives me great pleasure to introduce our head table guests. I would ask each guest to rise for a brief moment and then be seated as his or her name is being called out and I ask and request the audience to refrain from applause until the very end. From the audience's far right, Beverly Brooks, Managing Director, Director, Kingsdale Communications, Director, The Empire Club of Canada; Julia Croman, Julia's a high school student from Runnymede Collegiate, and she just informed me that this summer she built her own computer. Reverend Perry, Director, The Empire Club of Canada. Tony Fisher, President, Target Canada, Brendan Maher, national industry leader KPMG and our sponsor for today's event. Thank you very much.

From the audience's far left, John Walker, President, Transition Plus, Director, The Empire Club of Canada. Graeme Whickman, Vice-President of Marketing, Ford Canada, David Mackay, Group Head, Canadian Banking, RBC and Chris O'Neill, Managing Director Google Canada, who I will formally introduce in a few minutes. My name is Verity Craig, Managing Director of CV Management and President of the Empire Club of Canada. Ladies and gentlemen, your head tables guests.

I want to very quickly recognize a few very special guests in our audience. I'm delighted to let you know that we have a table of students from Runnymede Collegiate. Could I students? Thank you for joining us, and could you please rise and be recognized?

Head Table Guests

John Walker, President, Transition Plus, Director, The Empire Club of Canada

Graeme Whickman, Vice President, Marketing, Ford Canada

David Mackay, Group Head, Canadian Banking, RBC

Beverly Brooks, Managing Director, Kingsdale Communications, Director, The Empire Club of Canada

Julia Croman, High School Student, Runnymede Collegiate

Rev. M.J. Perry, Vice-President and Owner, Mr. Discount Ltd., and Director, Empire Club of Canada

Tony Fisher, President, Target Canada; and

Brendan Maher, National Industry Leader, KPMG

Introduction by Verity Craig

It's now my pleasure to introduce our keynote speaker for this afternoon, Mr. Chris O'Neill.

I've been especially excited to welcome Chris to this event. It is not only our first event of the season, but this is my first event as President of The Empire Club.

About a year ago, Chris returned home to Canada with over 15 years of experience in marketing strategy media in partnership development.

Most recently, he served as Director of Retail for Google's US operations, and now the leadership of Google Canada.

I'm confident that if Canada is prepared to learn, Google can teach us about how to embrace this new digital century. After all, it's the first company since Xerox to have its name become almost as well-known as a verb as it is a brand. And if you don't believe me, you can just Google it.

At the 2010, Canadian Internet Registration Authorities Annual General Meeting, Chris outlined these other facts for that audience:

- There are 4 billion photos on Flickr.
- 5 billion apps have been downloaded from the Apple App Store and 10 billion songs from iTunes.
- Google's index contains 1 trillion URLs. That's trillion, as in the US deficit.
- Every minute, 25 hours of video are uploaded to YouTube.
- One of every six minutes online in Canada is spent using social media.
- There are more mobile phones around the world than clean toilets.

That was a year ago. I can only imagine what those numbers are today. But personally, I can only hope that the number of clean toilets is catching up. Hopefully Chris will be able to update us. Ladies and gentlemen, please join me in welcoming Chris O'Neill.

Mr. Chris O'Neill, Managing Director, Google Canada

Good day, everyone. Thanks, Verity for that very kind introduction. And thank you so much to the Empire Club for having me here today. It's always interesting to hear your career played back to you.

In listening to it, I have two thoughts. One, I'm incredibly fortunate for the opportunities that I've had, but two, I'm also keenly aware that given many of my colleagues at Google are much younger than I am, most would find my bio a bit light for someone at the age of 38, must clearly be in the twilight of his career. It's great to have so many young and smart colleagues to keep you in place.

I'll tell you a couple things about my bio that my bio doesn't. I actually started my career not in Silicon Valley, but on the floor of my father's Canadian Tire store in Goderich, Ontario.

I apprenticed as a cashier, barbecue and bike builder, a warehouse dude, and a janitor. I learned some very important things about hard work, customer service, the importance of great quality products and clean bathrooms, all really important stuff in retail.

I'm also a dyed-in-the-wool 100% unapologetic geek. That means the clock on my DVD never flashes 12, and I love having the latest and greatest devices. At last count, the number of computing devices versus humans in my house is currently at about 3:1.

A big part of my geekhood is my absolute love of the internet. It's an absolutely transformative technology. The internet has grown from virtually nothing to 2 billion users. It's available on Mount Everest, and on the South Pole. Over three quarters of Canadians access the internet every day. For Canadians aged 18 to 34, internet penetration is basically 100%. It's become such a profound part of people's lives that for in five adults worldwide now view internet access as a fundamental human right.

Plus, if you've ever taught yourself how to play guitar, make cannoli, or moonwalk by watching some YouTube videos. You know, it's really darn fun and educational.

I grew up in Canada and spent about 12 or so years in the US working in finance, management consulting and high tech. Now I've been back in Canada for a year with Google and I think I have a pretty well rounded perspective into the DNA of Canadians, Canadian business and the differences between Canadians and US.

An inescapable thought that's struck me in the past year is that innovation in this country is basically broken. I think that as Canadians interested in the success of our economy and our long-term future, we should be concerned that we're possibly being left behind in this digital revolution.

Now we're not talking about missing out on a few HBO series by a couple years, we're talking about something much more fundamental. Inventor Douglas Engelbart said, "The digital revolution is far more significant than writing, and even printing." Now I'm going to leave that up to others to debate whether he was reaching too far, but I will say that the size and importance of the digital economy is absolutely undeniable. And furthermore, our participation in this digital economy, our ability to catch up to some of the leaders in the world, the US, the UK, Israel, and the digital economy is really a function of our ability to innovate.

Our lack of success so far in the digital economy, particularly in science and tech, will impact our standard of living. Per capita income in Canada vs. the US, Canada lags by approximately 20%. I think this fact would surprise most Canadians; I think we should be concerned about it. I think it's an imperative of all of us to fix innovation in this country. We need to recognize innovation as a key part of driving our standard of living in our economy and making private sector investment in science and technology a national priority.

Now my goal today is to discuss a couple of things: why we need to address this challenge around innovation, and why we need to do better and how we can do so. I'd also like to impart some of the insights from being a Google employee for about six years, I think we have a particular approach to innovation that is really fueling our success. And I do this so that perhaps I'll inspire some of the Canadian business leaders who want to learn from these lessons.

Having grown up in a small business family in Canada, and now having my own family established here and back here in Canada, I'm really interested as anyone else in seeing us prosper; in seeing our standard of living get better and better over time. But there's no magic door like Mario Brothers that we can just push to increase the standard of living. The key lies in productivity gains, which are currently lagging those of other countries with whom we compete. Our economic productivity growth is currently second last in the G8. Only Italy does worse.

I think that one of the legacies of our long-established industries in manufacturing in Ontario is the mindset that productivity gains equals investment in machinery on the shop floor. Now, this may be important for manufacturers but as a country, it's not our most important bet for the long term. We need to be thinking bigger, we need to be thinking about growth, and particularly innovation in science and technology; that holds the greatest opportunity for Canada in the long term.

Take the internet, as the biggest driver of much needed growth. Think of the UK for a second, the internet is estimated to account for about 7% of their GDP; that number will grow to 10% by the year 2015. Plus, research has shown companies that use the internet are growing about four times faster than those that do not. In short, the internet is not only making inevitable change faster; it's become an engine for economic growth. It's recast the way we communicate. It's transformed the way we learn and share information. It's empowering people everywhere, and making the world more open, fairer and more prosperous.

There are some warning signs that Canada is falling behind, as I mentioned. For example, less than 50% of our businesses even have a website. You know, much to my wife's chagrin, ecommerce barely exists in this country. A recent study found that less than half of Canadians actually are online shoppers. By comparison that number is north of 60% in the US, 70% and UK and over 90% in South Korea. As a country were falling a little bit short in science and tech as well; of the top 11 countries that make the Fortune Global 500. Only one, RIM, is based in science and tech, and it ranks at 498 on that list.

Now I don't want to paint a story of doom and gloom, I'm actually very optimistic about the future. I believe that the gold ring of wealth creation through innovation just lies right beyond our grasp, and we're gonna get there. Now, Canada owns the podium across most of the web. And we are the most wired nation in the world. On average, Canadian spent over 40 hours per month online. The reach of our broadband infrastructure puts us in the top five in the world. And while our e commerce stats are kind of stinky, we lead the world in online banking. No other nation has more penetration of online banking than we do.

In the realm of social media. 15 million Canadians visit Facebook each month and 10 million Canadians go there every day. The truth is, we need Canadian businesses to show as much passion and enthusiasm about the web, as do our citizens. Now we've already shown that we can do this. It's possible to create pockets of great wealth of great amazing high tech entrepreneurship, like what we see in Toronto and Waterloo. There's thriving startups that are existing in these communities. As a result, we have one promising green sprout called Mobile. Canada has quickly emerged as a world leader in mobile software development, and venture capitalists are taking note as well.

By my count in 2011, we've had over 20 startups acquired here in Canada, which is which I think is actually good news. And the even better news is that Mobile is one of the biggest driving forces in this digital revolution that we're talking about. But doing so will require a different approach by business, and I submit government as well, which fully recognizes the opportunities that are available to us. I believe business leaders need to innovate online and place internet and mobile technologies at the core of their strategies and services. The customer experiences should really make it indistinguishable between online and offline. Retailers just simply need to embrace ecommerce; new ecommerce solutions, video formats, social media to make this happen. Advertising budgets need to be shifted aggressively online.

Right now. 11% of Canadian media is spent online. And that just needs to follow where people are spending their time which is increasingly digital. I believe every company should have a digital expansion strategy. The Internet provides you all the tools to expand regionally, nationally and internationally. Geographic borders don't translate into digital borders, and good business is wherever you choose to make it.

Your government also has a very important role to play. We need to strengthen our infrastructure of the digital economy itself and remove the physical and regulatory barriers that are holding back innovation. If the government and private sector collaborate, as one example, on the building of a superfast broadband network, Canadian consumers would have the means and the access to a whole new class of high brand bandwidth internet applications. It would create a great opportunity for Canadians to lead in the development and marketing of these next generation applications.

As an example, in early 2012, Google was partnering with the US state of Kansas to install a one gigabit per second fiberoptic network in Kansas. To contextualize that for you, that will mean that the people in Kansas will have internet speeds that are 500 times faster than the ones that you have in your house today. Now, I suggest this is an experiment that the Canadian government watch very closely so we can learn some lessons.

I think it's another part of government's policy to really support startups and engineers, and in particular entrepreneurs. We should emulate startup systems and ecosystems that exist in places like Boston and Silicon Valley, by investing in the venture capital industry. And I'm not suggesting the government become a VC. But really, I think they could become a limited partner to get some momentum going. And there's good precedent for this, like the Quebec government has done with Real Ventures over the past few years.

Another key of course, to this is education. It's great to see students here and I love to hear stories like Julia's, where she spent the summer building a computer. We'll have to share some stories and maybe get her resume later. At the university level, we really just need to ignite people's passion for science and engineering, starting with kids. Last June, Obama announced a program in the US to train 10,000, incremental engineers each year. I'd love to see that happen here in Canada as well, maybe not 10,000, but a lot more, because we need more engineers. Now, I realize these are big goals. But the world isn't waiting. The world keeps turning, and technology is progressing at an astounding rate.

What about innovation at Google, I'm very blessed to work at such an innovative company. I think Google's success is really a testament to its commitment to fostering an environment where innovation can flourish. Our thinking is shaped by the engineers that started and lead our company today. If you talk to an engineer, you quickly see that they see the world slightly different. They don't accept the world as it is. They don't just adapt to the world around them. They ask simple but poignant questions. I like to think of it as a grownup version of my five year old kid Jack's constant refrain, "But why daddy?" They mix a passion for solving massively big problems with an innate curiosity. And wouldn't the world be a better place if we stopped to ask why? Why does it have to be this way? Isn't there a better way we could do it? I think it would be.

I'm going to share three keys that guide my colleagues at Google around an innovative culture each and every day, I think it could help us. First, have a mission that matters. Work can be so much more than a job when it stands for something that you really care about. Google's mission is to organize the world's information and make it universally accessible and useful. This simple statement guides all of our decisions. When we start working in a new area, it's often because we see an important issue that hasn't fully been solved, where we think technology can make a difference.

The latest example you see in the press today is Google Plus. When Google Plus launched with a lot of help from our friends, in Kitchener-Waterloo, our great engineers up the road, we wanted to make sharing on the web more like sharing in real life. We realized that interactions between people are increasingly happening online, and yet the subtleties of real-world interaction were lost with the rigidity of social networking and online tools. So our mission is one that has the potential to touch many lives. And we make sure that our employees feel connected to it and empowered by it. In times of crisis, they have helped by organizing lifesaving information and making it readily available.

One of the examples I'm most proud of is something called the People Search Finder, which allows people to find out if loved ones are lost in times of crisis. During the devastation in Japan, Google launched this People Search Finder within 90 minutes, and it literally did save lives and certainly make people feel a little bit more at ease and in times of a terrible crisis. The old proverb that Necessity is the mother of invention. It's the notion that difficult situations inspire wonderful, wonderful solutions. The same can be said when people have a mission that matters. That mission can inspire innovative thinking to tackle the biggest challenges.

The second lesson is to take risks and say yes. With so many great ideas, knowing which ones to say yes to can be hard. But the truth is, people remember your hits far greater than they remember your misses. It's too easy to say no, to be cautious. It's okay to fail. As long as you learn from that failure. Trust me, Google fails all the time. You know, just last week, we announced we're going to shut down 10 products. And that's a failure; but that's part of the price for innovation. Not to make the head of any investment bankers in the room spin on its axis, but I think we should be looking and celebrating companies that fail the best, or at least fail the fastest --what do you guys think? We should strive for continuing innovation, not instant perfection.

There's a great parallel for risk and reward that many Canadians are intimately familiar with, learning how to skate. So, I moved back here last September, and my son Jack wanted to learn how to skate. So, we put a rink in our backyard. You know, skating requires a lot, it takes patience and poise a lot of persistence, which is all a really nice way of saying, if you want to learn how to skate, you got to fall on your butt. Jack took a little bit of time to learn that, but I think there's a parallel for Canada.

If we want to play in a global stage and digital economy, we have to learn to accept failure and view it as tuition for game changing innovation, look at it as a badge of honour, not a source of embarrassment. And all too often in the past year, I've heard people say that Canadians are not risk takers. From early-stage ventures to daily operations of companies, the urban myth of the unadventurous Canadian plodding to work has taken root in our psyche. To a certain degree in certain sectors, I can see the point, but I think the idea that culturally, Canadians are inherently unwilling to take risk is just far too simple a diagnosis.

For one, there's a well-established Canadian mob running and ruling many parts of Silicon Valley. Now take Google, for example, six of our top brass are Canucks. And let's not forget, Canada is an entrepreneurial country. The OECD estimates that Canada is among the top five countries in the world for starting a business.

And if you look at our history, we take lots of risk. We just like to understand it first.

In the areas of economic endeavor, where we have lots of context and history, we are total swashbucklers. We do things that people in California would take one look at and say, "you're absolutely crazy."

Can you imagine investing \$500 million in a project to find and extract minerals for the earth, with no payoff for at least seven years?

This is the kind of entrepreneurial spirit I'm talking about. The kind of risk taking we as Canadians take for granted. And there are a lot of examples like that out there.

So, when I hear people say we're not risk takers, I say BS. We just take the time to ask, "Risk and what, and why?"

But when it comes back to science and tech, swinging for the fences in science and tech is just something we just don't feel comfortable yet doing. This is one of those sectors where that swashbuckling attitude is sorely missing. I think we do well to seek lessons from our innovation below the ground, to help us win above it.

The third is that ideas come from everywhere.

At Google, we believe that ideas can come from anyone, anywhere at any time. We believe so much in this that we encourage employees to spend 20% of their time pursuing whatever they find interesting. Now, to most companies, giving employees one day per week to pursue their passion project might seem totally outlandish, but let me tell you, it's key to our success. In fact, as much as 50% of the projects that we're working on today are a direct result of this policy. Without it, you wouldn't have Google News, Google Talk, Gmail, among dozens of other things that we know and love.

I give you these examples as proof that when you open yourself up to the innovation of your colleagues, wonderful things can happen, and the risk is really worth it.

We create platforms that allow us to open source ideas internally and collaborate with artists, companies, brands, agencies, rock stars, activists all over the world; people with truly wonderful ideas that are amplified by working with us.

We do some great things at Google, but it's only because we cultivate this collective creativity and productivity of all of our people, not just in our company but outside it. And if you indulge me, I'd like to close my discussion with a quick story about a fishing village in Mexico; and sadly, it doesn't involve tequila.

I'm sure many of you have visited some of those small coast coastal towns in in Mexico. Here tourists will often see the catch of the day that are coming back from the ocean being hauled to the market. And the crab vendors that are called "crab-masters" keep their catch in these large shallow pans for the tourists to see and buy. One tourist, after looking at the pans, asked a pretty good question. He said, "Why? Why with their long legs in their claws don't they just climb up and go get to freedom?" The crab-master replied, "Well, Señor, these crabs have a characteristic that is indigenous to only these types of crabs, and that is: every time one of the crabs is just about out of the pan, another crab, grabs him and pulls them back into the pan."

So, as we set ourselves to the task of fixing Canadian innovation, we may run into some "crabs" that are going to try and pull us back down, who say it is in Canadians' nature's not to be afraid to innovate, to be too risk-averse to be a technology leader.

As Mahatma Gandhi said, “You have to be the change you want to see in the world.”

As I look around this room, I see the business acumen, the proven risk takers, the innovators of Canada's business leadership, I think that we as a country have what it takes to rise to the challenge I've laid out here today, to establish Canada as among the digital leaders in the world.

Thank you.

Verity Craig

I'll now call upon Brendan Maher to do the formal thank you.

Note of Appreciation by Brendan Maher, National Industry Leader, KPMG

You know, Verity started out, mentioned a couple of times the number of toilets in the world. And Chris got up, he talked about his early career, janitorial services and bathrooms and a number of things being BS. So, I'm tempted to continue that metaphor, but I'm not going to do it.

A couple of things, Chris, that you said that just struck a chord with me. You know, at KPMG, one of the things we've seen in the last few years, for a long time, it's just a continued level of investment in Canada, and Canadian companies by Google, especially Zynga, Intel, IBM. And I think that's just a testament to the technology ecosystem that we've got here.

When you think about the positive things, and again, Chris, you mentioned them just a proven track record of innovation, great caliber of the workforce, active immigration of skilled entrepreneurs in the tech area, great schools and universities. So, I think all the seeds are there for just continued great success. And in our tech practice, we do see some companies in the mobile area in the social area, that are just showing that commitment to innovation and thinking big that I think bodes well for the country, and hopefully, for the next Google that we're gonna see. So, on behalf of the Board of the Empire Club, everybody here today and KPMG, thank you for a very interesting and entertaining talk on innovation at Google.

Concluding Remarks by Verity Craig

As a token of our appreciation on behalf of the Empire Club, I would like to present you Chris, with a selection of quotes and notes of over 100 years of Empire Club speeches.

Finally, each of you should have a list of upcoming events on your table, and I'll just go through a few of them with very interesting and amazing speakers ahead of us. We have the regional Grand Chief Angus Toloose who is joining us on September 27, he's Chiefs of Ontario, and that'll be at the Royal York Hotel. And on Friday, September 30, we are having Tim Hudak obviously leader of the Ontario PC, and on Tuesday, October 11, we are having Lyse Doucet, TV news anchor and bestselling author at the Royal York hotel. October 26. we'll be having Ian Greenberg, President and Chief Executive Officer of Astral Media join us and that'll be at the Sheraton center.

I'd like to finally say thanks to KPMG for sponsoring our event today, as well as our VIP reception.

Thank you very much, and Mr. Discount for sponsoring the student table. I would also like to thank *National Post* as our print media sponsor. And this meeting will be carried and aired on Rogers TV, and we're very grateful for their support.

We are now on Twitter and Facebook. And as well we have a web address, web address, [www dotted empire club.org](http://www.dottedempireclub.org). Or you can always just google us. Thank you all for coming. We look forward to seeing you again soon. And this meeting is adjourned.