

Partnering: The Key to Global Success

By: *The Honourable John Manley*
Minister of Industry Canada



First elected in 1988 as MP for Ottawa South, John Manley has held a number of responsibilities within the Liberal caucus, including Science and Technology critic, co-critic for Finance, and most recently, critic for Transport.

Before entering politics, Mr. Manley was a partner in the Ottawa-based law firm of Perley-Robertson, Panet, Hill & McDougall, where he specialized in business and income tax law. He also lectured on taxation at the University of Ottawa's law faculty. In 1985-86, he was chairman of the Ottawa-Carleton Board of Trade - the youngest chairman in its 130-year history. He has also been a director of the Ottawa-Carleton Economic Development Corporation, the Ottawa Carleton Research Institute, the Ottawa Congress Centre and the Ottawa Arts Centre Foundation.

Born on January 5, 1950, in Ottawa, he obtained a BA in mathematics and political science from Carleton University (1971), after which he spent a year at the Université de Lausanne - École de français moderne. In 1976 he completed a law degree at the University of Ottawa. His distinction in law school enabled him to article as the legal assistant to Bora Laskin, then Chief Justice of Canada.

Mr. Manley and his wife Judith live in Ottawa South with their three children - Rebecca, David and Sarah.

The recent successful conclusion of the Uruguay Round of the General Agreement on Trade and Tariffs (GATT) demonstrates yet again the extent to which we all now live in a global economy. The recent agreement commits all members of the GATT to cut tariffs on most products by at least one third within five years and to implement deeper cuts in areas such as resource and industrial commodities and agriculture.

The removal of barriers to trade promises significant benefits to Canadians. It will give Canadian companies more opportunities to invest, to create jobs, to develop new technologies, products and services, and to trade them around the world. These benefits, however, will only come to those who are ready to take advantage of emerging opportunities. Canadian companies cannot remain passive in the face of such vast changes. They cannot wait for the international marketplace to come to them. Instead, they must be prepared to take the contest abroad, aggressively developing and pursuing opportunities wherever they can be found.

On the whole, Canada has a reasonably good record on international trade. It is commonly said that almost a third of our Gross Domestic Product is trade related and that a fifth of all Canadian jobs depend on exports. However, we have to keep this performance in perspective. Much of that trade is focused exclusively on one market, the United States, and most of it is in the hands of large transnational corporations: approximately 100 largely foreign-owned firms account for more than 60 per cent of all our exports. Small businesses, defined as those with fewer than 100 employees, are responsible for only about 4 per cent of all Canadian exports.

Two key challenges for Canada, therefore, are to diversify its international markets and to harness the resources and capabilities of smaller companies. It is especially important to involve small business in this country's export efforts since it constitutes one of the most dynamic segments of the Canadian economy. About 85 per cent of new employment in Canada is attributable to small and medium-sized enterprises (SMEs). This effort, however, remains narrowly focused: 70 per cent of this job creation over the past decade was accounted for by only 5 per cent of our SMEs. If Canada is to do better at spreading the benefits of economic expansion, more companies, and especially more small companies, must be encouraged to find new markets in which to grow.

An important component of that growth must be the search for new opportunities abroad. It has repeatedly been demonstrated that business success is inextricably associated with an outward orientation. The most dynamic and prosperous firms are those that have transcended local and domestic markets to become international economic players.

While an outward orientation can pave the way to success, there are many reasons why smaller companies have traditionally been hesitant about going abroad. Many of them are unfamiliar with foreign markets and with international trade procedures. And being small, many of them, by definition, lack the resources to deal with the risks and challenges inherent in international trade.

Trade is a key to success, we need to get more smaller firms involved in trading, yet most smaller companies remain reluctant to trade.

One important solution to this dilemma

lies in partnering: partnering within Canada to provide smaller Canadian firms with the critical mass they need to compete abroad; partnering among organizations capable of providing our firms with the tools they need to be successful in international markets; and partnering between Canadian firms and companies abroad that can help them learn about and penetrate new markets.

The government of Canada is committed to working with the private sector, to promote all three partnering objectives.

First, initiatives to develop critical mass. The government is collaborating with the private sector to investigate ways of encouraging the emergence of business networks

in this country. Such networks have been used successfully in other countries as an innovative response to global challenges. A business network focuses cooperation and collaboration among a group of SMEs to enable them to build critical mass and thereby gain the competitive advantages of scale, scope and speed that they need to compete successfully in global markets. In effect, the network functions as a kind of virtual corporation that preserves the flexibility of its individual members while enhancing their resources and their impact.

SMEs can use networking to form horizontal groupings of similarly sized firms in a particular industrial sector, vertical groupings of suppliers to larger firms, and cross-sectoral groupings of firms seeking to implement innovative approaches to products and services. Such networks can take on a variety of functions on behalf of their members including joint purchasing, training financing as well as research and development. They can provide a mechanism for sharing knowledge, resources, skills and information. Finally, manufacturing, technology diffusion, setting quality standards, improving productivity, and benchmarking.

Regardless of what projects a network chooses to address through a common approach, participating SMEs can still bring forward their distinctive individual competitive advantages and leverage these for their own and the common good. Ultimately, the business network can serve as a powerful strategic marketing tool that allows companies to succeed at a project that none of them could tackle on their own.

Second, initiatives to develop trade-related skills. The government has partnered with private-sector organizations such as the Canadian Chamber of Commerce, the Canadian Manufacturers' Association and the Canadian Exporters' Association to encourage the development of the Forum for International Trade Training (FITT), a world-class training program that will give Canadian companies the knowledge and skill base they need to be successful international traders.

FITT has already developed training packages that address key trade-related skills such as marketing, financing, and logistics. It has also made arrangements with scores of community colleges and other educational institutions to deliver

courses based on these materials across Canada. The courses are results-oriented and will be delivered by practitioners with demonstrated expertise in international trade.

Third, initiatives to develop mechanisms for partnering abroad. The Canadian government is working with the Canadian Chamber of Commerce to make the international partnering program BCNet, the Business Cooperation Network, available to Canadian businesses. A pilot project involving the governments of Nova Scotia, Quebec, Ontario and British Columbia was launched in January, 1994. Other Provinces have already expressed interest in joining BCNet when the project is expanded.

Developed initially by the European Community, BCNet consists of a network of expert intermediaries in 36 countries supported by a computerized database that contains some 13,000 partnering opportunities. The intermediaries help client firms develop cooperation profiles that specify the client's objectives, capabilities and the type of partner it is looking for. The profiles are then entered into the computer and matched with other profiles through the assistance of the intermediaries. Thus far, the system has proven both popular and successful. From its inception in 1988, BCNet has handled some 38,000 profiles. In 1992, 17,000 partnership offers were entered and 15,931 matchings resulted - a match rate of 94%.

Now, BCNet is coming to Canada. Representing a partnership of the private sector, federal and provincial governments and local economic development authorities, BCNet can serve as a powerful tool to help Canadian firms find the partners they need abroad.

Though the Canadian Chamber of Commerce is serving as a national focal point for BCNet, economic development professionals (EDPs) have a vital role to play at the local level. EDPs with close ties to companies in their communities can promote this service and encourage Canadian companies to look to foreign markets for growth opportunities. More specifically, they can tell their contacts about BCNet, how it works, what benefits it offers and how to get involved.

I have described three specific initiatives being pursued by the government of Canada in partnership with the private sec-

tor to prepare smaller companies for the international arena. The challenges facing us, however, remain significant and the initiatives I have mentioned are only a start toward addressing those challenges. Now, more than ever, what is required is ongoing cooperation among all significant economic players in Canada to develop a vision of how this country could or should respond to the global challenge. We need fresh ideas and fresh approaches to global markets. And we need a comprehensive and coordinated approach that can guide our actions in the future.

The government of Canada is committed to playing its part in this process. It is ready and willing to work closely with various economic institutions and business organizations to share information, resources and ideas as a way of improving the international capabilities of all Canadian companies, of whatever size. □