

INSIGHT INTO INDUSTRY

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JUN 18 1991

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News of Industrial Advances in British Columbia

Spring 1991

In this Issue

- Spending Out of Recession?
- What's an EIS?
- Success Stories
- The Pacific Corridor
- Selling to Seattle
- Is Your Business in for a Disaster?
- Calendar of Events

Economic Trends

While retail sales continue droopy in B.C. -- consumers have apparently found out that if you don't spend, you don't have to pay GST -- cross border shopping is hotting up as an issue Canada-wide. Particularly hard hit, as you can tell from the good prices in stores and the attentive waiters, are clothing and restaurants. B.C. is in a particularly tough spot, being close to several border towns with friendly factory outlets. And a lot of B.C. residents just seem to like combining a weekend drive over the border with shopping.

While overall the prices in the U.S. might be poorer value than they have a reputation for, retailers wanting to flag that will find it a hard slog. A recent study by ISTC shows that some price differences start way back with original manufacturers in the Orient, who charge Canadian distributors more than their U.S. counterparts -- they want to penetrate the huge U.S. market. Then the distribution chain in Canada vs. the U.S. can tend to introduce extra costs along the line.

Everyone is hoping that an upturn in the housing market may lead the way into recovery -- especially in the value of their own house. March sales as

reported by the Real Estate Board of Greater Vancouver were up a staggering 129% from March of last year and far ahead of February this year. Most of the upturn in volume is at the low end of the price scale.

Elsewhere, the signals from Ottawa aren't decisive. The recent budget was predicated on a 9.5% interest rate, meaning that we still have some way to go. But if the bank rate was inching down before, it's millimetering now. The U.S. economy is also labouring; their interest rates, too, are being very slow to come down and now forecasters are predicting that an improvement may only materialize in the fall.

The forest industry is, to put it mildly, less than amused by the current prospect of having Europeans sniff at our forest management practices and possibly boycott Canadian products. Wouldn't you think that Indian land claims, recreational demand for forests, local environmentalists' pressures, new competitors abroad, low commodity prices, and little gems like demands for kiln drying of product before it's shipped to Europe were enough for one industry sector to worry about, for

the time being?

The big question mark in BC's outlook is the number of major collective agreements that come due this year (over 300,000 workers). The combination of slowing economic growth, falling business profits and uncertainty about the direction of inflation could frustrate these negotiations. The result could be strike action and lock-outs, which would further depress consumer demand and provincial exports.



Industry, Science and
Technology Canada

Industrie, Sciences et
Technologie Canada



Canada

Executive Information Systems: In Tough Times, Could an EIS Make Your Business More Competitive ?

It's Monday morning, you walk into your office and turn on your computer. A list of crucial issues and projects comes into focus along with corresponding indicators. "Accounts receivable... green light, Simpson project... green light, looking good. Hang-on what's this? Profit projection... yellow light, labour relations... red light!" You've got a meeting with the head of the union at 10:30!

You grab your mouse and steer the blinking cursor to the red beacon of disaster and click to reveal that there was a rally on the weekend. Strike sentiments are running high and you were burned in effigy!

You print out the material and focus yourself for the meeting, comfortable in the knowledge that at least this is the only problem area to worry about.

Is it this easy to sift through the data in your organization?

Ever wonder why, with all the money you've invested in information systems equipment and people, you still can't get the information you really need to manage your business? You're not alone. This widespread frustration has contributed to the current excitement over "executive information systems" (EIS).

EIS are computer based information delivery and communication systems which rely heavily on graphics to convey concentrated amounts of information. Screens highlight important trends, relationships, and exceptional or unexpected circumstances. You can "drill down" selectively for more detailed information with the click

support and extension of the strategic management process. A key message of the landmark MIT study: Management in the 1990s is that successful companies will use information technology to help define what lines of business to pursue and how to pursue them. It will no longer be sufficient to employ information technology to help us do things right. We must also use it to do the right things.

The bottom line? Well, Phillips Petroleum credited its EIS system with over \$150 million in extra profits.

While, the First National Bank of Chicago attributes \$5 million in annual cost savings and their winning the Tom Peter's Quality Award to their EIS.

What can we learn from these EIS success stories? First, they are driven by strategic business objectives, not by technology. An EIS, however impressive the sizzle, is useless unless it directly serves a management priority. Further,

the implementation of an EIS is fundamentally an issue of change management, involving organizational changes which will be welcomed by some, resisted by others. Getting caught up in the technology, forgetting about the information and the people

of a mouse button. Consequently, you don't need to take six months off for a computer training course to be able to use it - the average training time is about 15 minutes!

The real power of an EIS is in its





Learning from the Success of Others:

The Norwood Experience

involved, is a recipe for disaster. In fact, many successful EIS projects have been directed by people with no technical information systems background.

Are executive information systems just for senior executives? Only when they fail, apparently. As important as it is to provide strategic information to senior management, it is equally important to communicate it to the operational staff "where the work gets done". EIS can reinforce management priorities and clarify the relationship between corporate goals and the day to day activity of each work unit.

Are EIS only for the corporate giants? Not any more. Smaller firms are finding that the systematic collection and use of strategic information can help them achieve and maintain a competitive advantage. And EIS technology is becoming much more accessible. Inexpensive but powerful software products like RediMaster (AIS) and Lightship (Pilot) have brought EIS down to the world of microcomputers and local area networks. The major investment can now be directed where it belongs, into developing and maintaining the strategic information base.

Canada lags behind the U.S. in the application of EIS, but pioneers are emerging. We'll highlight an interesting B.C. example in a future edition.

Its name is deceptive -- **Norwood Packaging Ltd.** is really a manufacturer of a wide range of lotions, creams, shampoos, bath products, sunscreen products, and environmentally correct cleaning liquids.

It took Norwood's Richard York only a year to realize that, despite the well-meaning words from store buyers in western Canada that had prompted him to set up a west coast facility, the region would not support even a small business. He had to look south.

After a couple of years of planning and experimentation, the first exports were shipped only three years ago, but now U.S. sales account for 40% of Norwood's business. Norwood concentrates on the U.S. Pacific Northwest market -- a tough, insular market in the company's experience. In order to have a presence there, Norwood hired an independent American broker and made it easy on the importer by pricing its product in U.S. dollars, f.o.b. the U.S. destination. By taking care of all of the border crossing aspects itself, Norwood helps to overcome any sales resistance to "foreign suppliers".

In this type of business, which York describes as uncertain, plans must be constantly adjusted and you have to "live by your wits". Personnel turnovers are frequent in large chains, making for inexperienced buyers and a difficult environment to obtain lasting commitments.

In this situation, he was able to find a market niche which has proven to be the basis of Norwood's success. (Canadians are especially good at niche marketing, he believes, because "every market here is a niche".)

His own niche turned out to be small runs of private label and custom packaged health and beauty aids. Unlike its American counterparts, Norwood Packaging has the scale of equipment and operation to handle small runs, to react in a far shorter time, and to be much more innovative. Today, Norwood manufactures a line for Nordstrom's, the large Seattle-based department store chain, among numerous others not so well known in Canada.

York says he is indebted to someone who gave him very good advice about the American market when he first began scouting the opportunities. That someone was Allan S. Poole, Canadian Consul in Seattle at the time.

Poole's advise was to make a concerted effort to sell in the U.S. market, to give it a serious and long-term commitment, and not to expect immediate business in return. Poole warned against thinking that a Canadian businessman can "come

BC Success Stories



down here and carpet-bag and go home with a fistful of offers". Over the years this advice has helped York maintain the patience and persistence required to succeed.

Norwood also received financial assistance from the federal Western Diversification department, enabling the company to expand into suntan products. York says this money came at an opportune time, and allowed the company to tackle a seasonal product line having great market potential. The National Research Council has also helped with support for research and development, notably in the area

of quality control.

York feels that Canadians should not be deterred from the U.S. export market. He has found that, despite the "publicity" Americans give themselves, business people in Canada have no reason to feel inferior. On the contrary, although they lack confidence, Canadian manufacturers are every bit as good, even better, in his experience. As a former Board member of the Canadian Manufacturing Association, he urges Canadian businesses to give it a try, and promises that others too will find it is "worth the effort".

This condensed story of Norwood's successful export experience comes from the first of five sets of case studies of BC companies undertaken by Industry, Science and Technology Canada.

Each set examines how BC firms have made themselves more competitive in today's increasingly tough marketplace. Series topics include: exporting to the U.S., environmental strategies, use of technology, human resource management and financing.

Copies of these case studies are available from ISTC's Business Service Centre at (604) 666-0266.

Think Globally -- Act Regionally

Pacific Corridor Businesses Prepare to Receive the World

What region has 15 million citizens, a GNP of \$280 billion and one of the highest growth forecasts in North America? The "Pacific Corridor" comprised of Alberta, BC, Alaska and the U.S. Northwest.

A lack of "critical mass" is a reason often given for the fledgling nature of BC's secondary manufacturing industry. And when international shoppers for medical products, electronics and biotechnology start looking, it is generally not in the Pacific Northwest. But, the solution to this problem may be as straight-forward as just thinking regionally.

The "Pacific Corridor Enterprise Council" (PACE) is working to form a new region capable of being recognized in a global economy. By encouraging trans-border business alliances PACE feels that Corridor firms can take better advantage of the opportunities under the FTA, both in terms of local market access and joint-venture marketing outside the region.

If you are interested in receiving more information on PACE contact Sally Rusden, PACE Coordinator, 1-800-800-PACE.

Washington State: Home of the Free , Land of the Well Healed, High Tech , Movers & Shakers

From Interstate 5, Washington and British Columbia look like identical twins. Lush evergreen rain forests pour from the mountains into the sea, while the spring rain plinks into the puddles on the side of the road. But, if you go down for more than sight-seeing and shopping you should be aware of some important differences.

Michael Clark, Director of the Province of BC's trade office in Seattle, cites two main differences: "American companies think big from the word go, taking a global perspective, while Canadian companies tend to take a concentric ring approach to growth."

The pace at which business is conducted is also different. "At Seattle seminars on 'doing business in Canada', companies are advised that their timing will be off when they get to Vancouver." Canadian companies are generally more cautious in adopting new ideas than their U.S. counter-parts. Consequently, when doing business in the U.S., B.C. firms will have to get used to dancing to slightly faster tunes. "Its very competitive here in Seattle. When you talk to someone and they agree to consider a proposal they expect to see it on their desk in 2 days."

Bearing these differences in mind,

Washington offers a growing market of some 4.5 million, well healed, people. It is also home to the largest aircraft manufacturer in the world (Boeing) and the largest

Why don't more B.C. companies sell into Washington? Three reasons keep surfacing. Canadian companies tend to be unnecessarily insecure about their abilities and this insecurity shows

Washington has 17 high-tech companies with over 1000 employees.

The Boeing Co.	100,000
Westinghouse Hanford Co.	8,700
Microsoft Corp.	3,500
Battelle Pacific NW Div.	3,300
John Fluke Mfg.	2,600
Key Tronic Corp.	1,812
Tektronix, Inc.	1,500
ISC Bunker Rano	1,775
Sunstrand Data	1,700
Eldec Corp.	1,600
Fred Hutchinson Center	1,400
Heath Tecna Aerospace Co.	1,300
Intermec Corp.	1,300
Advanced Technology Labs.	1,100
Hewlett-Packard Co.	1,100
Physio-Control Co.	1,000
U.S. West New Vector Group	1,000

software company in North America (Microsoft). As one might expect, there are good opportunities for sales into the aerospace, computer hardware and software sectors. But, the Canadian Consulate General in Seattle has also identified niches in building products, pleasure and work boats, auto and truck accessories, medical products, specialty food products, mining equipment and clothing.

through in their dealings with prospective U.S. clients.

Commitment to clients has also hampered B.C. success in the Evergreen State. The idea that export clients are less important and, as such, undeserving of the same level of service provided to local customers has made many B.C. products and services less attractive alternatives for Washington buyers.

The final reason, which is likely linked to the previous two, is that B.C. firms

Tomorrow's **DISASTER**

Could be your ticket to business expansion, or ...

have generally not promoted themselves aggressively when they enter the Washington market and, as a result, get lost in the rumble of background noise of also-ran competitors.

The bright side to this is that these hindrances to success are largely attitudinal. What's more, there are a number of contacts that can make your foray over the line go a whole lot smoother:

ISTC's Trade Development Manager, Rick Stephenson (604) 666-1443, provides export counselling for the U.S. market and delivers the New Exporters to Border States (NEBS) program. This program has been very successful in familiarizing new exporters with customs procedures, documentation requirements and potential opportunities within their specific sectors.

John Piper (604) 844-1853, from the B.C. government's Ministry of Development, Trade and Tourism, is the new Market Specialist for the Pacific Northwest region.

In Seattle, the Canadian Consulate General is located at 412 Plaza 600 Sixth and Stewart Street, Seattle, Washington, 98101-1286. Tel: (206) 443-1777, FAX (206) 443-1782. The provincial government's trade office is located at 720 Olive Way, Suite 930, Seattle, Washington, 98101. Tel: (206) 628-3023, FAX (206) 447-9004.

Are you refusing to think about business recovery from a disaster? Vaguely hoping the earthquake won't hit, or that it will hit your competitors worse than it hits you? Just too worried about meeting next week's payroll to care?

Sorry, but an earthquake can be stance which requires And boy, are there B.C.!

Our reference guide "After A Disaster" is from right here in the printouts. How about your whole network of everyone in your company plane crash, or your account-records burning up in a fire at ing right here, folks.

For you, a disaster is when you it's a personal disaster like a fire, ing, or a major catastrophe like an gas main explosion or chemical spill community -- for you, the result is the business. How can you protect your-

If your first thought was "insurance", points out of 100. Yes, the right insurance make the difference between financial and failure after a disaster. But remember, take the sting out of the loss. You're still your business going again. That insurance get you some money -- some now (if you ruption insurance) and more later (if your accepted) -- but he won't counsel and calm stressed employees after the hostage taking. your business. He won't restore your missing files, reconstitute your records to Revenue Can-satisfaction, or sign cheques in the name of your missing CEO. All your business. Wouldn't these

quake isn't all you have to avoid thinking about. A defined as simply an abnormal event or circum- using extraordinary measures to overcome it. some abnormal events hitting businesses in

"Preparing for Business Recovery studied with little gem-like stories Lower Mainland that would curl your hostage-taking in your front office, office computers stolen overnight, with signing authority dying in one ant dying and all your year's tax his house? Yes, it's all happen-

can't do business. Whether flood or theft in your build- earthquake, power failure, that affects the whole same. You can't do self?

take 25
ance can
survival
all it does is
got to get
agent can
have inter-
claims are
your

That's
data
ada's



... just bad news



problems tie up key personnel and cripple your business for weeks?

If so, plan on how to protect yourself, to get back into business fast and efficiently. The news is good. You don't necessarily need a huge expensive plan, or professional help. In fact, your best resource will be your own head and your knowledge of your business.

There's even a silver lining. Provided you've done your planning, even a huge disaster

that lays everyone low may suddenly hand you opportunities. Even the San Francisco earthquake had its winners -- like one small newspaper that was all set to step up its operation when competitors went down, and which did very well out of that earthquake. Another example: the October, 1990 rock slide on the Vancouver-Squamish highway, which closed the road for weeks, actually benefited some Squamish businesses. Why? Because local people did their shopping in Squamish rather than in Vancouver.

However, the same reasoning applies. If you haven't planned and thought about how you could supply the sudden increased demand or charge in to fill the gap left by your rivals, that "disastrous" opportunity may elude you.

long in coming and have heavy demands on it -- and, like insurance, won't solve all your problems. A year after the quake in well-prepared San Francisco, hundreds of businesses are still down or crippled. In short: "It's your business to recover your business."

1. Analyze your operation for vulnerabilities, beginning with sources of raw materials and information, and ending with delivery and payment for finished product or service.
2. Identify potential hazards, especially those that can hit your vulnerable points.
3. Analyze your findings -- what are the risks, what are the potential losses?
4. Prepare a strategy for minimizing risks, containing losses and getting back into operation quickly.
5. Prepare a written plan. The smallest company will benefit from the process of putting thoughts on paper.
6. Implement the plan. Phase it in over time, if and as you can afford it. Cover your most vulnerable areas first.
7. If at all possible, test the plan.
8. Keep it up to date!

And by the way, regarding that earthquake -- were you fuzzily hoping that government will put all to rights? The unsettling truth is that economic and business recovery is not the central mandate of any government department at the municipal, provincial or federal level. Bureaucrats will have to concentrate on immediate response and short-term recovery, helping people and households. Even such financial assistance to business as may be allowed under disaster relief will probably be

If you're ready to pull your head out of the sand, ISTC, Emergency Preparedness Canada and the Vancouver Board of Trade co-sponsored a seminar on this topic on January 30 which brought out 70 local business attendees. The reference guide mentioned above was prepared for the seminar. Available from ISTC's Business Service Centre at 666-0266, it lists local contacts and incorporates some suggestions for self-analysis. Happy planning!



Calendar of Selected Events

Strategies for Success Satellite Conference: Prince George, Victoria and Vancouver – May 29, 1991

If you own or operate a small to medium sized firm and if you are concerned about succeeding in a future of increased competition, you may be interested in the up-coming **Strategies For Success Conference**.

This Conference is sponsored by the Bank of Montreal in conjunction with a variety of private and public sector agencies including Air Canada, IBM, the Canadian Chamber of Commerce, provincial governments and Industry Science and Technology Canada (ISTC).

The Conference, will be held in 25

sites across the country -- simultaneously, by satellite -- and focus on your ability to plan and manage Markets, Money, Technology and People. Four issues which will be crucial to business success in the 1990's.

The Conference will offer practical and proven advice on topics such as:

- How to gain competitive advantage in markets;
- How to find extra cash in your business;
- How to integrate technology change in the workplace; and,
- How to involve employees without

losing control.

Conference attendees will also receive a planning kit containing a comprehensive workbook and a videotape of national panel discussions (to be taped at the Conference and mailed to participants).

Registration material has been distributed to companies. If you would like to register or obtain more information, call toll free 1-800-267-0606. Pre-registration is recommended as accommodation at each site is limited to 125 firms.

Strategies For Success Teleconference, May 29. A one-day event involving over 30 Canadian centres, to discuss strategies for small/medium sized business and ask questions of panel of experts. See article, this issue. Contact Kathy Stephens 666-1419.

Food/Tourism Mission to Taiwan, June /91. To participate in Showcase Canada Week in Taipei. Contact Don Cameron, 666-1436.

Workshop: "How to Negotiate with the Japanese", June/91. Contact Don Cameron 666-1436.

Oceans and Oceans of Knowledge, June 18-20. Environmental ocean technology conference -- industry and science educators. Contact Ross Brearley, 666-1408.

Pacific Coast Building Conference, San Francisco, June 27-29. Building products manufacturers being recruited to exhibit in national stand and participate in new exporters mission. Contact Rick Stephenson, 666-1443.

Europort '91, August/91. Mission of new exporters overseas to Holland and Germany for ship repairs comparison. Contact Ross Brearley, 666-1408.

This newsletter is published quarterly. For more information contact:

Dr. Brian Anderson
Director
Policy, Planning &
Corporate Services

Kathy Stephens
Economist
(604) 666-1419