HF1479 .P73 S4 QUEEN

PROSPERITY CONSULTATIONS

Canadian Commercial Services Industry

A Contribution to the



This report has been prepared by a private sector consultation group at the request of the Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, as a contribution to the Prosperity Initiative.

This document is one of a series of reports setting out the conclusions and recommendations arising from intensive consultations on the competitiveness challenges facing major industry sectors across Canada.

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The Canadian Commercial Services Industry Responds To The Prosperity Initiative

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EXECUTIVE SUMMARY

THE CONTEXT

This report summarizes the viewpoints expressed during the consultation process with the Business Services Sector in response to The Prosperity Initiative request from the Honourable Michael H. Wilson, Minister of Industry Science and Technology (ISTC) and Minister for International Trade.

This document does not reiterate the importance of competitiveness as the key to improving the standard of living and reducing the burden of our social contracts, but rather embarks from that fact and makes concrete proposals for action.

All participants recognize that Canada's traditional reliance on raw materials and agricultural exports to generate wealth will not be sufficient for the attainment of the employment levels and prosperity Canadians expect. At the same time there was no sentiment in the consultation that higher goals were out of reach. The inherent optimism, however, is tempered by a strong sense of urgency that actions are required and that the clock is running against Canada as we continue to debate internal issues. We are in danger of shrinking the economic pie as we continue to discuss how it should be divided.

The report has adopted this sense of urgency and focused on recommended actions, who should initiate them, and when it could be expected a start would be anticipated.

We particularly thank the contributors to this report include chairpersons Gilles Belanger, Peter Harris Q.C., Dr. Hugh Wynne-Edwards, Maria Rehner, Donald Hathaway, Joseph Koenig, Brian Bullock, Tom Chambers C.A., David Gray, Richard Wagner, Michele Guest, Cameron D. Campbell, Scott McMeekin, Michael Kedar and Pierre A.H. Franche. We thank them and all those in the service sector who made up the total body of advisors including the three hundred participants in the 1991 National Services Conference and the Canadians who responded with vigour, interest and willingness to form a part of the solutions.

A core group of separate sub groups, each to consult with a sectoral cross section of people provided feedback from the following service industries: Accounting, Auto Service, Commercial Education and Training, Consulting Engineers, Design, Environmental Consultants, Geomatics, Information Brokerage, Legal, Management Consulting, Marketing Research, Retail, Trucking and Transportation, and Utilities. The individual group reports are published in an appendix binder.

The business service sector comprises a broad and varied range of companies from the mature utilities, to fledgling industries like information brokerage houses. Despite this diversity, however, the issues reported by this group reflect consistent themes, many of which were echoed in the National Services Conference held in late 1991 in six cities sponsored by ISTC and the Canadian Association of Service Industries (CASI).

BUSINESS SERVICES

Services of all kinds account for almost 66% of Canada's Gross Domestic Product (GDP) and 75% of employment, and will therefore be the engine of the economic growth and competitiveness which will be achieved in the next decade.

Services and the services industry have traditionally been considered to be separate from the processes of production. In reality, services are an integral part of any organization's operation throughout the process of research design, production, marketing and distribution. Services are the key to competitive performance of any organization, private or public.

The service sector is based on individual endeavour, and requires committed, skilled, and involved people, who can combine painstaking research, and the use of technology, with intensive, intuitive study of the needs and wants of the marketplace. Heavy emphasis on education and training needs, along with the export potential of skills and know-how characterize this report. Utilizing the service sector with an effective infrastructure the production industries, both manufacturing and primary also become more competitive.

Governments do not escape attention in this report. Researchers Alan Rugman and Joe D' Cruz from the University of Toronto point out; "Lack of international competitiveness in supporting infrastructure is as harmful to the firm as poor cost structure and sluggish innovation performance in the firm itself." The consultations called for stronger and swifter action from government and its agencies to remove provincial and international barriers and to assist in the information gathering and marketing that are the prerequisites of competitive success.

The focus is on developing value-added services, as well as improving the way in which traditional services are designed, delivered, marketed and distributed nationally and internationally.

WHAT NEEDS TO BE DONE?

Most competitiveness issues are a result of failures to improve productivity fast enough and failures to recognize new opportunities and new ways to do business or to make full use of available information and technologies.

In order to improve our competitiveness, we must improve quality and efficiency by developing and incorporating new methods and technology, ensuring employees are well trained and motivated, and seeking new opportunities. The Canadian service industry need not invent every technology or market, but we must be better, faster, cheaper, and smarter at everything we do to deliver our services.

As R.S. Preston, Senior Research Director of the Economic Council of Canada pointed out: "Canadians must begin a process of renewal characterized by a willingness to quickly absorb frontier

technology, to adopt new ways to manage human resources [and] to undertake new methods of solving old problems...to do this we need new attitudes, attitudes about government, attitudes in the workplace, attitudes in our schools, attitudes about sharing, and more generally attitudes about problem solving, whether they be social, economic or political".

The recommendations of the consultative groups have been categorized into the seven headings listed below:

- 1 Learning As A Cornerstone Of Success
- 2 A Role For Governments
- 3 Competing in Global Markets
- 4 Financing, Growth and Exports
- 5 Information As A Strategic Industry
- 6 Designing For Continuous Improvement
- 7 Partnerships and Alliances

Within these sections, specific proposals call for actions. Following is a summary of those actions.

1. LEARNING AS A CORNERSTONE FOR SUCCESS

The quality and skills of the service industry workforce are vital to its success. Forging much stronger interactions and partnerships between our educational systems, particularly the elementary and secondary schools, and individual businesses and associations will help students and educators become better prepared for competition. The goal is to support the teachers in their drive to improve the quality of the educational experience, for both skills and classical academia, through technology and experience. The successful companies of the future are developing their human potential and skills through increased training and the exchanges will benefit all parties. Actions to take in developing a more skilled and flexible work force include:

- making the education system more accountable for achieving results based on standard tests
- increasing the number of students in the sciences
- improving the utilization of technology in the classroom
- working towards national standards of accreditation for academia and trade skills
- promoting partnerships between education and business, to monitor and document skills needs
- increasing the level of employer based training
- · providing key information about training resources and suppliers of training
- promoting lifelong learning for everyone and developing ways to make learning more accessible and cost effective

2. A ROLE FOR GOVERNMENTS

Eliminating the unnecessary bureaucracy and overheads of the service delivery systems in governments of all levels is a step in the right direction. Downsizing, restructuring and the use of better methods to make their organizations leaner and keener have been realities for survival in the private sector industries. We should expect no less from governments. Recommended action for government include:

- consistent market-based national regulatory standards
- removal of inter provincial barriers to trade within two years
- measuring cost effectiveness and competitiveness implications of government spending programs
- making taxes more visible, simpler, and competitive
- lowering deficits and paying down the debt
- more efforts to commercialize government research
- incorporate total quality management practices in government
- establish prosperity and competitiveness, consultation and measurement as a permanent economic management instrument
- immigration policies to bolster competitiveness

3. COMPETING IN GLOBAL MARKETS

Canada's trade representatives can do a lot more to promote our exports. By providing international business intelligence about markets and trends in country markets, and expanding opportunities for services, we have the opportunity to show a trade surplus in services and other industries with trade deficits. We must:

- continue to simplify trade legislations
- · develop export opportunities and strategies for services
- aggressively seek new trade relationships
- increase both the training and assignment duration of trade representations
- develop export market intelligence information and make it readily accessible
- improve effectiveness of trade missions
- emphasize to External Affairs offices the importance of providing service to exporting companies

4. FINANCING, GROWTH AND EXPORTS

Financing growth for the services sector is critical but the mechanisms are incomplete. Many of the financing methods available to companies, including those supported by governments such as the Small Business Loan Assistance (SBLA), are based on physical assets such as plant and equipment. New innovative concepts are needed to allow the financing of intellectual property and knowledge based activity which characterizes

Business Services. Ironically, the banks themselves are essentially knowledge based companies but prefer to lend on "hard" assets. Action items for the financing structure include:

- changing the criteria for SBLA and FBDB financing
- giving tax advantages for new ventures particularly in information technology
- examining the potential for innovative types of capital pools

5. INFORMATION AS A STRATEGIC INDUSTRY

Intelligence gathering and dissemination are key elements of competitiveness and providing this information is a Business Service for the years ahead. Understanding what changes are taking place in consumer demands, competitors practices, untapped markets, and new technologies, is essential to survival, let alone growth. Strong teamwork between government and industry will profit both in this tactical evaluation. Recommended actions include:

- coordinating business information centres and improving access
- improvement in response time to general business queries
- enhancing government's role as an information centre
- moving from data to information to intelligence adds value domestically and make services more exportable
- the rapidly evolving technology of computers and telecommunications provides a base for new markets and totally new services that link countries at light speeds

6. DESIGNING FOR CONTINUOUS IMPROVEMENT

Canada has treated design as an art form, and innovation as a separate process. Design and innovation are integral parts of an organization's total process. While design is form, it is also process, and it affects fit and function. Many manufacturing efficiencies can only be achieved by superior design and innovation processes and use of technology to minimize deficiencies and improve productivity. Design superiority will enable branch plants to export more fully the broader capabilities of their staff to the benefit of the owners and employees. Actions for continuous improvement include:

- developing competitive advantage by design innovation
- developing strong marketing strategies and acquiring in a global mandate
- promotion of best practices in business and schools which teach them
- developing a strong continuous innovation culture

The ability to remain competitive is a continuous process. A non-political, permanent mechanism to monitor and follow up both the actions and the processes needed to be put into place, including the establishment of a Prosperity or Competitiveness Council. Industry associations must play a bigger role and success stories and accomplishments must be promoted as role models

7. PARTNERSHIPS AND ALLIANCES

- Partnering of companies through their trade association has already begun at the Pulp and Paper Research Institution
- Canadian Labour Productivity Centre is an example of an alliance between business and labour
- Several Canadian universities have developed and are developing alliances with foreign universities and companies

Canadian Service providers will not be able to perform all the research, development and innovation to create totally "Made in Canada" solutions to the emerging opportunities. New forms of partnerships and alliances within Canada and across the globe will be an important constituent of the future industry forms.

WHO SHOULD DO IT?

Most initiatives mentioned in this report will be driven by the private sector, with participation and support from government and labour. Historically adversarial relationships must be re-fashioned and common goals must be targeted to ensure all Canadians work towards competitiveness goals and share in the prosperity. Without the co-operation of labour organizations to achieve global competitiveness by Canadian firms, the security of the jobs of their members is at serious risk.

Service industry associations must play an active role in the setting of goals and the promotion of the progress made by their member companies to create the partnerships and alliances for institutional change. Simple advocacy is no longer sufficient to accelerate the changes needed to promote competitiveness and the economic growth which will feed improvements in the standard of living.

The efforts to form a Canadian Association of Service Industries (CASI) is only one example of how business may increase its influence on the process. CASI's goal is to provide an alliance across the full spectrum of the service sector that will promote the conditions for growth and removal of barriers that restrict its companies both domestically and in export markets. Such an organization will liaise as an equal with the coalitions that exist in other countries to develop competitive positioning for Canada's companies.

It is strongly recommended that a permanent council be appointed by parliament. This council would overview and report on the steps taken in response to the consultation and the effectiveness of those actions to improve Canada's global competitiveness and other goals included in the Prosperity Initiative. It is the judgement of those participating in this consultation that the issues and long term goals require a permanent structure and pragmatic unprejudiced assessments on a regular basis.

The overall mood of those in the service sector is to be responsive to the request, and in the consultations they accept responsibility to be part of the solutions. Finger pointing was not on the agenda. The approach is that actions taken and attitudes changed will ripple through the sector to reinforce the optimistic vision put forth by the groups for the potential for Canada to win in global competition.

The positive role for government is as a facilitator and catalyst as well as providing the infrastructure for a competitive environment. As a service provider in its own right, government must strive to both follow and lead the private sector in cost reduction and quality improvements. Government also has a role to play in bringing together business, labour, institutions and the public to help forge partnerships and share information about opportunities.

It is very encouraging to note that for most of the recommendations incorporated in this report on specific actions to support the goal of improved competitiveness, there are examples already underway in various areas of the country. The role of moving the nation forward then becomes one of emulating successful initiatives in other regions and gaining fuller participation in the process. We must promote those creative partnerships and alliances which will strengthen the fabric of innovation and global excellence.

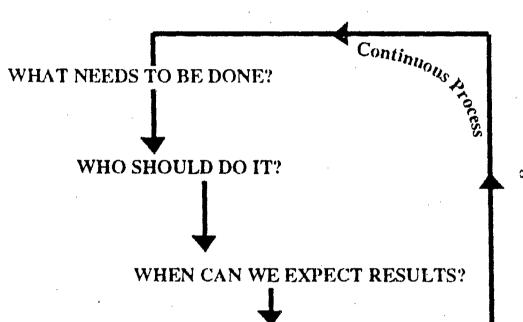
WHEN CAN WE EXPECT RESULTS?

As we continue to debate the issues, our competitors are moving ahead. The European Community, and the Pacific Rim countries tend to move quickly. They have a history of identifying major issues, and resolving them within a timeline. Canada has been debating much less complex issues over a number of years with little or no resolution. There is a need to launch the positive competitiveness agenda and to begin to measure progress toward established goals.

In getting Canada on the path of continuous improvement in all of the areas proposed in this study, progress needs to be measured at regular intervals of, say, six months. While the results may take many years to become evident, we must measure progress by the initiatives that are begun, and the processes that are set in place to continue the evolution. It is not enough to simply start a program, hire several civil servants to administer it, and throw money at it. The process of monitoring and measuring effectiveness must be submitted to public scrutiny, as must the objectives, both long and short term.

"The only way to lead people is to show them a future: A leader is a dealer in hope."

- Napoleon Bonaparte



Learning As A Cornerstone of Success

HUMAN RESOURCES

The quality of our human resources is the most critical determinant of competitiveness in the knowledge and information intensive Business Services Sector. The World Competitiveness Report, which studies the 23 OECD countries, reveals a direct correlation between people factors and overall competitiveness. The relationship between education and wealth generation is becoming more and more acute, as is the relationship between lack of education and poverty. A willingness to work can no longer ensure a reasonable standard of living. Over a half a million Canadian jobs remain unfilled due to a lack of qualified personnel, not to mention the ancillary jobs they would create. Canada has a good educational system, but out competitors are adapting to the skills of tomorrow faster than we are.

A skilled and adaptable work force is central to improving Canada's competitive position and, hence, our standard of living.

OUR LEARNING SYSTEM

Canada spends over 7% of GDP on public education, more per capita than any country in the world except Sweden and almost twice German spending. Nonetheless, our 30% dropout rate is roughly triple that of Germany and 20% of Canadian adults are functionally illiterate. Both figures are among the highest in the industrialized world. In addition, our performance on international science and math tests is among the worst. The problem is not government funding; but what we get for our dollars.

Our current system is too expensive and delivers unsatisfactory results, a state of affairs we can no longer afford to tolerate. Teachers tell us that dealing with students' emotional problems is taking up more and more of their time, leaving less time available for teaching. This would seem to indicate a greater need to concentrate on those subjects we consider most important, and yet rather than greater focusing of our efforts, the last twenty-five years has seen a proliferation of new course offerings.

We must all accept responsibility for having created an educational system that is too expensive and delivers unsatisfactory results. Business, labour and the general public must become both more demanding and more involved. Our primary objective must not be to understand why our students do poorly on international tests, but to help them do better.

A debate is currently raging over the need and desirability of national education standards. We must not be deterred by those who argue that standards limit flexibility, discriminate against minorities and the underprivileged and stigmatize those who do poorly. Standards are intended to ensure that all students receive an education that adequately prepares them (and Canada) to compete successfully. While it is true that greater emphasis on core subjects could leave less time for elective offerings, it is completely untrue to say that they limit flexibility in terms of teaching approach. Tests measure results, not teaching method. In fact, standardized testing will lead to earlier and more reliable identification in teaching methods that work, including new methods, and the circumstances in which they work best.

All students must compete for jobs after graduation, and there are no signs that employers are likely to hire less qualified candidates because they are from minority or underprivileged backgrounds, nor can they afford to do so. A system which avoids stigmatizing its students by leading them to believe they are doing well, while providing them an inferior education, practices discrimination of the worst kind. It is well known that expectations affect outcomes. Neither Canada nor any of its people can afford a system that begins with the assumption that any of its people are inherently inferior. Rather than basing a system on such prejudice, the business sector must join with schools to encourage students to believe that they can compete and provide programs to help them to do so.

Minimum standards for core subjects are necessary. To send students who have not achieved basic levels of literacy and numeracy on to courses which require such levels is to ensure that they will feel frustrated and inferior in the future. It is both foolish and cruel. Students who "benefit" from such treatment seldom require standard testing to tell them they are failing. In a final attempt to spare them the "stigma of failure" students are again advanced, but are then shunted into easier programs, which amount to educational ghettos. It is little wonder that many students eventually conclude that school is irrelevant. Industry and its associations must work with educators to devise programs that will enable students who do not do well in classical academic programs to obtain skills that will be useful to themselves and society.

ACTION: BY PROVINCES AND BOARDS OF EDUCATION

USE STANDARD NATIONAL TESTS TO FOCUS ON RESULTS



Standard testing must be implemented to measure progress and identify effective methods and the conditions in which they work best. Our focus must be the desired result - the best possible education for our students. Standard tests should be instituted to ensure adequate knowledge of course material by our teachers.

Most private schools do not require teachers to have attended teachers college, yet provide a high standard of education. Shorter teacher training courses, which could be attended after hiring, would make it easier to attract highly qualified candidates. The shortened course should also be made available to instructors involved in private sector training companies, apprentice programs, universities and colleges.

Teacher advancement should be more tightly tied to student performance on standard tests, rather than secondary factors such as seniority or ability to get along with administrators.

CREATE POSITIONS TO ENABLE EXPERT TEACHERS TO OBTAIN PROMOTIONS WITHOUT GOING INTO ADMINISTRATION

The private sector has a long and perverse history of turning excellent technical people into poor managers, solely because it has been the only avenue for "promotion". To rectify this situation, some of the best companies are creating enhanced career paths for technical experts. The best teachers must also be permitted to obtain promotions without leaving teaching. Rochester, New York has created a new career stream for expert teachers who wish to remain in the classroom. They can now aspire to positions in which they teach fewer of their own classes, but spend much of their time in other classes, coaching the skills of other teachers.

MAKE CORE SUBJECTS THE PRIMARY FOCUS

If it is true that dealing with new social pressures is leaving less time for teaching, then we must place greater emphasis on the teaching of the skills we consider most important - the core skills.

REVIEW OPTIONAL COURSES FOR COST/BENEFIT AND MAKE DELETIONS AS APPROPRIATE

School authorities should assess the costs vs benefits of optional course offerings. The analysis should be conducted within the context of limited budgets and the necessity of providing adequate instruction in core skills.

A useful model for a long term program has been developed by the Breakthrough Organization in the U.S. and used on a small scale, with considerable success, by Vancouver Youth at Risk. The possibility of modifying this program for general use in schools should be investigated.

FOCUS ON EFFORT AND RESPONSIBILITY, TEACHING STU-DENTS TO OVERCOME RATHER THAN AVOID ADVERSITY

Success must not be defined as: the avoidance of adversity, failure and blame. It can be argued that the most successful individuals experience all of the above in inordinate measure. Rather than preparing students to face life, a system that places more emphasis on protecting them from failure than on effort and individual responsibility, may actually increase their vulnerability to life's inevitable setbacks. Instead of protecting children from failure, we must use failure as a learning experience. The enemy isn't failure; but failure to try to learn.

ACTION: BY BUSINESS, LABOUR AND GOVERNMENT



SPONSOR A SERIES OF NATIONAL CONFERENCES ON EDUCATION

These conferences will raise the profile of the debate and remove it from the exclusive domain of "experts"; establish core priorities; and debate national standards. The constitutional conferences would be a model for this exercise. Parents and the public at large would be involved in this interface with academia.

INCREASE PRIVATE SECTOR INVOLVEMENT IN EDUCATION

The private sector must become more involved: identifying skills requirements and developing curriculum; providing in-service training of teachers; and via direct contact with students through co-op programs, class visits and company tours. Companies must free employees to make classroom visits to assist with teaching, conduct tutorials, provide insights into alternative courses of study and career paths, and give encouragement. The Calgary Board of Education is a leader in developing private sector alliances, with over 100 established. In the realm of co-op programs The University of Waterloo is a world leader and would be a natural choice to help model, nurture and expand programs into secondary schools.

CREATE A PERMANENT AGENCY TO REVIEW CHANGING EDUCATIONAL DEMANDS AND EFFECTIVENESS OF TEACHING METHODS, DISSEMINATE INFORMATION AND FACILITATE CONTACTS ETC.

This organization must include representation from all sectors of society, including business, labour, academe and the general public. Its task must be to ensure that our educators are kept abreast of developments within Canada and around the world. It must not be seen as a federal encroachment, but a source of valuable information.

ACTION: BY BUSINESS AND LABOUR



BUSINESS AND LABOUR MUST WORK WITH EDUCATORS TO CREATE A GREATER EMPHASIS ON SCIENCE AND TECHNOLOGY AT ALL LEVELS

Canada ranks 17th among the 23 OECD countries in terms of such measures as per capita number of scientists, patents, intellectual property copyrights and R&D expenditure. Worse still, enrolments in post-secondary science and technology programs declined by almost 20% during the 1980's. Funding must be restored to science and technology programs and students must be encouraged to pursue such studies.

ACTION: BY BUSINESS



BUSINESS MUST ASSIST TEACHERS TO INCREASE THE CLASS-ROOM USE OF TECHNOLOGY AND RELATE STUDIES TO REAL LIFE APPLICATIONS AND CAREERS

Students are often discouraged by dry studies of scientific laws and computer programming techniques etc. Teachers must be made aware of the real world relevance of the subjects they teach and must pass this on to their students. Visits from private sector practitioners are invaluable for putting a human face on subjects and providing interesting examples of real life applications.

Few Canadians recognize the importance of science and technology practitioners to our quality of life and standard of living. A campaign is required to explain the importance of technical skills, describe career opportunities, and present socially positive images of practitioners. Advertisements similar to the original Participaction messages could be effective.

MANAGEMENT DEVELOPMENT

Canadian managers are ranked 11th out of 23 countries by the OECD, and they are considered to be among the most vulnerable in terms of changes in practices, trends and technology. Although they do many things well, our management programs put insufficient emphasis on technology. As a result, graduates are frequently reluctant to deal with technical issues. This is a major cause for

concern given that competitiveness is increasingly a question of ability to adapt new technology to products and processes. More emphasis must be placed on the development of technically competent managers.

ACTION: BY BUSINESS AND UNIVERSITIES



GREATER EMPHASIS ON MANAGING TECHNOLOGY AND TRAINING IN POST-SECONDARY MANAGEMENT PROGRAMS

At present many business graduates return to pursue MBA programs, which largely duplicate undergraduate programs. Rather than spend money on such redundancies, we should introduce hybrid management/technology programs at the graduate level, which will add value to such individuals. In addition to familiarizing students with technical concepts, all management programs must deal with organizational/human resources concepts ie. for creating continuous-learning organizations in which all employees are expected to bring their brains to work.

Canadian managers must learn to see change as opportunity and not something to be feared and avoided. In the longer run, it may be desirable to de-emphasize undergraduate business programs in favour of science and technology and emphasize business education at the graduate level.

LABOUR MARKET PROGRAMS

The OECD considers labour training a major weakness of the Canadian economy. While Canadian government spending ranks 11th of 23 OECD nations in terms of total labour market spending as a percentage of GNP, we rank only 14th in spending on active measures (eg. training), whereas only 3 countries devote a larger share of spending to income support for trainees. In addition, private sector spending on training is even more inadequate - the average Canadian worker receives only 1 day of training per year. Canadian companies spend less than half as much on training as their U.S. counterparts and one fourth as much as German companies. What is more, the Japanese have committed to achieving "10 by 2000" ie. to devoting 10% of their employees' time to training (24 days per year) by the year 2000.

The OECD also points out that our unemployment insurance program, with its special treatment for regions with high unemployment, encourages workers to stay home rather than look for work or training.

ACTION: SPONSORED BY PRIVATE SECTOR ASSOCIATIONS AND COMPANIES



CREATE HIGH QUALITY ALTERNATIVES FOR "NON-ACADEMICS"

High quality alternatives are required for students who, although they may be very intelligent, do not do well in classical academic environments. The German system, which incorporates apprentice programs into high schools, is a useful model. Two important features of German programs are: excellent private sector support; and a high enough standard of core instruction to permit graduates to go on to university, if they later choose to do so. Germany has 2.6 times as many categories of apprentices as Canada, including both manufacturing and service industry disciplines.

Society's current definition of success is inadequately respectful of the contributions of the many industrious Canadians who work in non-white collar professions. This is unacceptable and is a primary reason for the limited popularity of apprentice programs, especially among youth. In Germany, where the trades are well respected, there are 5 times as many apprentices as a percentage of population and their average age is only 17 years vs 26 years in Canada.

ACTION: GOVERNMENT, LABOUR AND BUSINESS



GOVERNMENT SPENDING MUST BE GEARED TOWARD CREATING EMPLOYMENT

GOVERNMENTAL LABOUR MARKET PROGRAMS MUST TAR-GET ACTIVE MEASURES AND DEMAND GREATER PRIVATE SECTOR SPENDING

Simply increasing government spending on training might only displace, already inadequate private sector spending. Governments must use their own dispersements of training dollars to lever adequate spending out of the private sector companies.

NATIONAL ACCREDITATION STANDARDS MUST BE ESTAB-LISHED FOR TRADES AND TRADE INSTRUCTORS

With the liberalization of Canada's internal market, it is more critical than ever that we establish national standards for accreditation of tradespeople and instructors. The former will make training more valuable to individuals by ensuring greater portability and the latter measure will ensure better, more consistent instruction and add a rung to the career paths of tradespeople.

CREATE SPECIAL IMMIGRATION PROGRAMS FOR INSTRUCTORS

Given existing shortages in the skilled trades, programs may be required to permit rapid expansion of training programs.

MAKE APPRENTICESHIP TRAINING A PRIMARY RESPONSI-BILITY OF INDUSTRY ASSOCIATIONS

Development of programs and accreditation standards should be a primary responsibility of industry associations. They are in the best position to understand the needs of their members. This militates for harmonization of programs throughout the provinces so that companies will not be forced to deal with unique bureaucratic requirements in each province.

SHORTEN APPRENTICESHIP PROGRAMS

At an average of 5 years, Canadian apprenticeship programs are too long. If German programs can turn out quality graduates in 3 years, there is no reason why we can not do the same. This measure will decrease the cost of programs and increase their attractiveness to potential applicants.

CREATE A NATIONAL AGENCY TO TRACK AND DISSEMINATE KEY INFORMATION ON PRIVATE AND PUBLIC SECTOR TRAINING PROGRAMS AND RESOURCES

Industry, Science and Technology Canada is compiling an inventory of training companies across Canada, which will measure the number of firms, amount of training conducted and capabilities of commercial training firms. To this should be added information on all government programs.

ADAPT RESOURCES TO REACH LARGEST POSSIBLE AUDI-ENCE

Training resources must be adapted to the changing needs of society. This means the provision of courses on evenings and weekends and via home study. The mass media must be fully utilized to deliver programs on literacy, as well as accredited high school, college and university courses to individuals who may be unable or unwilling to attend courses in traditional settings. TV Ontario, ACCESS Alberta, Radio Quebec, and BC's Knowledge Network all have efforts underway.

BUILDING A LIFELONG LEARNING CULTURE

The importance of continuous learning throughout our lives and careers must become embedded in our culture. This can be done by rebuilding our educational system, providing more training for employees and encouraging all Canadians to seek out continuing educational opportunities.

High school drop-outs become unemployable and untrainable. We must find ways to keep students in school **and** learning. The first priority must be to ensure that they learn the basic literacy and numeracy skills and work habits they will need to find jobs in the economy of the future.

Governments, employers, labour organizations, educational institutions, students, parents and the media must work together to find and promote solutions. We must not permit our future to become hostage to old thinking or political turf wars.

A Role For Governments

INFRASTRUCTURE

The cost of doing business in Canada is becoming too high, and many of our regulations are too inflexible. The blame is not so much labour costs as taxes, infrastructure and the costs associated with poor productivity and performance. The Government of Canada is ranked 6th of 23 OECD countries in terms of policies geared toward improving our competitiveness. Our annual deficit and cumulative debt has been a drain on our economy for the past 15 years and the prospects for the future are unfavourable unless dramatic action is taken.

The primary role of government is to provide an infrastructure which will facilitate economic competitiveness. The infrastructure should be stable, to reduce the costs of uncertainty and raise investor confidence. Quality of road systems, telecommunications, transportation, and air and sea ports should ensure we are as competitive as possible. Actions such as "removing roadblocks to promoting economic growth" are the most positive steps to take.

Canada's fastest growing telecommunications service sector which accounted for 2.7% of Canada's gross domestic product in 1990 (more than agriculture's 2.3% and more than forestry's 0.6%) will be playing an essential role in enabling Canadian economic growth in the 90's.

In striving for less regulation and the reliance on greater market forces competition in this vital industry, as strongly advocated by Michael Porter's report, the Ministry of Industry, Science and Technology, the Ministry of Finance and the Ministry of Consumer and Corporate Affairs should work with the Ministry of Communications.

A joint analysis by these Ministries of the impact of current restrictions on access to cost effective telecommunications services, in terms of economic impact on the Canadian economy, particularly in the small business sector, will accelerate actions of regulatory forbearance through legislation and enforcement of existing competition laws. As an example, hospitals, universities, hotels as well as small businesses which rely on the services of resellers are still restricted from access to the telephone companies' WATS, 800 and Advantage services, and are

disadvantaged in their efforts to increase their competitiveness and reduce their telecommunications operating costs.

The Council of Ministers of Transportation and Highway Safety has recognized the need for uniformity in vehicle length regulations. In February 1988, that group endorsed a Memorandum of Understanding designed to improve uniformity in regulations covering weights and dimensions of commercial vehicles operating between provinces and territories on a nationwide highway system.

While those recommendations have, in most cases, been adopted by the signatory provinces, many discrepancies remain. Twenty-five metre vehicles, for example, are permitted in British Columbia, Alberta, Saskatchewan, Manitoba, and the Northwest Territories while 25-metre B-trains are also permitted in Quebec. Forty-eight foot tractor semi-trailers are acceptable in all provinces but carriers in British Columbia, Alberta, Saskatchewan, and Manitoba can further economize their movements by using 53-foot trailers. To make matters even more confusing, and compliance more difficult, other provinces, such as Ontario, also allow 53-foot trailers, but only for a designated number of permitted trailers.

The Canadian Industrial Transportation League (CITL) applauds the efforts, to date, of the Canadian Council of Motor Transport Administrators (CCMTA) but, the task remains unfinished. Despite the attempt at uniformity, there remains many vehicle-length roadblocks to extra-provincial movements. For example, a tractor pulling a trailer of goods from Manitoba to New Brunswick is subject to a new set of dimension regulations at each provincial border it crosses. The entire movement would not be permitted by law, if the goods were placed on a 53-foot semi-trailer, since these trailers are prohibited in Quebec and New Brunswick and allowed only by special permit in Ontario. By contrast, if that movement were made through the United States, the 53-foot trailer could pass through a dozen contiguous border states before being stopped at the New Brunswick border.

There also exists a problem with too much regulation of the motor carrier industry. In order to satisfy all regulations imposed on motor carriers, the driver must carry more than 50 documents while operating a vehicle. These may include various intra- and extra-operating authorities and other licences and permits, insurances certificates, log books, pre and post trip inspection reports, charter trip reports, fitness certificates, vehicle registration, etc.

ACTION:

CREATE A PROSPERITY INTER-DEPARTMENTAL GOVERNMENT COMMITTEE (ADM'S) TO ACCELERATE THE REMOVAL OF REGULATORY ROADBLOCKS TO ECONOMIC GROWTH

Wherever possible Government should avoid competing with business. Many services available in the private sector compete with public sector companies and

departments. Where this is the case, careful evaluation is required to determine whether continued provision of that service by the public sector is warranted.

ROADBLOCKS TO COMPETITIVE GROWTH

The following have been identified barriers to our ability to compete:

- Canada has become an expensive place to do business
- our taxes are too high
- we are over-regulated too much emphasis is placed on input and not on output or outcomes
- the government decides which countries we can sell to
- weak marketing efforts from the Government in the service sector
- the value of the dollar is too high, propped up by interest rates continuously above the U.S.'s
- programs which handicap small business

REMOVAL OF INTER PROVINCIAL BARRIERS

There are more than 500 obstacles to trade within Canada, province to province. This number is higher than in the European Community, country to country. Provincial trade practices and preferential buying practices have hampered national development of industries. The administration and interpretation of barriers and their resultant effect in reducing competition based on quality and price have been estimated to cost our economy \$7 billion per annum. The free movement of people, capital, services and products is essential to a competitive economy.

ACTION: BY PROVINCIAL AND FEDERAL GOVERNMENTS REMOVAL OF INTER PROVINCIAL BARRIERS WITHIN 2 YEARS



The service sector favours the removal of trade barriers between provinces as soon as possible. Spreading opportunities will broaden and deepen the pool of expertise throughout Canada. Labour force mobility and national qualifications for trades and professions are an essential ingredient.

THE TAX SYSTEM

Taxes, both visible and hidden, have become an important disincentive to investment. In fact, they are one of the main factors in both the movement of Canadian companies to the United States, and the difficulties experienced by Canadian merchants in competing with their cross-border counterparts. To make matters worse, our tax dollars are too often used to prop up declining industries, draining away capital which might otherwise be used to take advantage of new opportunities.

Of most concern are the remaining hidden taxes. The GST was intended to bring taxes out into the open, however, there remain hundreds of hidden taxes. The auto industry estimates that 17% of costs associated with the purchase of a car are invisible taxes, passed on to the consumer. In some parts of the country, up to 90¢ of each dollar paid for gasoline are invisible taxes. Health care is considered "free" by many and yet imposes a staggering cost on businesses and individuals.

Depreciation rules for new technology and equipment are unrealistic due to the fast pace of obsoleting technology. R&D tax incentives are generous but slow to be resolved and hard to interpret compared with the United States and the European Community and the definition is becoming more restrictive each year. We should expand our definition of development to specifically include design to encourage more global mandates.

ACTION: BY PROVINCIAL AND FEDERAL GOVERNMENTS MAKE TAXES MORE VISIBLE, SIMPLER, AND MORE COMPETITIVE



Taxes should be made as visible as the GST. More accountability to the public will likely help us to spend more responsibly.

GOVERNMENT SPENDING

The message is clear. Cut the deficit and pay off the debt. In 1960, government's share of GDP was only 30%. By 1990 it had grown to 45% of GDP. Our cumulative debt is now about 75% of one year's GDP. Industries facing similar problems cut overheads massively sell off portions of the business and restructure. Governments must do no less.

Government is too often asked to be the solution to problems. Special interest groups often suggest that if they had more support from government, their problems would be solved. It is time we change our vocabulary from government support to taxpayer support. "We need more support from taxpayers" might change public opinion in a hurry by its focus on who pays.

Assistance given to declining industries should be limited to transitional assistance, either for: updates to improve productivity or add additional value to existing or new products, if such action can be shown to provide a reasonable expectation renewed viability; or to retrain employees to help them to find work in new industries. In addition to Canadian educational spending being second only to Sweden, Canada also spends more per capita on health care in both percentage of GNP and absolute terms than any country in the world except the United States. However, repeated short term bailouts are a luxury we can no longer afford. Our primary emphasis must be on assisting companies to add value to existing product lines and on developing new industries. Initiatives such as a 3-5 year tax holiday for "sunrise" businesses should be considered.

Simple subsidies don't work. For example, under programs to "upgrade technology", a printing company can obtain the same financial assistance to buy parts for 70 year old machines as to invest in desktop publishing and imagesetting equipment. Billions of dollars have been wasted on such efforts.

A large and growing portion of government spending goes to health care and education. Though all agree that these are essential and that quality must not decrease, it is also generally agreed that concerted action is required to bring escalating expenditures under control. A radical culture change is required in both communities to make better use of resources and work towards continuous improvement through innovative processes rather than blaming lack of money for all their problems. The public is aware of this but is not sufficiently active. An annual statement of real costs may promote attention. The public must get actively involved. Performance pay, and incentives to employees are strongly urged to reward excellence and discourage mediocrity.

Public hearings will open these issues to the public. We need more global comparisons of what value we get for our dollars. To be competitive, we must lead the world in obtaining value for our expenditures.

REDIRECT FUNDS FROM EXPENDITURES TO INVESTMENT

Government has been subsidizing many industries in the hope that they will magically turn a profit one of these years. Government should not subsidize dying industries but focus more on pre-competitive and sunrise industries.

Tax rules to encourage research and development must be simplified. There is also a need for more qualified marketing people in government funded projects. Failures of entrepreneurs are usually in sales, marketing or financial, not in service concept.

Government tendering practices and the way in which the government contracts out is also a major concern. Contracts should be based on quality and suitability, not just price. Part of the mandate of government procurement should be to build on the commercial expertise of the contracted firms so that their services can be exported. Preferential treatment, all else considered, should be given to bidders which bring together joint bids with firms from different regions with unique expertise. Efforts to date to sub contract with smaller firms have not been effective as seen by the service sector.

There is much research and development of basic research, technology, and information systems product, and technical expertise within the government that could be commercialized and exported. Efforts to commercialize these through the private sector should be encouraged. Canada spends billions in basic research, at government and university laboratories but a national inven-

tory and ready access is still a missing ingredient to speed up diffusion or provide accountability for results. Basic research should be conducted by the public sector, but more efforts should be made to diffuse the achievements of public sector labs, and develop structures to promote the transfer of technology more effectively.

IMMIGRATION POLICIES

Immigration policies should be based on education, skills, investment capital, and trade contacts to improve the human resources pool within Canada. We are importing much needed skills and knowledge from immigrants and this must continue. At the same time we are losing some former immigrants who have not realized the opportunities here.

ACTION: BY FEDERAL GOVERNMENT CONSISTENT NATIONAL REGULATION STANDARDS



Government and consumer groups should set performance and environmental standards.

Our foreign competitors are moving to more economically-efficient market-based regulatory regimes, opting for emissions trading over "command and control" regulations. This will maximize protection of the environment and control the cost of doing so. Not taking this path puts Canadian industries at a disadvantage. The increasingly competitive North American market for electricity is just one example of this need, as U.S. utilities start trading in emissions. Canadian industry is moving south to take advantage of the resulting lower electrical costs. We can reverse that trend.

Regulations are necessary but should concentrate on outcomes. The government should not dictate how to achieve them, but only what results are expected.

TARGETING GROWTH

The consensus of the service sector was that we should begin to set goals for economic growth and try to have all stakeholders work towards those goals. We must target growth the same way we target inflation.

ESTABLISH A PROSPERITY OR COMPETITIVENESS COUNCIL

A council on competitiveness, sponsored by industry, labour, and government, is a means to measure and monitor Canada's competitiveness and initiate actions. This must go beyond the mandate of the Economic Council and be accountable the way the Bank of Canada monitors interest rates. It is suggested

that the Competitiveness Council should be given permance by act of parliament and be responsible to parliament for an annual report, with the responsibility for ongoing operations falling to a non-political person, similar to the way John Crow sets policy for interest rates and the Auditor General reports his results. The mandate may include provision of data and competitive indicators not currently provided, and the analysis of programs that are working and those not working. Models such as the "US Council for Competitiveness" and "Competitiveness Policy Council" established by President Bush and Congress in 1990 are ones to evaluate, and improve upon. These U.S. Councils have established six priorities to further the goals of competitiveness and prosperity.

The Competitive Council should be headed by a highly respected, high profile and non-partisan business person. The mandate must be comprehensive to allow comment and criticism of provincial and federal government impediments to Canada's competitiveness and to provide praise and recognition for companies and institutions that demonstrate progress toward the goals.

ACTION: BY BUSINESS

INDUSTRY ASSOCIATIONS MUST PLAY A BIGGER ROLE



Trade associations are generally loosely coordinated groups representing a fraction of industry representatives. They often fall short of providing powerful representation and lobbying on behalf of their industries. In countries such as Germany, associations regulate such things as apprenticeship certification. The general feeling is that Government tends not to listen to industry concerns when presented by an association. Efforts should be made to bridge such gaps.

If the private sector is to lead economic growth, as almost all governments of the world agree, it should, it must have a strong voice in policy.

IMPORTATION

Importing regulations are still complicated, inconsistent, and frustrating. For example, cars imported from the United States are required to be converted to Canadian standards before entering Canada. No opportunity exists for the Canadian auto service to do the conversion.

Customs administration continues to be inconsistent. Businesses that import products find that on one occasion it may be delivered to the door, while on other occasions the same product may be held up in customs for weeks. The service sector often requires goods and services that are not available in Canada, but will add value to their services. However, the added import expenses and unpredictability of customs clearing often reduce their competitive advantages.

Competing in Global Markets

GOING GLOBAL

Much of Canada's wealth is generated through international trade. This has been especially true for Western Canada where the small population found customers abroad for its natural resources. Canada is, however, facing a declining share of international trade with only 3.4% of world trade. Canada ranks 16th of 23 OECD countries in export trade, and is dead last in export diversification, behind such countries as Hungary and Portugal. This despite the fact that the government programs and initiatives are considered to be 3rd best.

ACTION: BY BUSINESS AGGRESSIVELY SEEK NEW TRADE PARTNERS



While we should continue to pursue the many untapped opportunities in the U.S., new opportunities should be sought with the European Community and Asia to diversify from the United States. The market in the European Community, for example, is \$1 trillion.

The diversity of companies involved in exports must be increased since 70% of Canada's trade is done by 100 companies, and over 40% of trade is intrafirm through subsidiaries. Trade access is opening up within GATT, and NAFTA, but Canadian service companies, especially small and medium firms, are not taking advantage of the opportunities. Small business must get more involved with trade. Entrepreneurs must become excited about opportunities available to them. Part of the difficulty, however, is the complexity of import and export procedures.

ACTION: BY FEDERAL GOVERNMENT CONTINUE TO SIMPLIFY TRADE LEGISLATION



There are currently 157 Acts and regulations pertaining to foreign trade. This must be reduced.

TRADING SMARTER

Today's global economy sees the free movement of capital, assets, people, information, and knowledge across borders. A highly skilled labour force which is able to use technology and training to create quality and service excellence is essential to the maintenance of a globally competitive Canadian economy.

EXPORT MARKET INTELLIGENCE

No mechanism for foreign market intelligence gathering currently exists that meets the needs of current and potential services exporters. There are also no agreed upon roles for stakeholders to play. Access to market intelligence, which is comprehensive, accurate and current is in great need. Such market intelligence can be provided by government or industry associations or combinations of both. Some publications and on-line information services are available through ISTC, External Affairs, Provincial departments, trade associations and universities, however, a program for coordinating the gathering of intelligence, and compilation and dissemination of research is required.

Niche marketing and sharing resources abroad are especially important strategies for small and medium service companies. The opinion of the service sector is that governments can play a role in market research and international business intelligence with the help of companies, associations and universities. Export opportunities discovered by such efforts must be made available to Canadian business more simply and comprehensively.

In terms of promoting existing Canadian export products current efforts, such as the Business Opportunities Sourcing System (BOSS) and WINEXPORTS are not meeting the needs of Canadian business. An example of what can be done is **Made In Europe**, a monthly full colour catalogue of products from Germany looking for foreign distributors. Canada has nothing comparable but could create a publication for the service industries, electronic or otherwise, that would be unique and demonstrate leadership in export promotion.

EXTERNAL AFFAIRS

The strong consensus was that trade officials within the Department of External Affairs are less helpful than required because of lack of knowledge of service business and industry specifics. The assertion was made that they are more interested in diplomacy than trade. The "culture" of External Affairs should be to serve exporting companies. Trade missions came under fire as "sublime to ridiculous". It is recommended that trade officers be given objectives to expand the range of trade opportunities abroad and be more accountable for results. Canada's service exports must not rely solely on "mega projects". We must

diversify our exports to include service-based growth industries throughout the world.

Although Canadian trade development programs are considered among the best in the world, there remains room for improvement. Coordination and implementation are considered poor with slow turnaround of approvals.

Our competitors have *industry* specialists in such international agencies as the World Bank, the Asian Development Bank, and others. Canada should evaluate the competitive implications for its companies and if appropriate move to redress imbalances in the staffing of those agencies.

EXPORTING SERVICES

Canada's balance of trade in services is only 19th of 23 OECD countries. There are many untapped opportunities to develop export markets for services in areas such as utilities, environmental services, design, commercial education and training.

Canada has a natural advantage to export to two linguistic groups in service sectors. Commercial education and training are exportable services with expanding global needs. Canadian companies have the potential to become major players in the international market for training and education services.

DEVELOP STRONG MARKETING STRATEGIES FOR THE SERV-ICE SECTOR

Canada has competencies in its service sector companies that can be promoted and exported more aggressively. Better training of trade representatives, developing publications, and electronically accessed information bases coupled with better goal oriented trade missions could move us forward. A National Directory of Service Providers would be a prime reference document for trade representatives and factual base for analyzing strengths and potential foreign market opportunities.

A game plan for competitive sports events includes careful assessments of strengths and weaknesses of the opposition as well as the home team. Canada needs this assessment.

ACTION: BY FEDERAL GOVERNMENT AND BUSINESS INCREASE MARKETING OF CONSULTING SERVICES

• The consulting industry is strongly in favour of negotiations to remove the remaining barriers to free access to the consulting market on a North American



wide basis. The survey recommends a tripartite committee from Canadian and USA governments and the ICMCC be formed to solve the remaining transborder issues.

- A strong recommendation that the federal government, in particular, review
 its contracting practices with the intention of greatly simplifying the overall
 process and improving both the selection criteria and the selection process. A
 quick call to the ICMCC showed that it is eager to enter discussions that would
 lead to an improved contracting process.
- There is support for Standing Offer Agreements in procurement.
- Federally sponsored trade missions or appearances in trade shows were proposed. Also suggested were joint government-industry task forces to develop approaches to the export of management consulting services.

Financing, Growth and Export

ACTION:

BY BUSINESS

FINANCING GROWTH



Canada ranks only 11th of 23 OECD countries in terms of financial infrastructure, yet our institutions seem financially sound and are able to compete internationally and finance our economic growth. As Canada develops its expertise in the financial support of service companies that specialized know-how will present global opportunities for our institutions.

ACTION:

BY GOVERNMENTS

TAX ADVANTAGES FOR NEW VENTURES



As indicated earlier, our tax structure should direct its efforts to growth industries (trampolines) and away from dying industries (safety nets). Most growth industries are in the service sector and the past performance of investment in services is dismal.

Tax advantages are especially important for high technology ventures which have trouble attracting capital. One method of encouraging investment in new ventures, especially high technology, is to provide tax holidays.

TAX ADVANTAGES TO PROMOTE SAVINGS AND BUILDING CAPITAL

There is no supporting infrastructure for emerging service businesses. Since this sector is relatively young, the empirical data base is not sufficient to give "rules of thumb" or general guidelines. Providing tax incentives for capital investment, and capital pools for service industry loans and equity based participation is a vehicle to consider.

RAISING CAPITAL FOR THE SERVICE SECTOR

The service sector is at a disadvantage, without inventory and supplier credits they have no leverage with the intellectual property or current receivables that are their stock in trade.

Canadian banks will currently lend against 75% of accounts receivable and only 20% of foreign receivables, for 90 days. The Government of Alberta has taken the initiative of securing up to 85% of receivables for 180 days with a 0.1% fee. RRSPs or pension funds are another potential source of financing for service companies but current regulations exclude many small or medium-sized service companies.

Merrill Lynch and Prudential Bache have developed a system that will finance foreign receivables credits in pools which are large in aggregate and where the risk is spread. This is similar to the Fanny Mae in the United States. Canada has the institutional power to make this happen and encouragement from government may be needed to get it started.

ACTION: BY BUSINESS AND GOVERNMENTS

PROVIDE MORE OPPORTUNITIES FOR CAPITAL POOLS



The province of Saskatchewan has enacted legislation making it easy for smaller communities to develop pools of venture capital for new venture development. Community pools provide attractive incentives to investors and the entrepreneurs, to encourage them to set up shop in their community. This model can certainly be expanded.

Medium-sized service companies say it is impossible to obtain financing through public issues of shares. Investors need education on patient investment for long-term returns. Perhaps some incentives through tax breaks could provide the needed stimulus.

Of equal concern are the restrictions imposed on lending institutions and their ability to invest. For private sector institutions the solution would be to encourage the more precise measurement of risk and opportunity, perhaps amending banking legislation to allow equity participation as part of loan packages to service companies. ISTC should work with financial institutions to adapt documentation and business plan criteria to incorporate the unique features of service companies.

FINANCING HIGH TECHNOLOGY

Financing for service industries, especially those involved in high technology applications, has become increasingly difficult to obtain. One of the difficulties lies in the fact that intellectual property and ideas, which are the principle assets of service companies, are not seen as assets by financial institutions. They are heavily biased toward physical assets. There is a feeling that there is a lack of awareness of emerging trends for specialized services within financial markets, the banks and financial communities.

Investment performance can be improved through diversity. Too many of our institutions invest heavily in single high profile risks and when the exposure becomes unpopular they fully withdraw from all risks.

There is a need for more risk capital in Canada. The lack of strong business plans has been a major obstacle and therefore the potential exists for government and banks to partner to develop and assist smaller business through education simplification and monitoring.

Information As A Strategic Industry

TURNING KNOWLEDGE INTO ACTION

The world is now developing whole industries based on the transition of data into information, information into knowledge, and knowledge into deliverable goods or services. Decades of data collection have evolved into knowledge-based applications and interactive systems that improve service performance. Global communications now allow problem solvers to broker opportunities from anywhere to anywhere else.

One of the keys to competitive advantage is better dissemination of information and availability of best practices on a global basis. In Japan, the gathering of information on technology and processes is a well honed art. Japanese business people gather and disperse intelligence that is evaluated and adopted by Japanese industries. Canada needs a much more disciplined approach to the gathering and collation of information obtained by trade missions and touring business people and to the dissemination of such business intelligence throughout Canada, for benchmarking our companies and their performance.

Business decision makers need information at their fingertips, when they want it. The ability to make decisions depends on the right information in the proper context and providing access to appropriate data bases is an important growth element of the services sector. This is an area of services that could be promoted by government to promote Canadian competitiveness.

Information shortcomings take two forms:

- 1) limited or no access to complete, current, accurate and relevant information
- 2) an overwhelming amount of statistical data and information and not enough knowledge of opportunities

Information brokering is emerging as a major service industry in the form of information specialists, market researchers, and headhunters. T. Boone Pickens pays several thousand dollars each month to information brokers to provide him with a daily executive summary of who is doing what in the oil business. Before meetings, he receives a summary on the individuals he is meeting, including their business histories, their children's names etc. Are Canada's business people as well prepared?

The danger we run into is not that there isn't enough information, but rather too much and that it is not readily available in a form that is useful to busy executives. There exists a maze of federal and provincial incentive programs, export agencies, research councils, public, commercial, and private financial institutions. For small business it is often hard to put together all the pieces. For example, the National Research Council, can provide technology assessments and patent information, but not business plans, marketing, or access to capital. Several cities and provinces have economic development departments with resources that few businesses are aware of or use. The biggest obstacle to new businesses is bringing this all together. Assistance is required. As the lack of strong business plans is cited as a major obstacle, action must be taken to remove this barrier to business.

ACTION: BY GOVERNMENTS GOVERNMENT AS AN INFORMATION CENTRE



Government can play a role in providing domestic and foreign market research and business intelligence to the private sector.

A model to follow is that of the B.C. Business Information Centres, located throughout the province of British Columbia. The major centre is filled with information resources, meeting rooms, and federal departments like Supply and Services.

We have a wealth of international business knowledge but it is not disseminated to those who really need it. Information must be accessible and current to be useful.

GOVERNMENT INFORMATION CENTRE

Government has the opportunity to establish information centres which specialize in new business ventures and export development: providing help from consultants, market intelligence, on-line networking between buyer, supplier and distributor, and a place to network with investors; and sponsoring seminars to enable business people to learn from other successful entrepreneurs. Some of this is already in place but the co-ordination and promotion needs to be improved.

Continuous Improvement TQM

THE PACE OF CHANGE

The only constant in today's business environment is change. Changes are taking place beyond our borders and are accelerated by the universal growth of, and access to, information, innovation and technology.

A fundamental transformation is occurring in the marketplace. The new realities of globalization and technological change are affecting every business. Those who are not able to adapt to constant change, will not survive. Responses must be dynamic and flexible.

The process of continuous improvement, acquisition of new technologies, regular training, continuous innovation in products and ways in which business is conducted must become the norm. In this reality constant communication between participants is critical. This same process of change is creating constant opportunities for new services to support the transition and the new markets.

ACTION:

BY BUSINESS CONTINUOUS INNOVATION



It is estimated that it takes 7 years from the time a new product or service has been introduced to market, until it shows negative growth potential. This has been referred to as the Innovation or Paradigm curve, or simply the "S" growth curve.

The Japanese have been successful in overlapping their S-curves. They begin working on the next or new S-curve before the current product or service has reached the top of the curve. Canadians tend to wait until the top of the curve before considering new products or services. Ironically it is Marketing and R&D that is usually cut at the top of most Canadian S-curves. One exception to the Canadian rule is Dupont Canada, which developed several S-curves for nylon products including: stockings, shoes, tires, and carpets. Each new S-curve begins before the current one has reached its peak.

The process of continuous innovation ensure healthy long-term growth by anticipating future demand. Innovation, however, must not be confined to the lab. It can be applied to managerial processes, marketing, and general decision

making. Innovation must be embedded into the Canadian culture, for it applies to all disciplines in the private and public sector, as well as home life. Combined MBA and technical programs are a way to do this.

DESIGN

Competitive advantage can be obtained through superior product design - the way it is produced, assembled, marketed or distributed. Design, though largely misunderstood, has become essential to the success of a product.

ACTION:

BY GOVERNMENT AND BUSINESS

ENHANCE THE PROMOTION OF DESIGN AS AN INTEGRAL INDUSTRY



Industry, Science, and Technology Canada has the opportunity to work with the association to promote Canadian design expertise both at home and abroad and to help make good design practices known to other Canadian industries.

TOTAL QUALITY

Total Quality Management (TQM) is considered by private sector companies as an effective method to increase organizational effectiveness and deliver increased improved value.

ACTION:

BY GOVERNMENT

GOVERNMENT SHOULD INCORPORATE TOM PRACTICES



Leadership is required to get everyone to do better in initiating, developing, and implementing all that is done by government. We must get more for less.

One of the principles of TQM is that the customer must benefit. For example, studies by civil servants on the efficacy of public sector services must concentrate on the needs of the consumers of the service provided as well as the cost effectiveness of the delivery system itself.

A NEW VISION FOR CANADA

A new vision of Canada is required. What are our shared values, dreams and goals? Most agree that Canadians do not think of themselves as winners as often as they deserve.

Though most think we do not need marching bands and flag wavers to be proud of who we are, we do need some in our attitudes about our relative position and potential within the global economic environment. We need a new vision of excellence, performance, and the expectation that we can succeed.

The government cannot facilitate a new vision for Canada solely with "Made in Canada" solutions. Many Canadians are tired of the constitutional talk and constant reminders of our shortcomings. We have to redirect our focus onto seizing opportunities and improving performance.

Even within specific segments of the private sector companies have difficulties arriving at a common vision of where they are headed and what the key issues are. Service sector companies are misunderstood or under-represented even within their own industry. Many service sector industries are misrepresented because of their low profile. The process of raising profile and realizing potential is a prime goal at the Canadian Association of Service Industries (CASI), which seeks to play a role, similar to that played by the Canadian Manufacturers Association (CMA).

The geomatics industry has initiated "Towards a Shared Vision Of The Future Of Geomatics In Canada" as an appendix to their strategy paper. They are negotiating with ISTC to fund a project to assess the potential strengths of the industry.

PERFORMANCE CULTURE

Performance must be the new byword of our culture. Be it business, government, social services or education, performance through design quality, speed, and service must be specific and articulated targets. A part of this culture will be celebrations of successes. We must demand this from the media and their assistance in creating the perspectives on opportunities.

PROMOTE SUCCESS STORIES AND ROLE MODELS

There are many successes across Canada which are little known outside their region or industry.

Making knowledge of capabilities more broadly known would be a useful spark to imagination and innovation. Receptivity within Canada has never been higher. Initiatives such as tours of "best practices" companies, awards, publications, speakers, and seminars are needed to promote quality and improvement. Industry associations supported by government would be the logical agencies to initiate these efforts.

BUILDING ON OUR STRENGTHS

What are Canada's strengths? We have many and we need to inventory them regularly. Canada can become the location of choice because of its favourable environment for businesses and employees but we must actively promote the advantages and where necessary remove obstacles.

The keys to successful exploitation of new export opportunities will be accurate intelligence, speed and continuous innovation. We must identify and get to market with improvements before our competitors.

RESEARCH AND DEVELOPMENT

We have been preoccupied with the amount of research as measured in percent of GDP that we do in Canada. The real problem lies in the lack of development of products and services. More focus should be directed toward the "D" of R&D which includes design as an inherent element of development. We don't have to invent it to make it or use it better than anyone else, a prime example being the transistor which was invented in the U.S. but commercialized by Japanese companies.

Full advantage must be taken of opportunities to commercialize government and university research, and bridge the gaps between inventors and investors, marketers, and distributors.

Measures should be taken to encourage Canadians to invent, patent and manufacture new products. The Innovation Centre located in Waterloo Ontario is an excellent example of what can be done. Other centres should be established across the country based on that model. These centres must be well publicized. To further assist, tax incentives should be provided to defray the costs of filing for and obtaining new patents.

The Innovation Centre is a model which should be considered for providing industrial design expertise to Canadian companies.

Partnerships and Alliances

PARTNERSHIPS

Clearly we must learn from each other and adopt best practices and new technology from wherever it occurs in the world. We need partnerships among business, labour, governments, educators, and other stakeholders.

There is a fundamental lack of trust between private sector, labour and the public sector as relates to the development of measures to enhance prosperity and competitiveness. The partnering of these groups is essential to the development of common goals for Canadians. Business must take the lead in initiating and evolving such partnerships.

Many initiatives have begun across Canada but they must be encouraged to continue and to become standard practices. Some successes include:

- Corporate Higher Education Forum is a partnership between chief executive officers and university presidents to discuss how they can help each other. Many participants had never talked to those in the other community until this was formed.
- Canadian Labour Market Productivity Centre is a partnership of business and labour to assess and make recommendations for labour policy based on the needs and desires of both business and labour.
- Pulp and Paper Research Institute of Canada was formed by a consortium of paper companies, suppliers to paper companies, and universities, to study new methods, practices, technologies, and teaching practices in the industry.
- Geomatics Industry Association of Canada for the first time is working toward
 consensus building with Energy Mines and Resources Canada, Fisheries and
 Oceans Canada, External Affairs and International Trade Canada, Industry
 Science and Technology Canada, key provincial agencies, key academic institutions with geomatics programs, and professional associations and scientific
 societies.

- Calgary Board of Education with Calgary Chamber of Commerce and individual companies have initiated over 100 business/education partnerships with schools throughout the city. Its mandate is to promote the learning and interaction between the two communities.
- PRECARN is a not for profit corporation consisting of industry, university and government labs, dedicated to research in intelligent systems.
- The National Design Alliance has targeted "one message" that will build on regional strengths, and exploit and encourage international collaboration and the promotion of Canadian designers abroad.

ppendix

LIST OF BUSINESS SERVICES CHAIRPERSONS:

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