

CA1
EA169
94B21
ENG
DOCS

CA1 EA169 94B21 ENG DOCS
Rosson, Philip J.
Beijing, Boston or Brussels
43275959

.b2755907(E)

Discussion Paper

Trade Commissioner Service Centennial 1894 - 1994

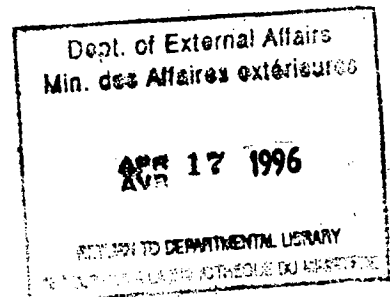
Discussion Paper

The attached paper has been commissioned as a part of the "Look Ahead" component of the Trade Commissioner Service Centennial. It has been designed to engender consideration and discussion of trends and issues that will effect the direction of the service as it enters its second century.

The paper is not in any way a policy paper and must not be viewed or quoted as such. The views expressed are those of the author, and not of the Department of Foreign Affairs and International Trade or any component of it.

Beijing, Boston, or Brussels Improving the Effectiveness of the Canadian Trade Commissioner Service

by Philip Rosson
Centre for International Business Studies
Dalhousie University



INTRODUCTION

In its attempt to better support the internationalization efforts of Canadian companies, the Department of Foreign Affairs and International Trade (DFAIT) has made considerable changes in recent years. New programs have been put in place and existing ones revised. The organization has also been restructured, all of these moves reflecting an adjustment to new developments and different circumstances.

The operating environment within which DFAIT functions has seen dramatic developments over the last decade, with economic and political liberalization, industry restructuring, and regional trading blocs, simultaneously providing opportunities and throwing up threats to Canadian business. Closer to home, DFAIT has had to make accommodations to new circumstances. Two deserve particular mention. The deep economic recession has put severe pressure on government finances. This situation, coupled with a growing sentiment that government is "too big," has led the Canadian government to reduce budgets, particularly through a reduction in trade commissioners (TCs) serving overseas. This is ironic, since resources have disappeared during a period of greater company interest in internationalization and fiercer competition.

The Canadian Trade Commissioner Service (TCS) is examined in this context. After 100 years of distinguished service to business, the TCS faces a number of important challenges. Users of the service express concerns about its effectiveness. Many of these concerns are echoed by TCs themselves. Canada needs an effective TCS if it is to remain a competitive international force, and so this matter merits serious attention.

The paper begins with a short discussion of the promotion of international business by government in Canada and recent changes at DFAIT. The focus then turns to the difficulties that TCs are currently experiencing as they attempt to deliver high quality services to Canadian business. A distinctive feature of the paper is that it reflects the views of practising TCs, a voice that has been seldom heard in this debate.

THE PROMOTION OF INTERNATIONAL BUSINESS IN CANADA

Given the importance of trade and investment to the well-being of nations, companies with the potential to engage in international business are courted in almost all countries. Most often—as in Canada—government has established structures and programs to deliver export assistance¹ to companies, with the focus primarily on small and medium-sized enterprises. Other arrangements are also found. In Germany and Austria, for example, export assistance is made available through private sector-led chambers of commerce, whereas in countries such as the Netherlands, a mix of public and private sector involvement is employed. While differing organizational arrangements have been established to create and deliver such assistance, there is a marked similarity in the types of programs available and in the export methods these embrace.²

GOVERNMENT NETWORKS

At the outset, it should be noted that Canadian expenditures on export promotion are significant. A number of attempts have been made to compare spending across OECD countries and although their purpose and measurements are questioned by some, these studies show Canada to be a major provider of export assistance.³ Canadian export assistance is largely provided by the federal and provincial governments. At the federal level, while DFAIT has the clearest mandate to promote and assist in the internationalization of Canadian companies, it is by no means the only player. A recently completed inventory of trade development programs reveals that DFAIT controls roughly half of the \$600 million available. In all, it is said that some 17-18 ministries and departments are involved in trade and investment activities, broadly defined. In some cases a strong argument can be made for a division of responsibilities, but others are more questionable. These ministries and departments are headquartered in Ottawa, but many also have regional offices. In the case of DFAIT, in conjunction with Industry Canada, International Trade Centres (ITCs) are operated in major cities across the country. The ITCs were established to provide a “window” to Ottawa and foreign posts. In other words, offices were set up to provide a local point of contact and advice for companies, as well as access to the programs and wider capabilities of the Canadian trade system. Two inevitable consequences of such wide federal government

¹ For convenience, export assistance is the term used here. In the past, helping companies to sell their goods overseas was the prime focus of government. A broader approach is increasingly taken today, out of recognition that international business development requires promotion of investment, technology, and tourism as well as trade.

² Seringhaus, F.H. Rolf and Philip J. Rosson, eds., *Export Development and Promotion: The Role of Public Organizations*, Boston: Kluwer Academic Publishers, 1991.

³ See for example Hitchins, Diddy R.M., “Canadian Trade Promotion Policies in Comparative Perspective,” Paper presented to the Association for Canadian Studies in the United States Conference, Boston, November 20-23, 1991.

interests are confusion among clients (i.e. business) and coordination difficulties for those involved. These problems are not helped by the fact that provincial governments are also active in the same field.

Provincial governments have long been involved in trade development, but their efforts have intensified in recent years. All provinces have ministries or departments with a mandate to encourage internationalization, and some have their own overseas posts. Many of these posts have been closed as a result of deteriorating budgets over the last few years. In certain key markets, however, federal and provincial offices are still to be found. To critics, this seems to be a duplication of services, whereas to others, merit is seen in present arrangements. None would dispute, however, that foreign posts are expensive to operate and their location and numbers deserve careful analysis.

2

still true
↓

The parallel networks of federal and provincial offices have largely separate electronic links. DFAIT is now directly connected through secure communication lines to the ITCs and many posts abroad. At the present time, companies are excluded from these networks and, therefore, still rely primarily on telephone and fax communications with various government offices.⁴ Systems integration and further development is expected to improve this situation in the next year or so.

3

The extensive involvement of Canadian governments in trade and investment development, and the physical and electronic networks that have been established, produce mixed results. When the elements are synchronized and the "right" contacts are made, the network is a fine resource and of great benefit to Canadian companies. The reverse is also true however.

PROGRAMS AND RESOURCES

Under the Mulroney governments, DFAIT was successful in arguing the case for increased funding of programs to help companies secure a stronger position in major markets in Europe and Asia/Pacific and, of course, to capitalize on opportunities created first by the Canada-U.S. Free Trade Agreement (FTA) and then the North American Free Trade Agreement (NAFTA). Markets with future rather than immediate potential were also targeted. Most notable is the Renaissance Eastern Europe Program, funded to both assist countries with the transformation to free market economies and Canadian companies with the development of relationships and business. Funding increases under these programs—and other factors—has drawn new companies into the field of international business. Ironically, however, the resulting demand has been difficult to service properly since funding increases were not matched at the personnel level.⁵

4

3

which was supposed since 1974?

⁴ The fax machine has had a major impact on posts (see below).

⁵ At foreign posts, for example, the number of Canadian-based trade commissioners (TCs) fell from 240 in 1985 to 216 in 1994, or 10%.

In an attempt to deal with budget pressures, DFAIT has made various adjustments. In some cases, the reduced capacity of DFAIT and questions about the role best played by TCs has led to the contracting-out of some functions. This involves a reallocation rather than reduction of tasks and, presumably, only produces savings when the new party is able to perform the task at a lower cost than that incurred by DFAIT. Cost-recovery and cost-sharing are other recent initiatives. With worsening government budgets, companies are now being asked to participate more fully in the funding of trade and investment promotion activities. As well as helping to stretch budgets further, many feel that by insisting on cost recovery, government helps to ensure the involvement of more serious exporters. Cost-sharing is another initiative, enabling promotional funds to be "leveraged" through the involvement of other like-minded organizations.

6

Another consequence of financial pressure has been fresh questioning of the way in which resources are allocated. DFAIT is primarily organized on a geographic basis and budgets are seen to favour the traditional markets of the OECD and newer markets in Asia. It has been suggested that more emphasis be placed on forward estimates of demand, and on the marginal utility of TCs in different locations, in resource allocation.⁶

①
change
in
how
TCS
services
are
provided

PERFORMANCE

Like many other export promotion organizations, DFAIT conducts periodic evaluations of its export assistance activities. Since the TC is the primary point of contact for Canadian companies, many of the program evaluations focus at least partially on the Trade Commissioner Service (TCS)⁷. These evaluations are usually quite positive. In a survey of 501 exporters, for example, 41 percent of companies reported that the TCS was "very useful" and a further 34 percent "fairly useful." Overall, the TCS was rated slightly lower than the "Program for Export Market Development" (PEMD) and "Trade Fairs and Missions Abroad" in terms of usefulness.⁸ On a more specific level, exporters often point to the need for considerable improvement. Two recent studies are indicative. Three areas of complaint were identified in one study: companies perceived a lack of business acumen on the part of TCs; felt more training was required to make TCs as effective as possible; and regard there to be

Client
Service
Survey

⁶ Griffith, Andrew, "From a Trading Nation to a Nation of Traders: Towards a Second Century of Canadian Trade Development," Policy Planning Staff Paper No. 92/5, Ottawa: External Affairs and International Trade Canada, 1992.

⁷ Because of (a) the way that evaluations of TCs are designed, and (b) the contact patterns of companies, it is said that the results reflect company views about TCs at foreign posts rather than those serving in Ottawa or in the ITCs.

⁸ Canadian Facts, "Survey of Canadian Exporters," Report prepared for External Affairs and International Trade Canada, Ottawa, 1991, p. 15.

demands placed on TCs that cannot possibly be serviced.⁹ Another study yielded similar results as well as others, including the need for a more entrepreneurial service with incentives to reward superior performance.¹⁰ It should be noted that these and other concerns are recognized and have been the subject of study at DFAIT.¹¹ Many practising TCs also agree that they are unable to consistently service business in a manner that is acceptable to either party. In the remainder of the paper, the question of TCS effectiveness is examined.

THE EFFECTIVENESS OF THE TRADE COMMISSIONER SERVICE

It appears that the effectiveness problems have their origin in the volume of work TCs are expected to deal with, as well as the way that work is handled. These matters are discussed below, along with ideas to deal with the problems. In addition, the more general question of work conditions and/or work climate at DFAIT is addressed.

WORK OVERLOAD

There is wide agreement that the volume of work TCs face has grown to unrealistic proportions. Various factors that have contributed to this situation. These are:

- More program funding
- Reduced operating funding
- More company interest
- More government involvement
- Easier access

New program funding to support major thrusts in specific regions has quite naturally increased the amount of work facing TCs, at a time when reduced operating funding meant there were less people to deal with this work. Greater company interest in internationalization—*independent of the new program dollars*—has also added to the TC's job, as has the expansion of a job that traditionally focused on trade development, to more formally include investment, technology and tourism promotion.

Since it is at Canada's foreign posts that programs are ultimately delivered and companies assisted, the increased efforts of other federal and provincial organizations has increased TC

⁹ Sector Associates, "Commentary on the Trade Commissioner Service from 'Marketplace 89' Clients," Report prepared for External Affairs and International Trade Canada, July 1990, p. 16.

¹⁰ Grant, Michael, "The Trade Commissioner Service in the Year 2000," Report prepared by the International Studies and Service Development Group, The Conference Board of Canada, 1991, p. iv.

¹¹ Griffith, *op. cit.* provides comprehensive treatment.

workloads. The widespread use of fax machines has not only made posts (and others) more accessible, but has changed expectations about response times. Now, many companies expect "next day" responses to fax enquiries.

The work overload problem impacts on all parts of the network but smaller posts abroad have been particularly hard-hit, because TC cuts have had a disproportionate effect in these settings. A consequence of these trends is that the trade and investment development network has more work than can be properly handled by the staff available. Since all enquiries must be answered, it is quite obvious that the quality of response suffers (see below).

Several initiatives are underway to deal with this problem, but others seem necessary. These are:

- Contracting out
- Cost recovery
- Filtering
- Fewer events
- Teaming

Cost recovery and contracting out were mentioned above. Contracting out certain services helps reduce the workload, but the budget effect is less clear. Cost recovery was established as an expense-sharing move but, over time, has become a "nuisance factor" dissuading less serious exporters from participating in government programs. As such, it helps to filter out the less serious company. Filtering is likely to play a bigger role in the future since many TCs admit that there is too much of what they term "garbage traffic." While the acceptance criteria for financial assistance under programs such as PEMD filters out companies that are not "export-ready," those same companies still have ready access to all posts. Stories abound of companies that engage in mass-faxing to posts, with requests for information of one kind or another. Since there is an obligation to answer all enquiries, workloads are affected by companies that have done little if any preparatory export work themselves. More explicit filtering of companies will help reduce workloads so that time and effort can be spent on companies that are more committed and better prepared and, thus, have a greater chance of foreign market success. Filtering is a role that ITCs were expected to help with but, for various reasons, companies often by-pass these offices and go direct to posts. Although many agree that filtering rules are necessary, deciding how to implement such an approach is less straightforward, particularly since this is likely to impact most on smaller and newer companies—the key constituency served by government. Filtering might be more easily achieved if the emphasis is on "filtering in" rather than on "filtering out." The former specifies company actions that qualify them for export assistance (e.g. attending an export training program), whereas the latter approach disqualifies companies that do not meet certain criteria (e.g. minimum sales level). (10)

Another perception of TCs is that too much time is taken up by the organization and management of events—particularly trade fairs and missions. This task has become larger with the closure of dedicated units for fairs and missions in most geographic divisions. In many cases, the responsibility for events now rests with desk (country) officers and posts. Although important, events such as these are extremely time-consuming. The lack of clear filtering processes and demands of mounting fairs and missions means that less time is available for TCs to work in areas where they are judged to add the most value. These are one-on-one meetings with Canadian business visitors and the provision of local market and contact information.

With reduced government budgets and greater workloads, another approach that has merit is teaming.¹² The “Team Canada” idea is popular in Ottawa at present and can occur between DFAIT and business, and/or DFAIT and other government organizations. The former can be used to ensure greater “buy-in” and financial support for important initiatives, as exemplified in the Japan Action Plan. A contact-efficient variation is where DFAIT is able to work with a representative organization such as an industry or trade association rather than many individual companies. Partnering with other government organizations has the potential of greater coherence and efficiency. In both company and government forms, however, unless workloads are shared the only gain is a symbolic one.

The actions discussed above would, if properly implemented, enable DFAIT to manage its workload so that energies might be directed along more effective lines, thereby focusing on the most important activities and companies.

SERVICE QUALITY

There is agreement that many TCs are unable to fully meet the service expectations of companies. A number of factors help explain this predicament. These are:

- Many of the same factors that have contributed to work overload
- The principle of universality
- Business and technology complexity

There is an obvious link between workload and service quality. The TC who is swamped with all manner of enquiries, visitors, events and meetings will likely be motivated more by getting the job done rather than the laudable but unrealistic goal of service excellence. Therefore, the very factors that have increased the volume of work for TCs also contribute to the reduction in service quality provided. However, service quality has also been affected by other forces discussed below.

¹² This embraces but goes beyond the cost-sharing discussion above.

Various means exist to deal with problems here, including:

- More trade commissioners in the field
- Changed recruiting, career planning and training practices
- Better coordination
- Clarification of roles

DFAIT has changed its staffing levels and patterns in an attempt to deal with ever-tightening budgets. Because it costs about three times as much to maintain a Canadian TC overseas than that same person would cost in Canada, foreign posts have seen considerable staffing changes. Some have been closed while most posts have been scaled back. TCs have been withdrawn to Canada and locally-engaged commercial officers expected to take up the slack. With fewer TCs in the field and greater demand, it has proven difficult to provide the quality of service that business expects. TC disquiet is another consequence of staffing changes. Since many individuals joined the TCS at least in part because of the foreign service component, the reduced number of overseas postings is not entirely satisfactory. It seems important therefore that DFAIT commit to placing more TC resources in the field and a commitment of this kind has recently been made. (11)

A complaint of companies in various evaluation studies has been that TCs do not display sufficient business acumen. It is difficult to know whether this is a recurring or new theme. The latter is thought more likely and almost certainly reflects the fact that today's TC operates in a more complex business and technological environment than his/her predecessor.¹³ Given this situation, several possibilities exist for providing higher levels of service to business; these include recruiting, career planning, and training initiatives.

In the past, TCs have been viewed and recruited as generalists—the “Renaissance” person that could turn a hand to almost anything. As business and technology becomes more complex, however, the advisability of a continuation along these lines can be questioned. If information technology is to continue to be a Canadian trade and investment priority, for example, perhaps the time has arrived to recruit TCs with the special knowledge and/or experience required, rather than expecting this to develop over time. A similar argument can be made for the targeted recruitment of people with regional knowledge and language skills. It appears as though recruitment practices are moving in these directions although the best solution is not entirely clear. In the technology area, for example, given the speed at which knowledge is made obsolete and Canadian supply capability changes, it could be that hiring specialists on contract is more effective than investing in dedicated personnel. (12)

¹³ Seasoned officers refer to the different “operating environment” of the TC today. Observable changes include: more players (countries and companies), the shift in regulations (from bilateral to multilateral agreements), the greater number of business methods (from simple trading arrangements to a plethora of alternatives), and the advanced nature of technology.

Should DFAIT move in this direction of greater specialization, it would be wise to make the most of an officer's knowledge and experience throughout his/her career. At present, the rotation process sometimes removes very effective officers from posts and places them in distinctly different positions. The loss is two-fold: the post loses much expertise, and the TC is forced to start learning all over again. A process of more coherent career planning would benefit business because officers would be more immediately knowledgeable at new postings. For example, a TC first posted to Chile might subsequently cycle through other postings—country, geographic and functional—building on the particularities of Latin America and what is involved in securing business in that region. Better levels of service quality to Canadian business should accrue through such an approach.

More emphasis on training is underway at DFAIT but might be pushed further. Historically, TCs were expected to learn on-the-job rather than as part of a more formal and systematic process. This is changing. DFAIT established the Canadian Foreign Service Institute in 1992 and has put the two most recent groups of TC recruits through a substantial training program. Some limited training of longer serving officers has also been carried out, and plans exist to develop programs for senior and mid-level officers in the near future. Money is, of course, a limiting factor in the development of comprehensive training programs. One important element that has perhaps been overlooked in this process is the locally engaged commercial officer. With an increasing number of commercial officers¹⁴ and a greater share of the workload and responsibility being carried by these individuals, it is unrealistic to expect a flawless response. Thus, more training attention might be given to these important DFAIT employees.

A response of Canadian governments to the increased complexity of the environment in which companies and TCs operate, is collective action. For example, in the telecommunications field, DFAIT works closely with Industry Canada, while in the area of agriculture, initiatives are often undertaken with Agriculture Canada. When only two agencies are involved, coordination should not be difficult, but larger collaborations can be more problematical. Increased attention is being paid to the matter of coordination, which has been an issue in the multi-agency setting in which Canadian trade and investment development is conducted. One successful example of coordination is provided by the annual "International Trade Business Plan" which sets out the opportunities for business, as well as the initiatives that are planned to help capitalize on these. Although this is published by DFAIT, it covers the activities of other departments and ministries too, all of which are coordinated. A more recent initiative is the establishment of sectoral expert groups. These groups often include individuals from different agencies, the goal being to ensure timely information sharing and dissemination across organizations.

¹⁴ The number of commercial officers grew from 185 in 1985 to 333 in 1994, or 80%.

A final factor that affects service quality is the principle of universality. At present, TCs are expected to respond to all enquiries and requests, without regard for the type of company or situation. TCs set their own priorities for handling their work, but this is always a judgement call that can be questioned. Further, such a system almost invites inconsistencies across officers and posts. DFAIT might consider stating more explicitly the priorities that will guide the work of TCs. This would explain the services that TCs will provide for business, what priorities will be accorded various types of request/company, and what standard of service is to be expected (type of response and time-frame). The statement should also be explicit about services that TCS will not provide for business. If DFAIT were to make such a statement, it would remove considerable pressure from individual TCS and help set consistent operational standards.

WORK CONDITIONS AND/OR WORK CLIMATE

Work overload and service quality concerns are matters that specifically relate to the effectiveness of the Canadian TCS. More general, but no less important to improved TCS effectiveness, are certain contextual factors which go to the heart of the TC's conditions of employment.

The more significant items of TC concern are:

- Salary level/freeze
- Promotion system
- Generational issues
- Trade development versus trade policy
- Bureaucratization
- Morale

TC salary levels do not match those in the private sector. This means that DFAIT's pool of potential recruits is largely made up of those for whom salary is not a prime consideration. By freezing what were already lower salaries, however, government has automatically focused greater attention on this aspect of TC employment. This is made all the more acute since the very factors that historically have offset lower salaries—the interesting and satisfying nature of the work, and the foreign postings—have come under threat with increased workloads and fewer postings abroad. The salary discontent is reputed to be greatest among officers who did not join the TCS directly from university, and feel their salaries do not reflect level of experience and, more particularly, language and technology competence. Promotion is another major issue. With a contracting public service, the number of positions that are available for promotion has been reduced.

Two items have been subsumed under the heading “generational issues.” The first concerns the “greying” of the TCS. A sizeable number of TCs will be retiring over the next 10–12 years and, with the limited promotion and foreign posts now available, many are more

interested in job satisfaction rather than career advancement. DFAIT will be challenged in getting high levels of performance from such individuals. Older officers are also an issue in the sense that their younger counterparts sometimes view them as blocking their path forward, and not understanding what it is like to serve in the front-lines of the TCS today.

Another division that seems to need some attention is that between trade development and trade policy. Historically, TCs were trade developers but, over the last decade, during a protracted period when important trade agreements were negotiated, trade policy has come to be seen as the "rising star" in DFAIT and, thus, the key to career progression. The emphasis on trade policy work in Ottawa is also seen as partially explaining why so many TCs are now located in Ottawa. TCs now wish to see trade development re-emphasized, believing that the pendulum has swung too far in the other direction. It is expected that such a change would be welcomed by Canadian business, who see the TCs who are located in foreign markets as providing greater value than those in Ottawa.

This last point leads to the next. The upshot of recent trends—at least in some minds—is that the TCS has become a Canadian-based bureaucracy rather than the foreign-based trade development force it once was. Although this might be an exaggeration, a better balance might be achieved with a shift in DFAIT's geographic and work emphasis. A final over-riding issue for DFAIT to recognize and deal with is the lower level of morale that has resulted from the accumulation of much recent change. A considerable challenge clearly faces senior management in its efforts to turn around this situation.

CONCLUSION

Over its 100 year history, the TCS has served the interests of Canadian business extremely well. So well, in fact, that many observers claim the Canadian TCS to have been the finest of its kind. Although the TCS has undoubtedly faced difficulties in the past, the challenges it faces today seem especially significant. A variety of factors that reduce the current effectiveness of TCs were discussed in the paper.

Two particular problems areas were identified. First, it is widely agreed that TCs face excessive workloads and that the resulting volume of work prevents the best job from being done. Second, it is also agreed that TCs are not meeting the service quality expectations of business and, in many cases, themselves. Major factors accounting for these problems were highlighted in the paper. Most seem likely to persist and, therefore, if the TCS is to be more effective, some change within DFAIT seems indicated. Many TCs express strong opinions on this matter and their views have been reflected in the discussion. Such change should not be seen in isolation. While there are specific actions that might be taken to manage workload and address service quality concerns and, thus, improve TC effectiveness, there are more general matters that also need attention. These concern work conditions and/or the work climate within DFAIT. These were briefly mentioned in the final section of the paper. Progress is being made by DFAIT in many of the areas covered but the need for further effort seems quite clear.

The TCS has played an important role in the development of Canada's trade and investment over the last century. This role will be no less important in the future. As Canadian businesses internationalize their operations, they will need the support and assistance of a strong TCS. The paper has indicated a number of areas where effectiveness needs to be improved and actions that will help in that regard.

LIBRARY E A / BIBLIOTHÈQUE A E



3 5036 01072228 1

CA1 EA169 94B21 ENG DOCS
Rosson, Philip J.
Beijing, Boston or Brussels
43275959