

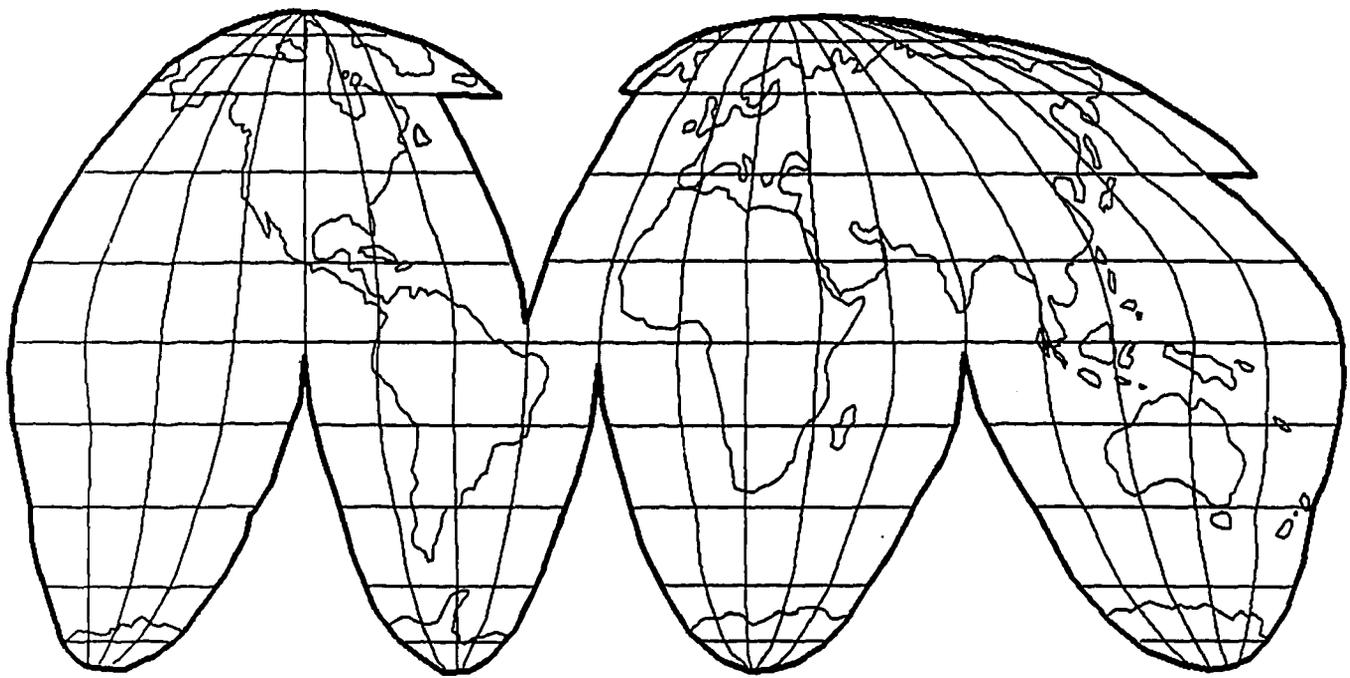
1994
07/11/2007/62

Canadian Nuclear Association

34th Annual Conference

Montreal, Canada

June 5-8, 1994



*** GOING GLOBAL ***

Growing Small Businesses

by

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✿ Going Global - Growing Small Businesses ✿

In October 1992, the Canadian Nuclear Association, with the Organization of CANDU Industries (OCI) and several of our leading companies was host to an incoming mission of senior executives from Korea's power industry. The mission identified significant opportunities to strengthen business ties with Korea, principally in the field of nuclear energy but extending across the entire electrical power sector and beyond.

GOING GLOBAL : It quickly became evident that there was a need to help Canadian Small and Medium Size Enterprises (SME's) to develop and strengthen their international business arrangements. Several of Canada's larger companies agreed to lend their names and reputations to help the less well-known SME's. The Going Global Energy Steering Committee (GGESC) - an initiative of Canadian industry - was established to guide this task. GGESC

encompasses all aspects of the electric power industry, including hydraulic, thermal, and nuclear electric generation, transmission and distribution.

THE NEW GLOBAL ECONOMY : Innovation and technological change are rapidly transforming Canada into a knowledge intensive economy. Simultaneously, a revolution in telecommunications and transportation, accompanied by reduced barriers to international trade and investment, has given birth to a global economy in which traditional distinctions between domestic and foreign markets are being eroded.

The new technologies put more power into the hands of those SME's that choose to take advantage of them - but the promise of this new global economy will be best realized by those who keep up with change, hone their skills and innovate aggressively.

While this new, knowledge-based economy will continue to change, it has several important characteristics of significance to Canadian SME's.

GGESC's MANDATE

To promote and facilitate industrial cooperation and exports of equipment and services for Canada's electrical power sector in Asia/Pacific, and longer-term in Eastern Europe and Latin America.

WHAT IS AN SME?

- ***A Small Manufacturer with < 100 Employees***
- ***A Small Service Business with < 50 Employees***
- ***A Medium-sized Manufacturer with 100 - 500 Employees***

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GLOBALIZATION : Technological change and the removal of trade barriers have created a global marketplace. This erosion in the distinction between domestic and international markets means that it's increasingly easy to source, produce, and deliver anywhere in the world. Globalization offers access to new markets and new opportunities. At the same time, it exposes domestic markets to the full force of international competition. Even those companies who choose to stay at home, must start acting like exporters, if they are to compete successfully against the best in the world in our domestic markets.

PROMINENCE OF SERVICES: Services account for almost two-thirds of the GDP in most advanced industrial societies. It is now no longer possible to draw a clear distinction between goods and services. A large part of the value-added in the goods-producing sector is attributable to service-based activities. The emergence of a service-based economy presents opportunities for SME's. Many are service providers built on the knowledge and cleverness of the entrepreneur without the need for large capital investments. However, as more companies move into the service-sector, securing a distinct competitive advantage will become more challenging.

KNOWLEDGE INTENSITY: Knowledge is the central theme in this new global economy. Increasingly the knowledge component of many products is more valuable than the materials, physical labour, or capital that goes into them. In a knowledge-based economy, technology confers significant competitive advantages to companies that know how to use it. SME's for example, can use information technologies to create value, extend reach, and compete with large organizations on a more even playing field. On the other hand, technological change is a threat to a company that fails to keep up with or stay ahead of its competitors.

THE NEW GLOBAL ECONOMY

- **Globalization**
- **Service Based**
- **Knowledge Intensity**
- **Size**
- **Niche Markets**
- **Rate of Change**

SIZE: The technological revolution has reduced the relative importance of size as a determinant of competitive advantage. Automated systems and process controls mean that short production runs can be just as cost-effective as long ones. Computerization, automation and rising productivity mean fewer workers are required for any one task. This means that SME's can be just as cost-effective as larger firms, - and larger firms often lack the flexibility to keep up with a rapidly changing environment.

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NICHE MARKETS: Markets are fragmenting as customers and consumers become more demanding and particular about what they want. SME's can compete successfully against large organizations by identifying and occupying small, tightly defined segments of the marketplace that they can serve better than anyone else. Technology is making it possible to customize goods and services to meet highly specific requirements.

CHANGE: Changes that used to take centuries are now compressed into decades and, sometimes, into a few years. Many new technologies are emerging while product life cycles are shortening. A highly fluid environment continuously presents new technologies, new markets, and new opportunities. At the same time, we are challenged to keep up with the latest developments. The business that stands still risks being swept aside by the onrush of change.

IMPLICATIONS FOR SME's: Few, if any, SME's can hide from the realities of the new global economy. Each will be influenced differently, depending upon the market being exploited and the objectives being pursued. Growth implies taking on new responsibilities, learning to manage larger organizations, and solving ever more complex problems. It means finding the right people to fill expanding roles. It implies abandoning routine and pursuing innovation - this in turn, requires at least some familiarity with technology. Even with all this, growth may not be possible if a company restricts itself to a local or domestic market - we must look abroad to find new markets - and growth also means having access to supportive financing when required.

INDUSTRY DIRECTORY : In 1993 GGESC developed a Resource Directory for Canada's Electric Power Industry. The Directory, entitled "Partnerships for Prosperity: A Resource Guide to the Canadian Electric Power Industry" comes in two volumes: an overview of Canada's capability; and profiles of sixty Canadian companies in the electric power sector. Copies have been distributed to our

STRATEGIES FOR SUCCESS

- **Management Practices**
 - **Labour Skills Development**
 - **Innovation**
 - **International Marketing**
 - **Financing for Growth**
-

PARTNERSHIPS FOR PROSPERITY A Resource Guide to the Canadian Electric Power Industry

- Volume 1: Overview of Capability**
- Volume 2: Company Profiles**
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Trade Commissioners around the world. During preparation of this Resource Guide we encountered reluctance on the part of many SME's to enter into the global marketplace. To find out why, and to determine what could be done to remedy the situation, GGESC recently organized a seminar for small businesses.

SMALL BUSINESS SEMINAR : The seminar was designed with two thoughts in mind. It's first objective was to provide the participants with an opportunity to learn about the characteristics of the new global economy, the implications to SME's and to hear about some of the success strategies which are working for flourishing businesses. The second was to encourage discussion, promote the exchange of information and to identify what SME's felt they needed to help them make a successful entry into the global marketplace.

GROWING SMALL BUSINESSES

- **Strategies for Success**
- **Successful Case Studies**
- **International Marketing**
- **What do SME's Need?**
- **What can SME's Do?**
- **Where do we go from here?**

Without a doubt the seminar was a success. Almost without exception, participants indicated their approval for the program. They felt the market information, strategies and pitfalls were well presented and the group discussions were useful and focused. They considered it to be time well spent and they left three very clear messages.

MARKET INTELLIGENCE : Marketing intelligence is the key. Obtaining the information necessary to enter the global marketplace is intimidating to SME's. They are looking for someone to initiate and manage a system of market intelligence for them

NETWORKING : Participants saw the seminar as being the start of a network and dialogue between SME's, government and larger organizations. They want it to continue and they need an organized mechanism to encourage it to happen.

FINANCING : Going Global is expensive. SME's are looking for tax and market development incentives to ease the burden. They also seek improved access to export financing.

KEY MESSAGES

- **Market Intelligence**
- **Networking**
- **Financing**

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Given these messages what do SME's expect of GGESC? Again they provided quite clear and specific advice. They are looking for one stop shopping and see GGESC as the facilitator for SME's. They recommend that GGESC, either alone or in conjunction with other electrical industry associations, set up a permanent interface for SME's. They want GGESC to facilitate networking - to look into putting together consortia and to co-ordinating information on international tenders and market opportunities. They ask that GGESC establish a bulletin board service for both market and SME information, and they encourage the arrangement of regular small business seminars on a wider basis.

NEXT STEPS

- **Facilitation Role**
 - **Networking**
 - **Bulletin Board Service**
 - **Small Business Seminars**
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WHERE DO WE GO FROM HERE? : It is clear that economic transformation - globalization, technological innovation and accelerating rates of change - is presenting small and medium sized businesses with many special challenges. SME's want help in going global and they're looking for someone to provide it. Is this an appropriate role for a steering committee? Is now the time to re-examine the roles of the CNA, OCl and our sister associations which represent other segments of our electrical power industry? Can we afford separate industry associations? Is now the time to consider a single organization representing the electric power industry?

As we move through 1994 and beyond, we must address questions such as these. We must continue to identify obstacles to Going Global and we must continue the search for solutions. Above all we must find new and different ways of working together if we are to ensure future success for Canada's electric power industry. This is not a new message - but's it's probably never been relevant than it is today. It's no longer an option, it's a necessity.

June, 1994

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