Economic Reset: A Strategic Outlook for Canada's Manufacturers & Exporters

Jayson Myers
President & CEO, Canadian Manufacturers & Exporters

Myers began by noting the central importance of financial issues to any aspirations in science, technology, or any other field. "Vision without money is simply hallucination," he suggested. That being said, while he did not deny that Canada has successfully invested a great deal of money into creating knowledge and expertise that drive the global economy, we need to do more.

"We do a really good job of creating the resources of the 21st century. Where we're challenged, and where every business and policymakers really need to focus, is how to create value from those resources of the 21st century." — Jayson Myers, President & CEO, Canadian Manufacturers & Exporters

He clarified this point by arguing that businesses do not assess their accomplishments based on how much they have spent on R&D, but rather on how much value they have been able to create for their customers. In this context, manufacturers and exporters find themselves faced with steep obstacles to the creation of such value, such as rapid technological change and stiff international competition. He referred to a classic microeconomic observation, namely that participants will enter a perfectly competitive marketplace until profits are reduced to zero.

"That's the danger," he explained. "That is what every business has to avoid. And that is the beginning of good business strategy, which needs to drive product innovation and improvement. No company today can afford to be like anybody else. If that's the case, and you're producing a product or a service that can be replicated very quickly, then you'd better do something else."

For Myers, innovation makes it possible for a company to differentiate itself and provide its customers with practical solutions to their problems, which can be valued almost to the point of being unique and irreplaceable. To pin down the particulars of such success, the Canadian Manufacturers and Exporters surveyed 1,642 of its members that were growing exceptionally well. Success was not limited to any particular sector, nor even to companies that had ongoing R&D programs. More than two-thirds of firms engaged in technology transfer in order to improve their goods or services. The general emphasis was on the adoption of new technology to improve products, processes, and services. The survey also found that fewer than 5% of respondents cited access to government or post-secondary institutions as an important part of their business plan.

The focus that Myers urged, therefore, should fall on these firms that have demonstrated the ability to turn innovation into added value. He added that larger companies should come in for much of that attention, since their role in this network turns out to be crucial.

"It's the larger companies that create spin-offs. It's the larger companies that are the anchor for so much value creation among the smaller companies, simply because it's the larger companies that are the customers." — Jayson Myers, President & CEO, Canadian Manufacturers & Exporters

Myers then considered the latest federal budget, which he praised for its emphasis on manufacturing, which was set at the forefront of international competition rather than merely being relegated to a branch of more

traditional industries. He was particularly enthusiastic about direct investment programs for areas such as automotive, aerospace, or forestry, as well as activities associated with FedDev Ontario. Similarly, he anticipated that new support for IRAP and the transformation of the National Research Council will ultimately benefit many of the country's most promising small and medium-sized enterprises.

At the same time, he rejected any further pressure to "push" new technology into the marketplace. This kind of approach overlooks the vital role of customers, who often remain an afterthought until it becomes clear that their absence can be fatal to new products or ventures.

"We do a lot of investment in research and development," he says. "Then we count on start-ups to get that research out into the marketplace. And then we wonder why there's a disconnect between the quality of the research we do and the take-up." — Jayson Myers, President & CEO, Canadian Manufacturers & Exporters

On a related note, he questions the logic behind asking government to invest in activities that the private sector necessarily avoids. "This, in my mind, is a formula for funding failures," he said. "Why would we spend our taxpayers' money funding what business wouldn't fund because they don't see any return on that investment?" Instead, more money should go to those companies that have demonstrated their own support for new products and processes.

Myers listed five priorities for strategic government policy:

- maximize business opportunities, at both the domestic and international level;
- help to minimize technology risks, through support programs such as IRAP;
- minimize commercial risks, by promoting better collaboration within the research community and among businesses;
- minimize financial risks, ensuring there will be sources of funding for essential investments; and
- minimize operational risk, by maintaining a high quality regulatory system.

"Let's make sure we have an administrative process and a bureaucratic process that actually backs up what we're trying to achieve in strategy," he said, noting that these processes often fail to inspire confidence in the business community. "We have to make sure that we have clear objectives in programs. We have to make sure that those objectives are lined up with business objectives, and we do need to reevaluate what we're doing in direct funding programs as well as tax support."

He returned to the fundamental role of customers, especially for those high growth firms that are seeking to meet the needs of customers through the use of new technology and new processes.

Bert Van Den Berg of NSERC asked about the metric basis for identifying high growth companies. Myers responded that such companies identified themselves, and the most outstanding entrepreneurs will come to the fore. Offering up the example of IRAP's Industrial Technology Advisors, he suggested that these kinds of skilled, well informed intermediaries could make useful contributions to matching the most appropriate firms with the most appropriate support mechanisms.

Ron Freedman asked if government is biased against large companies, and Myers agreed that seems to be case. "We've lost sight of the need to support product development mandates, which is where the competition is in

large companies, is a different game than providing support to high-growth small businesses. We need to do more in terms of that strategic support." Rather than simply providing these larger enterprises with the same types of incentives to do R&D, they need broader assurances that Canada is the right place for them to do product development and ultimately production.

"We can have the best programs, we can have the best objectives, and we can have some money behind it, and sometimes it's really difficult to give that money away, because there aren't that many companies stepping up to use this. And if they're not ready to use this, I don't know why we should be forcing it on them." — Jayson Myers, President & CEO, Canadian Manufacturers & Exporters

Jeff Crelinsten asked about what could be done to support the middle tier of companies that grow large enough to find themselves cut off from many sources of support before they have a chance to establish themselves in the market. Myers cited these cases as perfect opportunities for government to step in as a prospective customer. He also noted that firms in this position often need specific expertise to see them through this stage of their growth, an area that could be targeted for funding to mentors or skills development.