

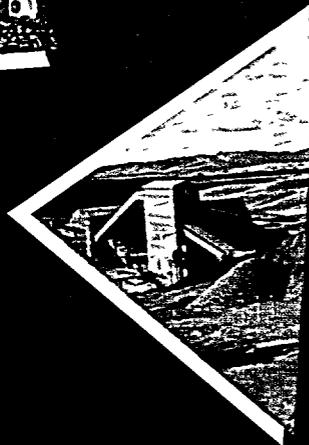
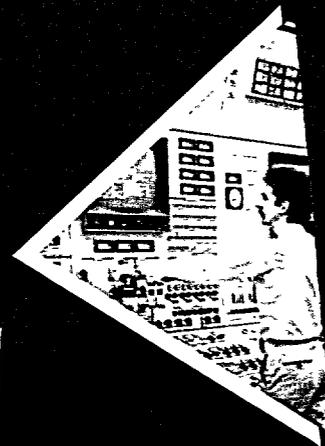
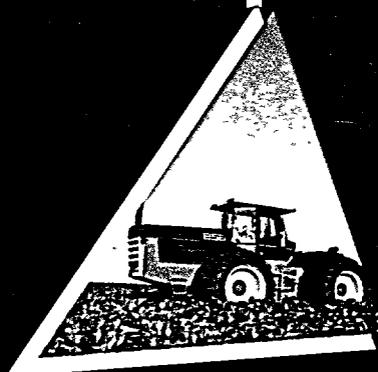
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Excellence in exporting



*Advice and comments from
Canada Export Award winners*



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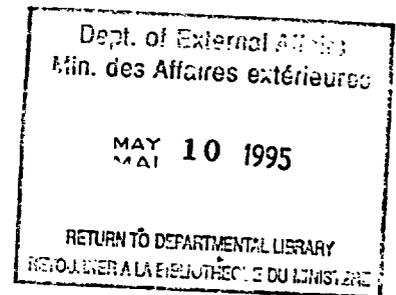
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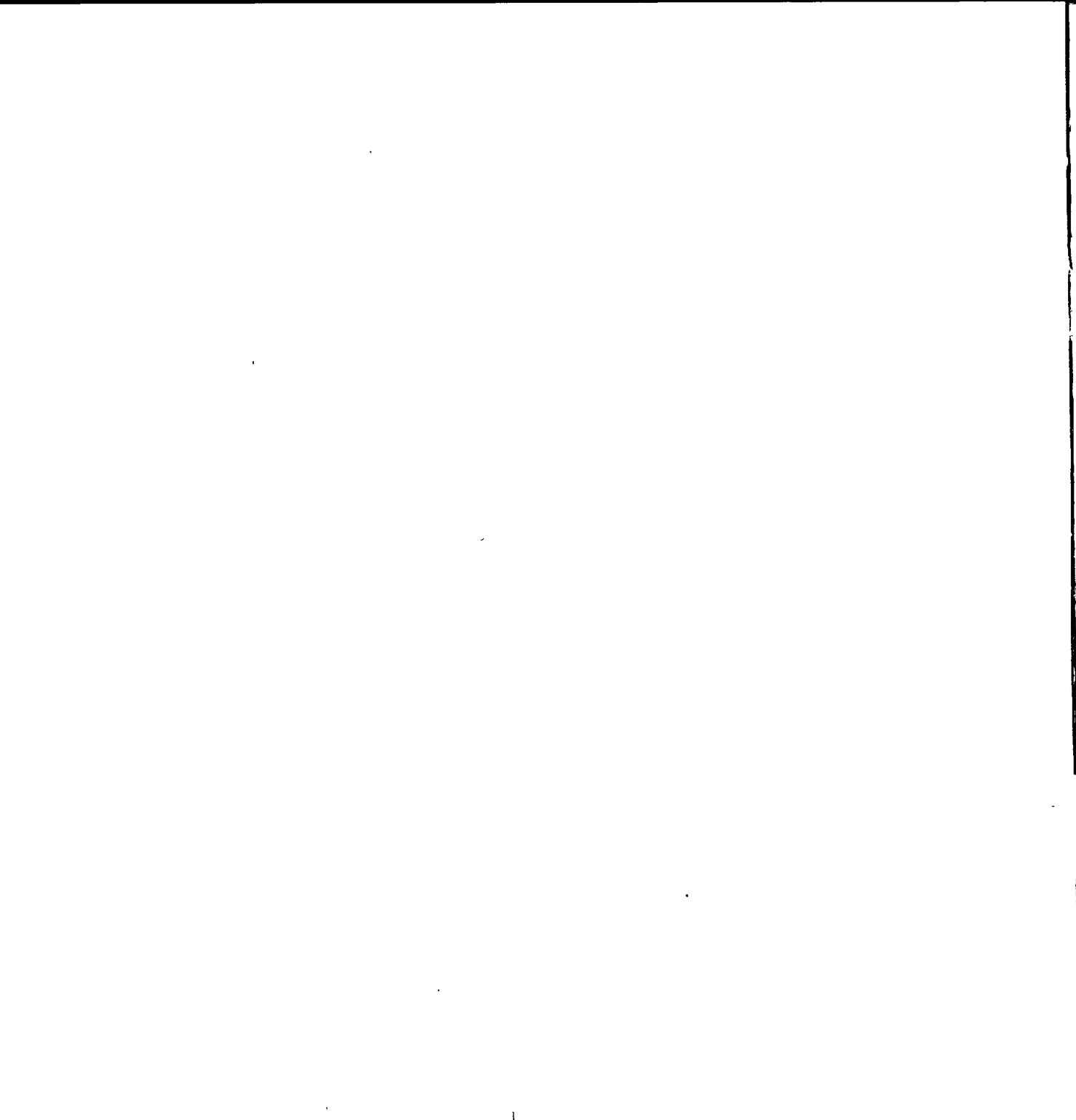
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Excellence in exporting

*Advice and comments from
Canada Export Award winners*

by
Philip Rosson, Mary Brooks, Shyam Kamath and Donald Patton
Centre for International Business Studies, Dalhousie University





Minister for International Trade



Canada

Ministre du Commerce extérieur



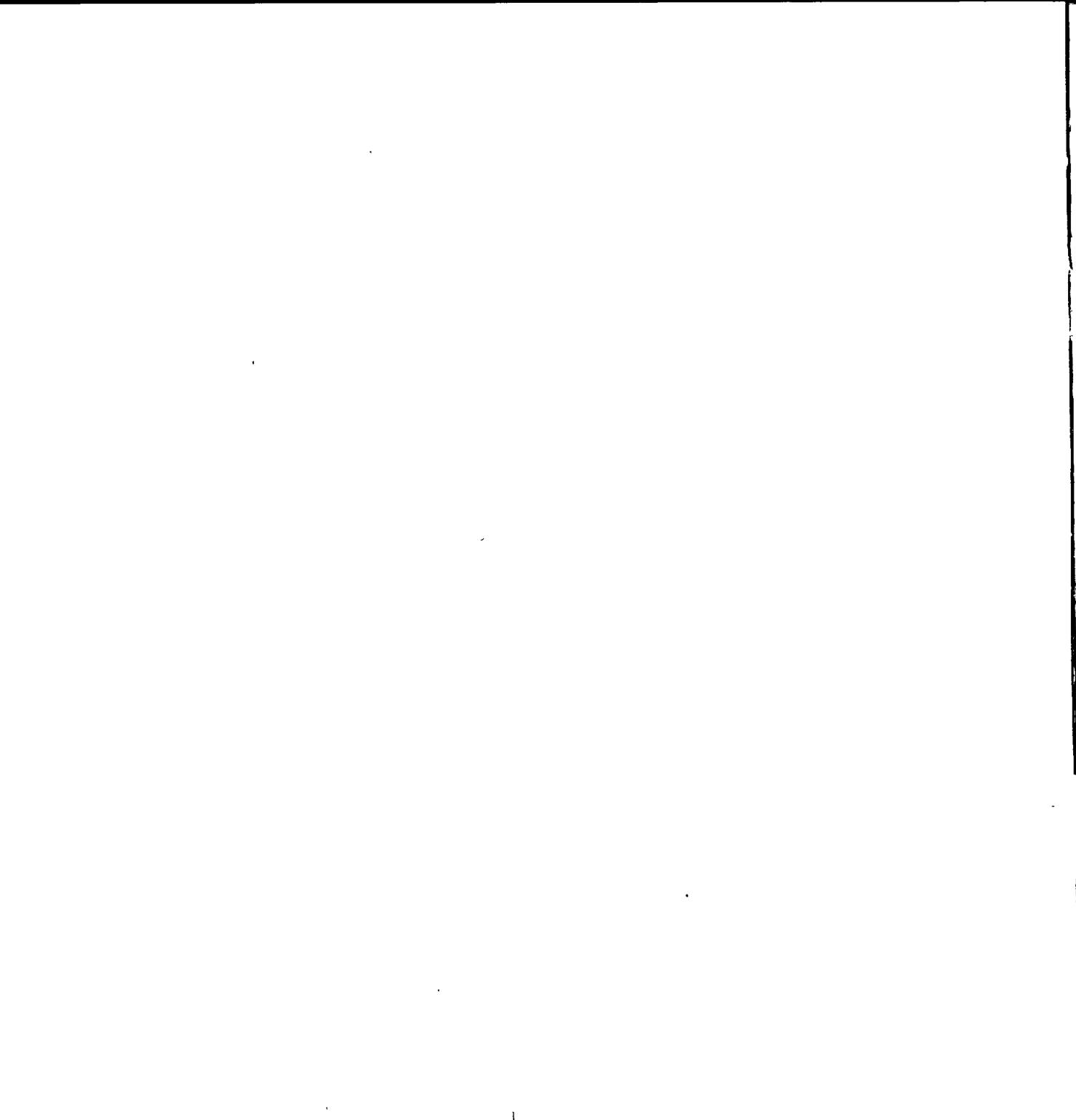
Excellence in Exporting presents the experience and the advice of Canada's top exporters. The Canada Export Award winners offer their formulas for success and provide useful information for both exporters and potential exporters. For anyone thinking of venturing into foreign markets this book is an excellent first step.

The economic well-being of all Canadians depends on our ability to sell our products and services in the markets of the world. Canada's future hinges on its ability to foster and enhance its international trade and to improve the international competitiveness of Canadian industry.

I am pleased that the Department of External Affairs and the Centre for International Business Studies at Dalhousie University could cooperate on this project. I would like to thank the Canada Export Award winners for sharing their experiences for the benefit of the business community.

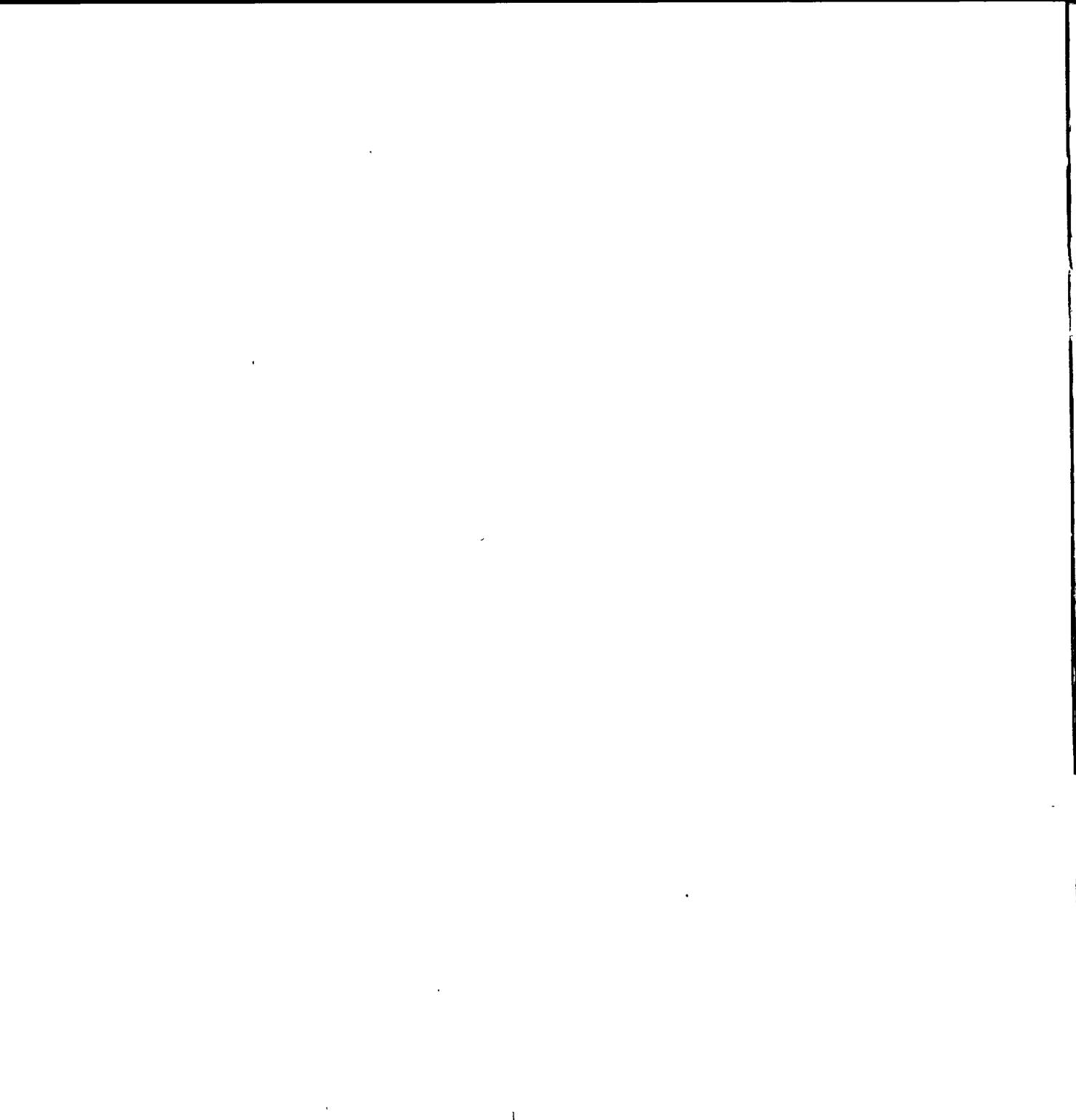
A handwritten signature in black ink that reads "James Kelleher".

James Kelleher



The Centre for International Business Studies

The Centre for International Business Studies at Dalhousie University is one of five in Canada funded by the Department of External Affairs to foster teaching and research in international business. Since its establishment in 1975, Dalhousie's centre has developed a program of graduate and undergraduate level courses in international business. The research direction of the centre has evolved from an initial focus upon issues of specific concern to Atlantic Canada towards studies of international business affecting Canada as a whole. These now include: Canada's international trade and investments; the multinational enterprises, which are pervasive in Canada's economy; technology transfer; technological innovation management; exporting by small and medium-sized firms; and government regulations affecting international business.



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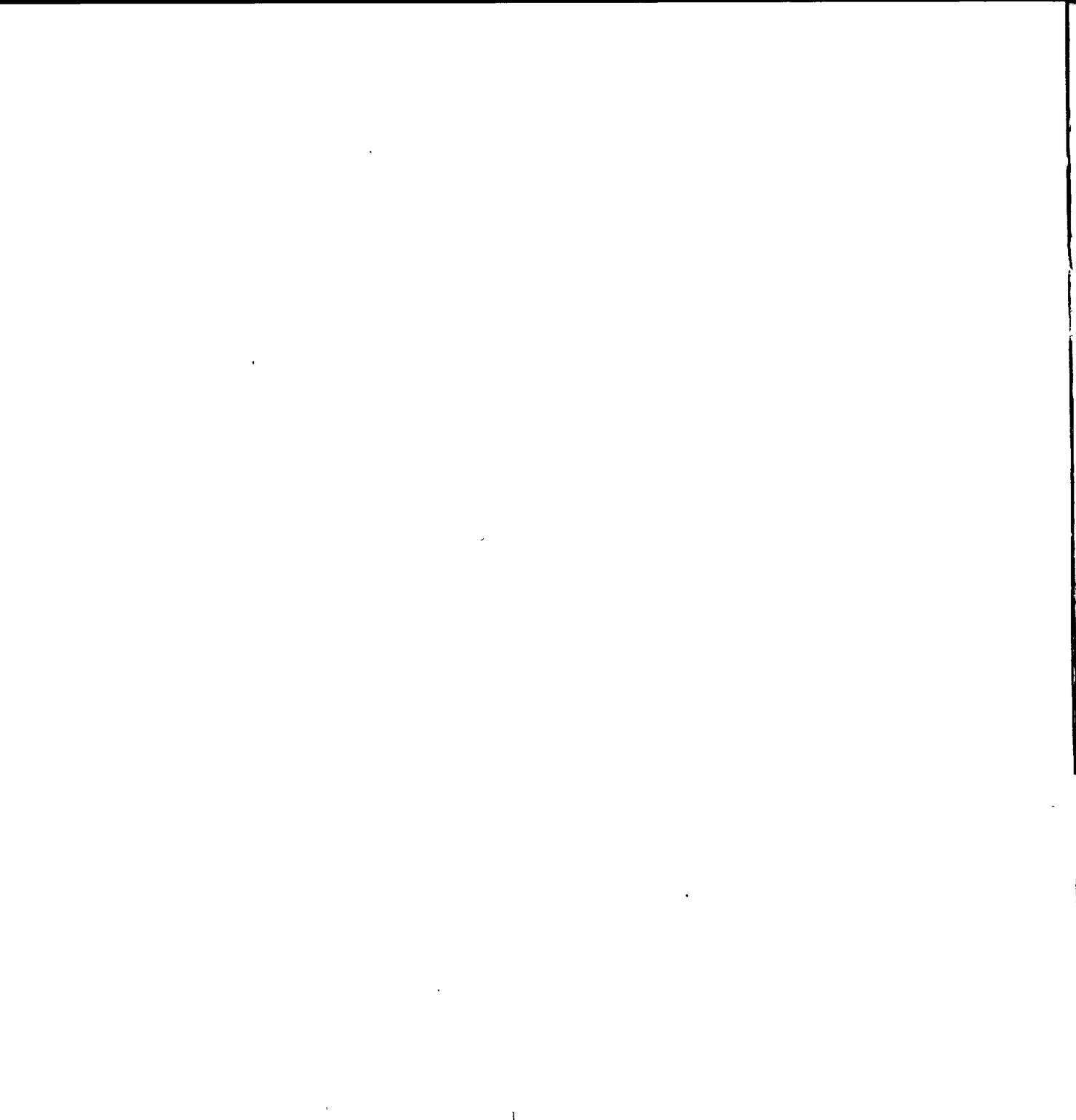
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- Pat Zwicker for secretarial and administrative help and Teresa Durant for typing assistance.

*Philip Rosson
Mary Brooks
Shyam Kamath
Donald Patton*



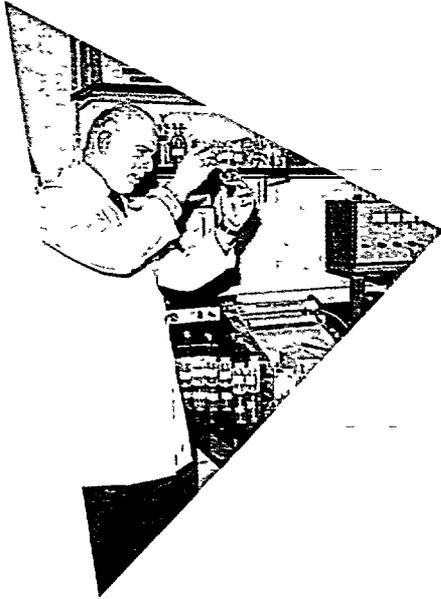
Preface

It is difficult to open a newspaper or switch on a news program these days without being exposed to the subject of international trade and the competitiveness of Canadian firms in world markets. The story line that we read and hear is a consistent one: that international trade is an area of high priority and that Canadian firms must improve their penetration of foreign markets. Less agreement exists, however, on just how this improvement in performance is to be achieved.

As part of its ongoing evaluation of the Canada Export Award Program, the Department of External Affairs wished to see a study conducted on past award winners in order to assess factors that had contributed to these companies' export success, with a view to making this information available to a wide range of Canadian managers and entrepreneurs. Such a study was commissioned and is reported

here. This book describes the experiences of 27 of the companies that won the Canada Export Award in 1983 and 1984. The executives of this diverse group of star exporters tell how their success has been achieved, the problems they have faced in exporting and how these have been overcome, and how new exporters might best proceed. Their experiences and advice are both interesting and useful, and it is hoped that many Canadian companies will find the book of help to their exporting activities.

1 Introduction



To the person on the street, exporting often sounds like a pretty exciting way to do business. Just think of all that travelling, sometimes to faraway and exotic places. And consider how good it would feel coming home after having clinched that big international deal.

On the other hand, to the executive who has spent six weeks shuttling between hotel room and offices while negotiating a contract in a foreign country or to the company that knows its product stands “head and shoulders” above the competition yet is passed over by overseas buyers, exporting can be a frustrating, will-sapping, money-draining exercise.

Both the “exciting” and the “frustrating” aspects of exporting are real. Most companies experience exporting highs and lows. When success comes, it’s great; but getting there can be tough because, generally speaking, there are more problems to be faced in overseas markets than at home.

Although exporting is seldom easy, as Canadians, we must look to our companies to do better in world markets. If we are to continue

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to enjoy our high standard of living, exporting must be accorded the priority it deserves. Simply stated, we have to do a better export job. There are two ways this can be achieved. First, more Canadian firms can get involved in exporting. Many companies have the potential to export yet presently do not do so. Second, companies that are selling overseas could improve their operations further. There is always room for more and better-directed effort.

Government can also help boost exports through its various export stimulation and support programs, but it is up to each individual company to take its own exporting action. As the well-known adage goes: "You can lead a horse to water, but you can't make it drink."

Objective

It is hoped that this book contributes to realizing the goal of improved Canadian exports. This is certainly the objective. Canadian companies can win in the battlefield of the world marketplace, if armed correctly and supplied with the right ammunition. This book contains material that should prove helpful to new exporters as well as to those wanting to improve their present performance overseas.

As well as ammunition, firms need the self-confidence to step onto the commercial battlefield. The 27 Canadian success stories that provide the basis for this study reveal just this confidence. Taken together, they show that our companies can and do export as well as those of other nations.

2 Elements common to all successful exporting companies



The 27 Canada Export Award winners exhibited nine common elements, which can be conveniently grouped under three headings. It was found that these companies have *good people*, a *clear philosophy* and *sound action skills*.

The most fundamental strength of the award winners is their people. The winning companies were found to possess people with strong management skills and ability, a dedicated and able work force, and harmonious relations between management and employees.

As well as good people, these companies displayed a clear philosophy. In other words, the corporate mission had been clearly developed and articulated, and a commitment to exporting had been made as one way of achieving company objectives. The companies also recognized the need to organize their operations so as to satisfy current and potential customers.

Finally, these company strengths — people and philosophy — were turned into exporting success as a result of sound action skills. These include the ability to locate and secure market niches, to design products and/or services and to piece together an effective exporting campaign plan.

Each of these findings is discussed further in this chapter and illustrated with examples and quotes from award-winning companies.

Certain success factors were not common to all 27 companies, and these “uncommon” elements are not described. Rather, it is hoped that the five company profiles indicate how particular exporting situations require contrasting approaches.

Good people “The people in the company make it happen”

The most fundamental strength of the award winners is their people. And not just management, but the work force and the way these two groups relate to one another.

“The strength of our organization is people.”

*Reinhard Zobrist
Vice-president and General
Manager
Ingot Products Division
Alcan Smelters and
Chemicals Ltd.*

Management

Management skill and ability is a key success factor in exporting. Many companies were proud of their specific abilities and know-how in their industries as well as other skills in such areas as negotiating contracts and knowing how to do business in particular world markets. But the overriding theme was a commitment to doing a good job.

“The major factor in our exporting success is that we have a very committed and proud team.”

*Peter Sewell
President
Western Packaging
Systems Ltd.*

Seaboard Lumber Sales of Vancouver, British Columbia, stresses the skills and abilities of its management team of international traders in a highly competitive and volatile business. According to Clive Roberts, the chief executive officer of Seaboard,

“People are the key factor in international business. You have to have the right people who know what they are talking about and who can relate to the buyer. So much of your business depends on good people. You may have the best widget in town and all the razamatazz that goes behind it but if you don’t have the right people you won’t do the business.”

For some of the newer companies, these management strengths were boosted by the leadership provided by their founders. For example, Dicon Systems Limited’s success has a lot to do with the chief executive officer’s management style. Shaver Poultry Breeding Farms Limited benefitted from its founder’s dedication and enthusiasm for poultry breeding and the skills he developed in breeding genetics. I.S.E. International Submarine Engineering Ltd’s very existence and its position as the world leader in designing and building remotely-operated submersibles is due to the driving force and vision of its founder, James MacFarlane.

An export consciousness on the part of the founder was also important. Abraham Mears, vice-president and general manager of Intalite Inc., stated that “the motivating force” behind his company’s exporting operations has been Mr. Stanley Diamond, co-owner and one of the

founders of the organization. Mr. Diamond, general manager until 1968 and since then director of international marketing, told how during the early days of the company, he was able to leave the day-to-day administration to his partner and concentrate on international marketing. This meant that

“My credibility and sincerity were always there and apparent. And it’s not only important to have a title, it’s important how you use that title and how you respond to the marketplace . . . I have conveyed to our distributors, without telling them in so many words but by actions, that I am their representative at the home office. I’m on their team. I’m working with them to help them be successful.”

Management ability is clearly seen in the case of Versatile Farm Equipment, a company that has survived in the agricultural equipment industry while much larger competitors have been brought to their knees. For Versatile, management skills have resulted in strategies of “nichemanship,” product differentiation and cost-cutting (see Profile 1).

The work force

Other companies saw their major people strengths as being in the work force, either on the production

line, in the sales force, or elsewhere. Many companies indicated that strong production worker skills meant consistency in product quality, something to be encouraged. In fact, Litton Systems Canada Limited points to its production skills as a major strength.

"We build things very well and we build them at a very good price. We probably do better than a lot of U.S. companies. We certainly do better than our sister divisions in Litton."

*Tom McGuigan
Vice-president, Marketing
Litton Systems Canada
Limited*

The sales team plays a critical role as well. As Valmond Chiasson, general manager of Produits Belle Baie Ltée points out, it is critical that your salespeople know the product and relay expertly the company's knowledge of the business to the market.

"Otherwise, if you're trying to sell something you don't know, it's going to be very hard to tell the customer that you have to call the office (to get the answer to his or her question). But if you've been working at the plant yourself, you know exactly what you're speaking of."

Although many companies looked solely at these strengths in their Canadian offices and factories,

others stressed the importance of having good people in foreign sales offices.

"We have 168 sales offices worldwide and each sales office has exactly what we have in Canada whether it be in Halifax, Montreal or Toronto. But more importantly, we have technical services and administration. And if you are going to export markets on a consistent basis, you have to invest in local people."

*George Fithern
Vice-president, Sales and
Marketing
Dow Chemical Canada Inc.*

Alcan Smelters and Chemicals Ltd. supports the Dow attitude on the grounds that local people are in the best position to conduct the company's business, and that investing in them brings the best return. Ted Strain, president of Motorola Information Systems Ltd., agrees:

"It's very important to have the local people doing the local selling, they know the ways that business is done in Japan, in France, in industrial Europe, whatever. You must not try to sell anywhere using foreign nationals . . . Dealing with all local matters is done by local nationals at the local level. And any problem of interfacing, we keep internal to the company. You don't put a problem of interfacing in front of the customer."



Versatile Farm Equipment Company aggressively seeks international sales with such 4WD tractors as this innovative 240 h.p. Versatile 856. It offers unexcelled visibility for row crop cultivation, and although the climate-controlled cab has no corner posts, it is designed not to crush even under the entire weight of the tractor.

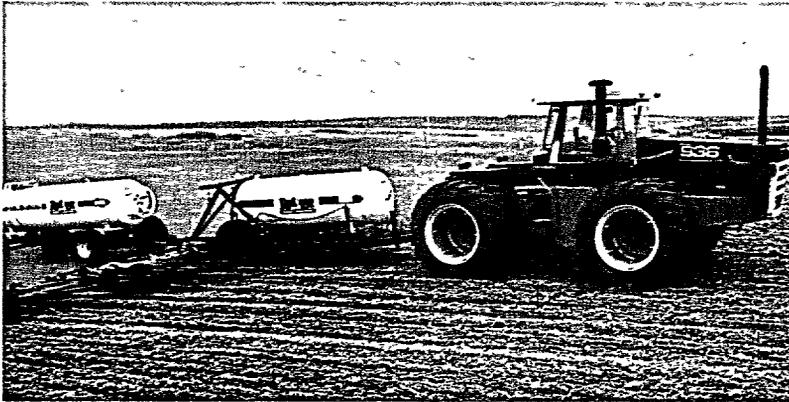
Profile 1

Versatile Farm Equipment Company

“Product differentiation is the key to our success. If we had a conventional product — no matter how good — we would not be here today,” says Paul M. Soubry, president, Versatile Farm Equipment Company, Winnipeg, Manitoba.

In reviewing the depressed state of the world farm equipment industry, Paul Soubry emphasized the vital importance to his company of their “nichemanship” approach in building an international reputation through the production and sale of four-wheel-drive (4WD) agricultural tractors.

Founded in 1947 by two Toronto entrepreneur-inventors, Versatile Farm Equipment Company became, in 1966, the first company in the world to commercialize the integral 4WD agricultural tractor. Demand in western Canada for these powerful but simply-designed units proved strong, and with duty-free entry to (and from) the United States,



When the going gets tough, the 310 h.p. Versatile 936 tractor keeps going. The unique modular design of the powertrain components allow quick servicing in the unlikely event of a breakdown.

sales to large-scale farms in the Dakotas and Montana soon followed. Australian farmers also found the Versatile tractor suited their requirements and travelled to Winnipeg to purchase a number for use at home. International sales were further boosted when the Canadian International Development Agency funded the purchase of three hundred 4WD tractors for use in Algeria. Without making exports an explicit goal, overseas sales quickly became an important source of income for this small but growing Canadian-owned company.

In 1977 the company was acquired by Cornat Industries Ltd. of Vancouver (later renamed Versatile Corporation), and a new management team, headed by Paul Soubry, sought and obtained support from the board of directors for a growth strategy based on aggressively seeking international sales. An early step in implementing this strategy was to tighten control of marketing in Australia by buying out its distributor and establishing its own operations. In 1980, Versatile entered into a marketing arrangement with Fiat Trattori in which Fiat agreed to purchase 4WD tractors from Versatile for international distribution in specified markets. The tractors sold under this arrangement were marked "Manufactured in Canada by Versatile." In the United States, the company's own marketing efforts continued through their two offices and extensive distributor network. Other international sales were handled directly from Winnipeg.

The following year, the demand for agricultural equipment began a precipitous decline with the total number of 4WD tractors sold worldwide falling from a peak of 16,000 in 1977 to 5,700 in 1984, and with sales of only 4,000 projected for 1985. Lying behind this gloomy trend were such factors as increased protectionism in agriculture, slower

rates of economic growth, excessive international indebtedness by Third World countries, currency fluctuations, and high interest rates in major markets.

Surviving in a shrinking market has required bold strategies to cut costs and to increase product differentiation. Accordingly, overheads have been reduced and new numerically-controlled production equipment and CAD/CAM processes have been brought on stream. In 1983, the decision was made to reach a broader market by investing over \$26 million in plant expansion and the design, production and marketing of a scaled-down, lower priced 4WD — the Series 200. At the same time, Versatile has carried out a major R&D blitz (yielding as many as 76 new patents); successfully redesigned its biggest units; licensed company technology, know-how and brand name to overseas manufacturers; and entered into joint venture arrangements.

According to Paul Soubry, in these turbulent times Versatile's relatively small size (approximately 2,500 employees worldwide) has advantages, as does his firm's lean management structure and quick decision making. With 65 percent of sales coming from exports, Versatile's five-year strategic-planning process pays careful attention to future trends in farm incomes, expected government policies at the national and international levels, as well as the anticipated actions of competitors. With its strategic overview, capable management and skilled work force, Versatile's carefully chosen market niche may well prove a fully defensible and profitable base for long-term survival and growth.

As a seasoned executive in the farm implements industry, Paul Soubry holds no illusions about the future. "I think it's going to be very challenging for the next three or four years. But those who survive — and we intend to be one of them — will emerge leaner and more cost efficient, ready to progress when the market improves."

Management/employee relations

In many cases, it's not just the management skills or the work force that makes for success, but how the two work together. Teamwork is essential. I.S.E. International Submarine Engineering Ltd. enjoys strong employee support within a "family" atmosphere. FAG Bearings Limited's no lay-off policy binds the work force to the company. Many FAG employees have been loyal to the company for 25 years or more. Both SNC Inc. and Husky Injection Molding Systems Ltd. are convinced that people are the key. SNC Inc. is employee-owned, and at Husky, employees already own more than 10 percent of the company. Management expects this share to rise to 30 percent within the next few years.

Senior managers do act as a motivating force for their employees. Jim MacFarlane, president of I.S.E. International Submarine Engineering Ltd. is a good example, organizing pizza parties on important occasions, such as the launching of a new submersible, and annual Christmas parties where all members of the team and their families get together.

Clear philosophy "It's what the people think that prompts company success"

Having people with the right skills and abilities is the starting point, but a clear philosophy is important too. For the export award winners, this meant three things: (1) being certain of their corporate mission, (2) being committed to exporting as a means of achieving their objectives, and (3) having a strong customer orientation.

A defined corporate mission

All of the award winners had a clear idea of what they wanted to achieve as a company. Before a clear mission can be developed, however, a company must have a good understanding of the business it is in. As Charles Danneman, corporate director of marketing, Spar Aerospace Limited says,

"Not only do you have to understand the environment, but you've got to understand what business you're in . . . and the levers of that business (i.e., the keys to success in that business)."

A variety of different mission statements were articulated by the 27 companies. Some saw their mission to be that of producing a certain level of profit, while others described their mission in terms of pursuing certain markets, developing particular products, or bidding on certain contracts. Still other firms see their mission to be one of innovation (Western Packaging Systems Ltd.), diversification (Bristol Aerospace Limited), or development of a stable market presence (Seaboard Lumber Sales). As part of their corporate mission, two companies referred to moral beliefs. Stanley Associates Engineering Ltd. attempts to help in Third World countries, not just for profit, but because it believes this to be "right." SNC Inc. chooses not to do business in South Africa.

While the precise mission differed from company to company, the important point is that all award winners had thought about, and clarified, their mission as a corporation. SNC Inc. illustrates this point well (see Profile 2).

Export commitment

Export award winners all saw exporting as a vehicle for achieving their objectives. As such, they were unanimous that exporting should not be viewed as a solution to short-term financial or production

problems, that is as a "one-shot-deal." Gene Kayal, export business manager, Cavendish Farms, notes that,

"(you) have to make a commitment to try and develop these markets as an integral part of corporate growth. There has to be a commitment to exports . . . First of all, there has to be that corporate decision to pursue these markets for long-term opportunities."

Larger firms operate in much the same way:

"Management commitment to being a global business is very important. You can't do without it because (1) there are costs associated with it, (2) there are strategic investments that often have to be made and (3) unless management has a commitment to these, they often won't get done."

*Ted Strain
President
Motorola Information
Systems Ltd.*

There was agreement about the critical importance of support from senior management. Bruno Friesen, member services manager of the Alberta Wheat Pool states,

"You have to commit yourself to export at the level of the chief executive officer and board of

directors, and unless they are fully supportive of this kind of activity you would have considerable difficulty carrying out the program.”

Export commitment, however, has costs that must be recognized. For a number of reasons, the costs of doing business in overseas markets are usually higher than at home. First, adaptations to the product and to promotional literature are frequently required. Second, international travel is necessary. Third, long lead-times are often experienced before the initial sale is made. Perhaps most important of all, however, is the cost of management time:

“I think probably the most important (factor) is the commitment to export from senior management down . . . not only in terms of financial commitment, but in terms of senior people commitment. You just can’t buy a project. You’ve got to work and develop the infrastructure within the company to pursue it. So that’s the first requirement.”

*Raymond Gladu
Director, Marketing
SNC Inc.*

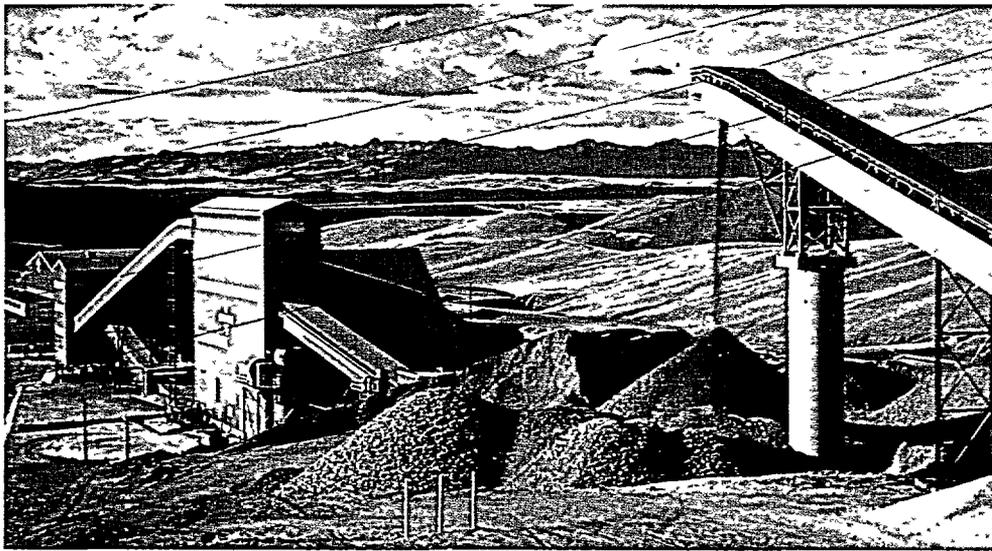
Westinghouse Canada’s commitment to exporting is evident in Profile 3.

Companies become committed to exporting for a number of reasons. Some industries are virtually dependent on overseas markets. This is seen in the case of Western Packaging Systems Ltd., whose president, Peter Sewell explains,

“A Canadian company in industrial products better have a management commitment to selling outside Canada because the size of the Canadian market cannot support the innovation required to be a leader in such a product.”

“Export or die” was a phrase heard from several companies: Dicon Systems Limited, Produits Belle Baie Ltée, Canparts Automotive International Ltd., and Tanner-Eye Ltd. all believed they had to export right from the beginning. Exporting was a necessary part of their initial corporate strategy. Seaboard Lumber Sales and Canpotex Limited also fit into this category, having been set up solely as export organizations.

Other companies said that they had “backed into” exporting because they were faced with stagnating or maturing domestic markets, and exporting was one avenue for growth.



The Tintaya copper concentrator, an SNC project recently completed in Peru, stimulated the export of \$90 million worth of Canadian goods and services.

Profile 2

SNC Inc.

The SNC Group of Montreal, Quebec, is one of Canada's largest companies providing project management, engineering, procurement, construction and commissioning services for capital projects. Founded in 1911, The SNC Group now has more than 4,000 employees generating yearly total sales of over \$200 million.

SNC Inc. is the largest subsidiary in The SNC Group, contracting for most of its overseas projects. Although a large-scale exporting company today, SNC Inc. made its first attempts to break into the international marketplace less than 25 years ago. At that stage, The SNC Group realized that further growth would have to come from sales outside Canada. By 1982, its procurement of goods and services for export had grown to \$114 million, up 73 percent from 1981. Its export markets in 1982 were Latin America and Asia.

To identify new business opportunities, SNC has established a worldwide marketing organization, with local agents or representatives, and Montreal-based vice-presidents responsible for specific regions of the world. Competition from the United States, Europe and Japan is intense, with financing packages an increasingly important factor for projects in the developing world. For this reason, SNC works closely with the Export Development Corporation, the Canadian International Development Agency, and international lending agencies.

Considerable time and effort goes into securing a typical contract with sometimes as many as four years passing between the initial lead and final contract signing. Once a contract has been won, full-scale project teams are assembled from the various product and operations divisions, to be supported by corporate groups such as legal and finance. Naturally, upon project completion, new work must be found for the disbanding teams. Planning and organizing are, then, important activities for this multi-talented company. SNC must match projects with people (its prime assets) and maintain as lean an organization as possible, but retain enough flexibility to respond to new opportunities.

SNC is unashamedly Canadian in its project work, being constantly on the lookout for new Canadian sources of supply. By procuring goods and services from other Canadian companies for foreign projects, it has introduced many firms to overseas markets for the first time. As a result, more than 70 percent of its 1982 export figure was for Canadian goods and services procured by SNC Inc. for use overseas; the remainder was straight professional fees. As well as teaming-up with small firms, SNC joins with large Canadian and foreign companies where consortia seem advisable.

In two decades of export marketing, SNC has provided services in more than 100 countries. While certain common approaches are employed, as the group's chairman and chief executive officer Camille Dagenais points out, "There's no standard formula for success in exporting. But whatever the formula, its principal components will always be initiative, innovation, commitment . . . and a lot of sweat."

A commitment to exporting, once made, is seen to provide major benefits to the organization. Alcan Smelters and Chemicals Ltd. believes that its early entry into export markets (at a time when few competitors existed) gave it a "head start." Intalite Inc. feels that it has developed credibility in its relationship with distributors and agents in the markets it serves. But such a commitment isn't achieved easily or overnight; many companies indicated that there had to be plenty of hard work to gain credibility in the international marketplace.

Customer focus

CAE Electronics Ltd.'s philosophy, as stated by Robert Kemerer, vice-president, international affairs and public relations, shows the strong customer focus that is typical of companies that won the export award.

"We try to be and presumably succeed in being technically as good as or better than the competition in meeting the customer's requirements. One of the accolades we consistently get is that ultimately, regardless of the problems, the equipment will meet or exceed the customer's stated requirement — sometimes, significantly exceed. And we bend over backwards to make sure that it does, and money is not put up as a major problem in

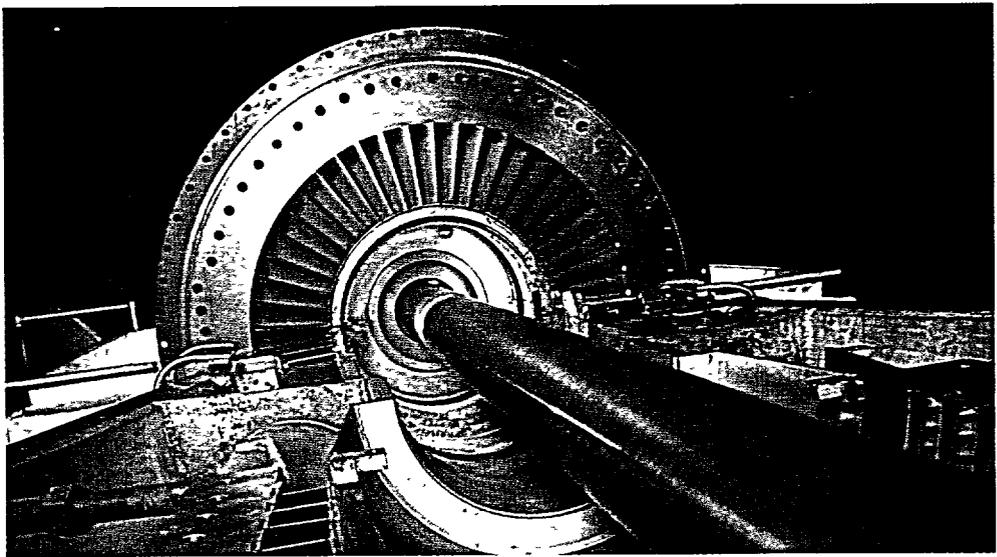
doing it. You know, even though a program may be going into a red ink situation, we'll ultimately deliver to the client what he ordered."

This kind of customer orientation was cited over and over again by award-winning companies as a key success factor:

- "Listen to them (customers) carefully . . . adapt to your customers' needs."
- "Constant pulse-taking of customer needs and requirements."
- "Show customers you care about their problems."
- "One-to-one relationship with customer."
- "Maintenance of offices and technical staff close to the customer."

Such a customer focus yields benefits — not only through improved sales today, but also because close customer ties build buyer loyalty — a decided benefit when times are hard. Alcan Smelters and Chemicals Ltd. is experiencing the benefits of such loyalty in today's tough aluminum market. Capital goods and engineering companies also find that working closely with the customer on specific transactions gives them the benefit of generally getting to know the customer better. This is extremely important in identifying potential new business and in establishing an ongoing buyer-seller relationship.

Since Westinghouse Canada has adopted a world product mandate approach, gas and steam turbines are among the growing number of products that has helped the company expand into international markets.



Profile 3

Westinghouse Canada

Westinghouse Canada is a household word to many in this country. It is a large, diversified, well-established company serving construction, industrial and utility markets with electrical, electronic and mechanical products and services. As a company employing over 5,200 people across Canada, it appears to have the size advantage necessary to make it in the global marketplace. Yet as late as 1961, less than 3 percent of its sales were in export markets.

During the 1970s, Westinghouse Canada, realizing that many of its existing products had little domestic growth potential, decided that the future lay in the export field. Accordingly, the company spelled out a new corporate mission.

“Our recently retired president enunciated the philosophy that ‘Canada is essentially a high cost manufacturing area and that if we are going to be successful, we’re going to have to learn to live in world markets and we’re going to have to isolate those things

that we can do well and competitively and concentrate on world markets for those.' Indeed, he backed that up with a commitment that by the end of this decade, 50 percent of our Canadian production would be sold to international markets . . . As of last year, we were up to 40 percent."

Ham. Goar

*Director, Strategic Planning
Westinghouse Canada*

In part, the company's success in redirecting its efforts toward this objective is due to its adoption of a world product mandate approach to export marketing. Today, the company, armed with a mandated portfolio of 18 products for the global marketplace, has successfully responded to the challenge of being a worldwide competitor. The future sees the company attempting to further exploit both domestically mature and new high-technology products to achieve even higher levels of export penetration.

The winning of the Canada Export Award was not only based on the success of their new corporate mission but also on the company's penetration of the Libyan market, with sales of gas turbines there climbing from \$21 million in 1980 to \$71 million in 1982. In the late 1970s, the Libyan government decided that development of its agricultural resources could be best achieved by pumping underground water to the surface for irrigation. Recognizing this, Westinghouse began aggressively marketing its gas turbines to Libya, preempting many major competitors. For this product/market combination, the key to success lay not so much in the quality of the core product, as in the total "package" developed for the Libyan customer. Since the buyers lacked technical infrastructure and trained manpower, the Westinghouse Canada "package" included consulting services, on-site engineering, project management, staff training, as well as start-up and ongoing parts and maintenance support, in addition to the basic gas turbines.

This award winning company believes that a commitment to exporting and an accurate perception of what you want to achieve (and how to get it) are necessary for success in world markets.

Sound actions “How to turn strengths into export success”

Having good people and a clear business philosophy goes much of the way, but does not guarantee instant export profits. The final requirement is to take the necessary action to turn company strengths into exporting success. Three types of action skills were present in the award-winning companies. These were the ability to: (1) identify market niches, (2) design the product and/or service for that niche, and then (3) put the complete exporting “package” together.

Nichemanship

Many companies talked about “nichemanship” directly and attributed their success to their abilities to find (and secure) market niches. Canparts Automotive International Ltd. was one such company. Seeing the growing market in the United States for Japanese and European cars, its founders decided to supply brake parts to this portion of the automobile after-market. Recently, a new niche has been uncovered and sales of asbestos-free brake pads are growing. TannerEye Ltd. provides another example of a company that competes by specializing (see Profile 4).

Epic Data Inc. is another company practicing nichemanship, this time, in state-of-the-art data collection products in a highly competitive and technologically advanced industry. It has concentrated on the aerospace and defence industries and has used its strong base and deep market penetration to find specialized niches in other markets. And of course, Versatile’s (Profile 1) success and world leadership in the tractor industry is based on its nichemanship.

Other companies did not use the term “nichemanship” but referred indirectly to this approach, talking for example, about their capabilities in “product/market matching”:

“First of all, define what it is you want to export and make sure there is a market somewhere that wants to absorb that. If you can’t match what it is you’ve got to some export market somewhere, you really ought to do something else, like go fishing.”

Ham. Goar

*Director, Strategic Planning
Westinghouse Canada*

Once a niche has been found, a strong position in the niche has to be secured. Litton Systems Canada Limited pioneered the commercial inertial navigation products field,

applying its technological know-how to an emerging set of customer needs. In creating the niche, it became the custodian of technical expertise in the field. Today the company is able to sustain that niche through its past investment and experience, making it very difficult for new manufacturers to enter the field.

But R&D isn't the only way to secure a market niche. Other possibilities exist. Somehow, a competitive edge must be found so as to serve the customers in the market niche better than the competition. For some companies, it's through project management. I.S.E. International Submarine Engineering Ltd. is proud of its ability and capacity to deliver to specifications.

Westinghouse Canada has shown, in its sale of gas turbines to Libya, that taking on the role of prime contractor can provide an edge in the face of stiff international competition.

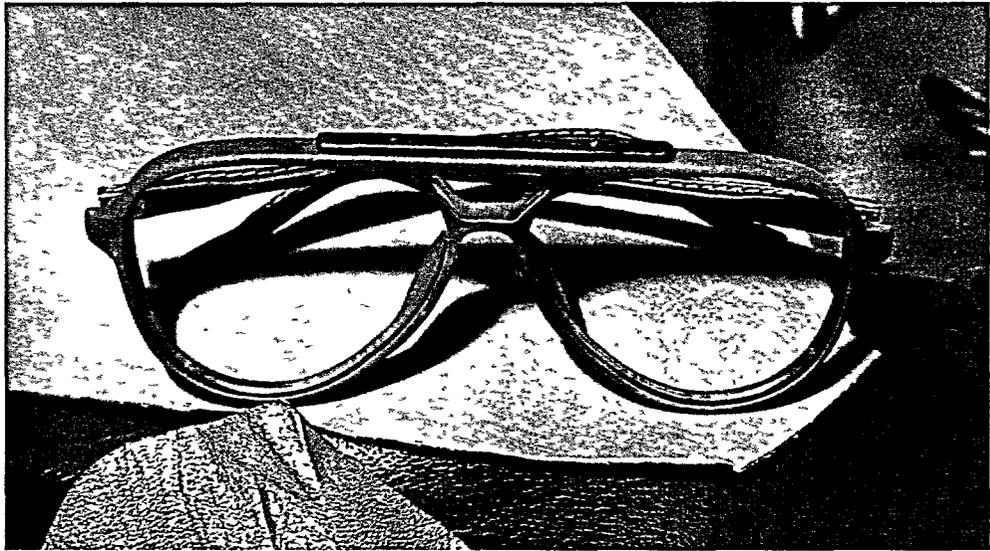
For others, it's after-sales servicing that ensures a market presence for the future. Rock-O-Matic Industries focuses on servicing capability and excellence, "parachuting" personnel into a market to resolve complaints. Shaver Poultry Breeding Farms Limited does the same. By taking care of complaints promptly and providing the knowledge

necessary for the customer to get the best out of the product, Shaver has been successful on a world-wide basis. Similarly, training support is part of the CAE Electronics Ltd. package in simulator sales and illustrates the importance of this approach for the export of capital goods in particular.

For companies with standardized products, logistics capability provides one means of maintaining an edge in the market. Seaboard Lumber Sales and Canpotex Limited both concentrate on distribution cost-savings as a means of ensuring continued sales of products generally viewed by the market to be similar to those offered by their competitors.

Finally, an edge can be secured through product and/or service design. For the award-winning subsidiaries of multinational firms, this almost always took the form of a world product mandate or charter under which the Canadian subsidiary developed a specific product for the world market. For smaller national companies, it was the careful matching of the product or service standards with customer requirements that was important. (Competitive edge is discussed further in Chapter 4).

TannerEye Ltd. has carved out a profitable niche in the international marketplace in a most unusual product and service area — covering high-quality eyeglass frames with a thin layer of decorative leather facing.



Profile 4

TannerEye Ltd.

“We went into business against unbeatable odds — and survived,” said vice-president and marketing director, Michael Jardine, as he looked back over seven years of steady growth in his company’s operations. What’s more “our first sale was an export sale — we established in business to export.”

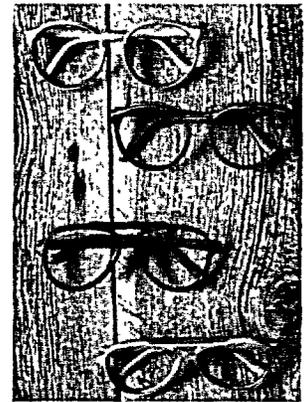
From an initial investment of only \$7,500 TannerEye Ltd. has grown so that today it employs well over 100 people at its plant in Charlottetown, Prince Edward Island. Mr. G. Peter Leunes, president, and his partners have succeeded in carving out a profitable “niche” for the company in a most unusual product and service area — covering high-quality eyeglass frames, mostly manufactured by others, with a thin layer of decorative leather facing. TannerEye also produces for the customer’s brand label complete sets of eyeglass frames from blocks of special plastics imported from Europe and the United States.

Small size is no disadvantage in the modern eyewear industry which increasingly requires flexibility to respond to rapid change in market requirements. More and more wholesalers and manufacturers in the United States, Europe, Japan and elsewhere are looking to companies like TannerEye to come up with the 50 or so new frame styles, designs and colour changes demanded each year. Attractive designs, recognized craftsmanship, unique skills, reliable delivery, and a strong customer orientation give TannerEye an edge over the hundreds of Italian, French, German, Japanese and other competitors in this truly international industry.

High fashion exports and a Prince Edward Island location may seem incompatible to some, but the island location has advantages, not the least of which is a lifestyle that is attractive to many in the design field. Also, Prince Edward Island is sufficiently beautiful that many overseas customers find reasons to justify a visit to the company's production facilities, especially in summer. Increased use of electronic data transmission, especially the telecopier, is reducing the distance between TannerEye and its customers, and airfreight services have been satisfactory for bringing in needed raw materials and shipping out finished eyewear.

The road to success has not been smooth. At the outset TannerEye found one or two large customers took almost all of the company's production — a promising beginning. Things soon turned sour, however, when customer bankruptcies left large accounts unpaid and the company in crisis. Fortunately, TannerEye had Export Development Corporation coverage and was eventually reimbursed for these bad debts. On the basis of this experience, Mike Jardine advises others starting out to be wary of overdependence on large customers and to pay strict attention to the terms of sale and financing methods used in export sales. TannerEye now uses a range of export financing tools for its overseas markets.

Mike Jardine characterizes the spirit of this enthusiastic and capable young company when he says, "We're survivors. We have good instincts and operate well under pressure." TannerEye is rightly proud of its seven-year history. Not content to rest on its laurels, it has ambitious plans for the future.



Product/service design

Rock-O-Matic Industries' story, outlined in Profile 5, shows that product design can be a powerful competitive force in international markets.

Award-winning companies were proud of the level and standard of quality of their products and services. It was noticeable that no companies offered products of minimal standards; perhaps these are the "offspring" of uncommitted exporters, not the subject of this study.

Some companies took the approach that only the best will do.

"We innovate, we make a good quality product. We generally do Cadillac types of products. We don't compete on a nickle and dime basis with a Third World supplier."

*Michael Jardine
Vice-president and
Marketing Director
TannerEye Ltd.*

Shaver Poultry Breeding Farms Limited talks about the "genetic excellence of our product"; Rock-O-Matic Industries believes it has the

best product on the market; Epic Data Inc. advises "do better than best"; and I.S.E. International Submarine Engineering Ltd. is proud of its position as a technology leader, at the "cutting edge" of technology with a one to two year lead over its competitors.

One way to preserve this "best" position is through branding. In order to protect its image of providing the highest quality, Produits Belle Baie Ltée sells its very best products under the company label and uses a second brand name for other products.

However, for some companies, product quality need only meet an adequate, consistent standard for the market. Terms such as "at levels of quality necessary," "competitive," and "consistent" were often used to describe the product and service standards provided. Dicon Systems Limited, for example, focused its efforts on continual R&D so as to produce faster and cheaper, and to provide a range of branding and packaging choices to its customers to meet their requirements for variety.

Paul Kelly, international business manager of Stanley Associates Engineering Ltd., explains,

"Flexibility is the key in responding to the marketplace. We try to avoid the problem of providing Rolls Royce technology when Volkswagen technology will do. In addition, we've come to realize that the only way to succeed is to do it the customer's way and in accordance with the customs and traditions of the country we are selling to."

A responsive approach may also be accomplished by offering a range of products, as Shaver Poultry Breeding Farms Limited does, or a complete system (when the industry does not) as in the case of Husky Injection Molding Systems Ltd. Aiming for new and superior product and service designs can have another pay-off: it can be inspirational for employees. According to Bristol Aerospace Limited's Marketing Manager, Robert Dungey,

"Our company is not averse to change. Our biggest motivator is the opportunity we give our people to deal constantly in new technologies and not let them stagnate. Boredom is never a complaint."

In conclusion,

"If you want to be successful in export markets . . . the notion of total quality is tremendously important. Total quality, not as you define it, but as defined by the customer."

*Ham. Goar
Director, Strategic Planning
Westinghouse Canada*

Fitting the pieces together

The last of these key factors in successful exporting is fitting the pieces together, or the implementation of the export strategy. Having evaluated strengths and built on them through identifying a niche and developing a competitive edge in serving that niche, the translation of strategy into sustained action is critical.

Some companies' exporting strategies are largely turned into action by their agent/distributor network overseas. For these companies, considerable care must go into the selection, training and support of these members or else the strategy will not work. A number of award winners showed great skill and effort in this area (discussed further in Chapter 4).

The attention to detail displayed by the award winners was impressive. This showed up in a number of seemingly small ways. Several companies make a practice of flying the national flags of overseas customers, distributors and other persons visiting their premises. This simple, inexpensive idea communicates immediately to visitors that the company has thought about them, and wants to make them feel recognized. A welcome board is a similar manifestation of this caring approach.

Many companies claimed that there are few constants in the international marketplace, and that this calls for a market-by-market, product-by-product, or contract-by-contract approach to business. As one executive put it “. . . all generalizations are false.” While that might be too extreme a view, the companies visited paid close attention to the specifics of their exporting activities. Stanley Associates Engineering Ltd. puts a lot of effort into developing specific marketing plans and Epic Data Inc. carefully develops contacts in particular markets, starting with *Fortune 500* companies so as to develop the reputation of being a credible supplier. As well as demonstrating care

and attention to detail in implementing their exporting strategies, award winners were aware of the need to change with the market.

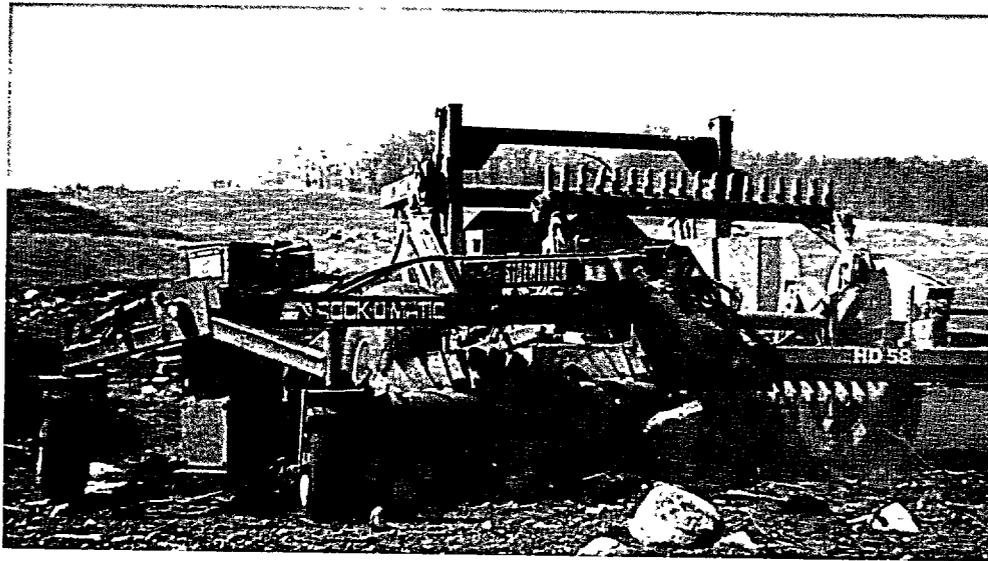
“Exports are a very dynamic thing. You have to be fluid, and be willing to move and react and to go with the flow. You have to understand that while that was your biggest market two years ago this may be your biggest market today . . . But it may not be so in another two years.”

Gene Kayal

*Export Business Manager
Cavendish Farms*

Luck sometimes plays a role in export strategy. Dicon Systems Limited, for example, found that it was expanding its international sales of smoke alarms at a time of increasing safety consciousness in Europe. However, the truth of the matter is that most companies are faced with few “breaks” and plenty of hard work in developing a consistent and coherent strategy.

The discussions held with award winners led to the conclusion that certain ideas commonly held about export success are incorrect. This chapter concludes with a discussion of these exporting myths.



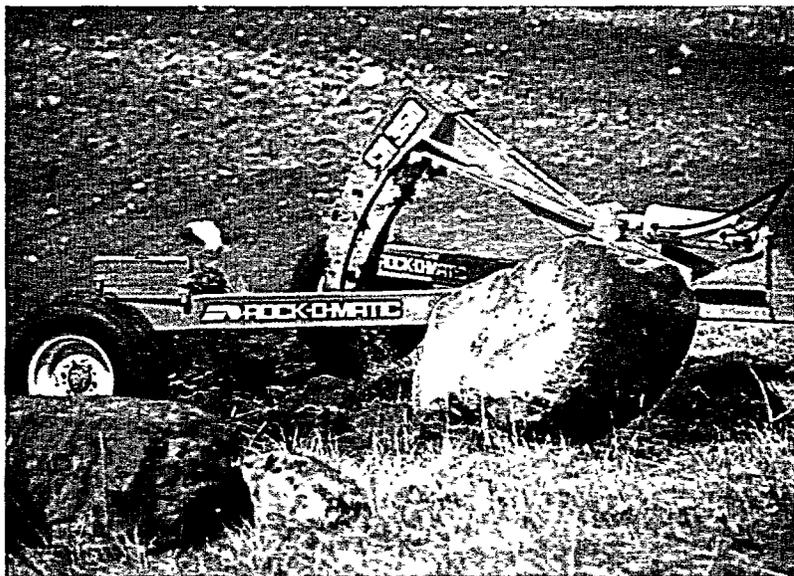
Through product design and development and extensive testing and adaptation to foreign needs, Rock-O-Matic Industries' 1982 export sales reached \$4 million with rock removal equipment such as this model HD58 with an 8-foot dump.

Profile 5

Rock-O-Matic Industries

Rock-O-Matic Industries is a small, originally family-owned business located in the village of Vonda, 60 km northeast of Saskatoon. Started in 1961 to sell the proprietary invention of its founder, the company manufactures mechanical equipment used in picking rocks from fields and farms. In 1978, the company was acquired by Smith-Roles Ltd., and has been managed since by the founder's son, Raymond Bussière. Until only a few years ago, the company had a traditional North American sales base. Now the company has overseas offices in Perth and Dubbo, Australia, where two permanent staff are stationed, and sales offices in France and the United States.

Rock-O-Matic won a Canada Export Award for its success in gaining a competitive edge, through product design and development, over its Canadian and American competitors in the global market. Through



Rock-O-Matic Industries is the world's largest manufacturer of rock removal equipment. Here is featured the model CH350 for picking sub-surface boulders.

Mr. Bussière and his staff are extremely proud of the recognition given to them through the Canada Export Award. Most employees wear a cap, emblazoned with the company emblem and the export award symbol. To what does the company owe its success? Raymond Bussière emphasizes the customer orientation and honesty, adaptability, teamwork, product quality and innovativeness, as well as a commitment to and pride in exporting. As Raymond Bussière says,

"It is better to lose a contract than get it on terms you cannot meet . . . Once we commit ourselves, we are always there. If there's a problem, we get our man there."

extensive testing and product adaptation to foreign market needs, Rock-O-Matic's 1982 export sales reached \$4 million. About two thirds of 1982 export sales were made to the U.S.S.R., and the company also boasts of sales in Australia, France and Saudi Arabia, as well as in North America. This rapid growth can be attributed to the company's flexibility in making changes desired by customers, its emphasis on a superior, extensively tested product, and sensitivity in dealing with cultural differences among its buyers.

Four exporting myths

This study shows that success in exporting does not require:

- **Plenty of financial clout**
Although some of the companies had either developed or acquired this advantage, it isn't crucial. As one company explains,

"If we'd had a lot of money to begin with, we would have over-invested in the wrong areas. We wouldn't have known where to put the money . . . Financially it was good we started off with a small budget."

*Peter Sewell
President
Western Packaging
Systems Ltd.*

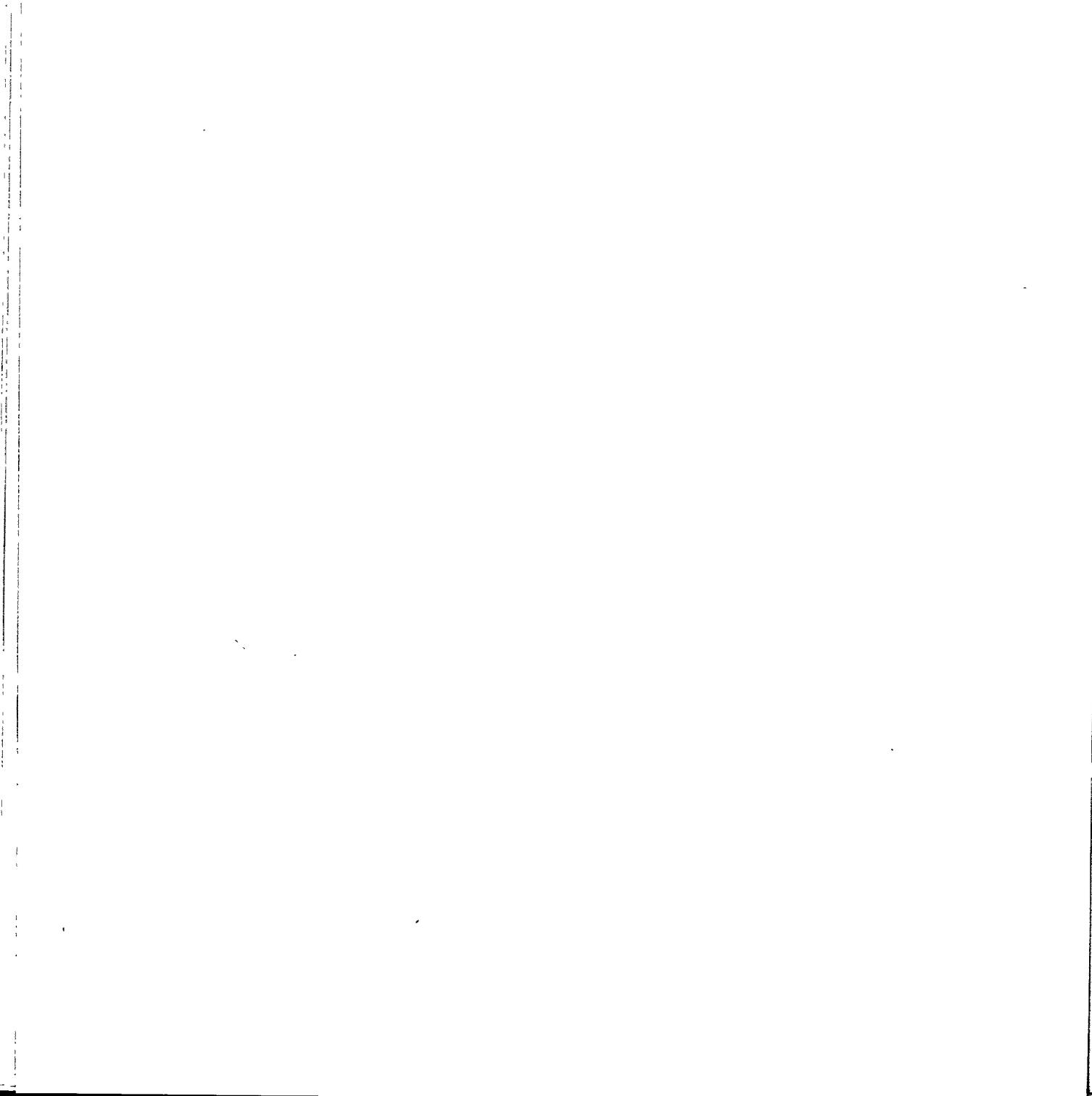
- **The lowest-priced product**
Low price alone was seldom mentioned as a prerequisite for success; companies seemed more concerned about the quality of the product and a competitive price consistent with value.

- **Being high-tech**
Success is possible for Canadian companies producing and selling many types of products and services.

- **Lots of people well-versed in international trade**
This view is not borne out by this study. Although people with exporting experience and contacts can be very useful, they are not essential. Many export award winners developed these skills in-house. Confidence seems more important than extensive experience.

How does a company come to enjoy exporting success? Essentially it results from being able to assess your corporate strengths and then developing these into competitive advantages that can be sustained in international markets.

GoodpeopleCle
WorkforceDesi
EmployeesWor
ServiceCredibili
peopleManage
SoundactionHa
CredibilitySkills



3 Exporting problems and solutions: present and future



The award winners have proven themselves to be exporters *par excellence*. But as noted already, such positions were not achieved easily. Like most companies, this select group has had to solve the pressing problems that exporting often involves. This chapter begins by highlighting some of these challenges, as well as responses made to them. Then the winners' future plans regarding their exporting activities are briefly described. This discussion deepens our understanding of why these companies have been successful, and may also provide insights for others. Finally, since government plays a major supporting role to companies in dealing with exporting problems, this matter is addressed in the final section.

Today's problems and solutions

International competition

Most exporters face strong competition and this threat seems to be increasing. Yet interestingly, the award winners turn this challenge to their own advantage, boosting their effort, further improving their product quality and providing a better range of exported products and services. In the words of Stanley Diamond, Intalite Inc.'s Director of International Marketing,

"Instead of sitting there and worrying and beating your head against the wall 'My God, competition is coming in,' what you have to always remember is that competition normally spurs you to do a better job. And that's the secret of capitalism."

"(International competition) has certainly caused us to improve our product line and develop new products . . . and that in turn has helped us penetrate the market . . . there's no doubt about that . . . The competitive side has been a positive factor not a negative one."

*Norman Cafik
Vice-president and General
Manager
Epic Data Inc.*

For some companies, the competitive pressure is mostly related to price or financing. With numerous world economies showing little or no growth, what little business remains is often fought over intensely, with tough buyers extracting the best deal from competing suppliers.

In this new, more cost-sensitive environment, strenuous efforts to contain and save costs are made. Versatile Farm Equipment Company's actions were already noted in Profile 1. Other companies, like Stanley Associates Engineering Ltd., have resorted to new financing measures, including joining forces with local partners through joint-venture arrangements to cut project costs.

Faced with stronger competition, award winners tend to set the pace in their own competitive arena. Some already have a lead over their closest rivals and need only to maintain it. Others are able to keep their competitive edge through market monitoring, whether it be through product/service changes or cost efficiencies. In general, these com-

panies take an aggressive, informed approach to competing in world markets, viewing competition as a challenge to be met and overcome.

Exchange rate movements

Changes in exchange rates must ultimately be fed directly into the exporter's price calculations. The recent strength of the Canadian dollar against European currencies has created pricing difficulties for a number of award winners, including Produits Belle Baie Ltée, whose experience is described in Opportunity 1.

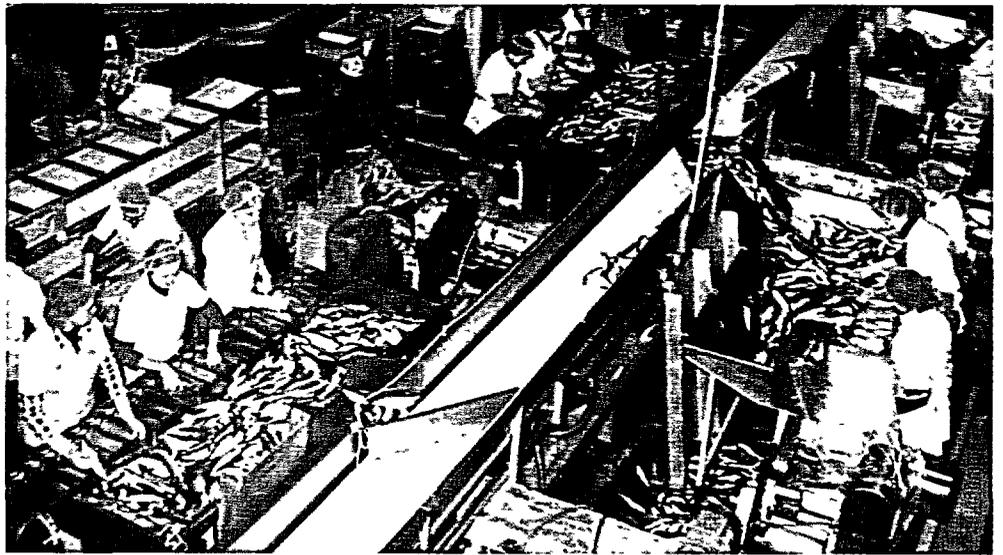
Produits Belle Baie's diminished presence in Europe today is also true for several other award winners.

On the other hand, in U.S. sales the exchange rate for the Canadian dollar gives some companies a decided price advantage. Rod Heath, director of corporate affairs for Canpotex Limited sees such an advantage for his company; potash prices are quoted in U.S. dollars but company costs are in Canadian dollars, providing breathing space for the company in its annual price negotiations on long-term U.S. contracts.

However, some companies are finding that European suppliers are threatening their position in the United States because of a lower landed-cost advantage. For Alcan Smelters and Chemicals Ltd., this has meant very tough price competition, and the company has been forced to accept lower returns from currency conversions.

While commodities and standardized products are most susceptible to the competitive shifts that result from exchange rate movements, all companies must plan for this possibility. A number of the responses mentioned by the award winners included strict production and distribution cost control, sourcing parts and components from lower-cost currency areas, and lowered profit expectations from export sales. In addition, some companies have moved to alternative business arrangements, such as licensing, joint ventures and foreign direct investment. Others have such plans for the future.

In 1978, Produits Belle Baie Ltée moved quickly and aggressively to take advantage of a shortage of herring in Europe.



Opportunity 1

Cured herring to Europe

For small firms especially, the entrepreneurial spirit is an asset in seizing opportunities presented by export markets. A packer and exporter of fish and fish products, Produits Belle Baie Ltée, showed just this when in 1978, with the closure of the North Sea fishery, the company moved quickly and aggressively to take advantage of a shortage of herring in Europe.

Undaunted by his company's lack of expertise with the distinctive European recipe for vinegar-cured herring, Valmond Chiasson, general manager (and export manager) telephoned a major German fish processor and potential customer. Arrangements were soon made for a technician to be sent out on a shared-cost basis to teach Produits Belle Baie how to meet the necessary taste and quality standards.

After fifteen days at the company's plant in Caraquet, New Brunswick, the German technician was able to certify the first European-style marinated herring packed under the "Belle Baie" label. Many more shipments followed, and in order to meet heavy European demand, the company stationed some of its own newly-trained personnel at other plants in the Caraquet area — for a fee, of course. Under their supervision, additional quantities of herring were shipped to Europe under the "Belle Baie" label.

That was seven years ago, and while the strong Canadian dollar has seriously undermined the company's competitive position in Europe, Produits Belle Baie is still packing products from its own and other plants for export under the "Belle Baie" label as well as a second brand, "Pearl of the Gulf."



A Produits Belle Baie Ltée employee preparing cod for export.

Foreign government restrictions

A number of award winners reported encountering significant trade restrictions, either in the form of tariffs or non-tariff barriers. Alcan Smelters and Chemicals Ltd., for example, faces duties for its processed and fabricated products, especially in Europe and Japan. Other companies have also been affected by protectionist policies in Europe, while Shaver Poultry Breeding Farms Limited has been kept out of Australia by government restrictions. Some agricultural products aimed at Europe have been especially singled out. Bert Kinner, marketing manager — seeds, of the Alberta Wheat Pool explained how his company is virtually excluded from the large European Economic Community market by two non-tariff barriers. First, production subsidies to local seed growers make it extremely difficult for an outside supplier to compete in the EEC. Second, to be imported, a seed variety has to be on the “official” list, a status achieved only after lengthy testing.

Rod Heath, director of corporate affairs for Canpotex Limited, described similar problems for his company in the Brazilian market.

“There are some significant non-tariff barriers that we’ve encountered in different markets. For example, in Brazil the major share of the market is taken by East German material because these two countries have a clearing arrangement. Neither country’s currency is of much use to the other, so goods are traded. East Germany buys significant quantities of citrus, coffee, shoes . . . There aren’t many things Brazil wants to buy from East Germany. Potash is one of the few. Therefore Brazil issues preferential import licences for East German potash. Only after those licences are issued do any other importers get an import licence.”

Foreign government restrictions must for the most part be taken as given and new export strategies and tactics developed to accommodate them. What can be done depends on the severity of the restriction faced as well as the economic forces underpinning the industry and company itself.

Some companies indicated that, in the face of severe restrictions, it is preferable to readjust market priorities rather than to continue to do battle against insurmountable odds. However, "writing off" a market is seen as a last resort. It is possible in many markets to circumvent thorny restrictions through product adaptation; lobbying for changes to product standards or specifications; offering to engage in local production, local finishing or offset trade arrangements; or joining local trade associations in anticipation of a softening of government attitudes. Companies agreed that restrictions forced creativity on the part of the exporter.

Transportation services

Criticism of Canadian transportation services is not infrequent, yet award winners have experienced few problems in this area. This is a significant finding, for convenient, safe, reliable, low-cost shipping provides a potential edge for most exporters and is often absolutely critical. Canadian freight forwarding companies were also seen to be doing a satisfactory job.

Responding to an uncertain future

As well as indicating how they deal with current exporting problems, the future was also discussed with the award winners. The plans of these companies reflected an appreciation that change, evolution and innovation would be necessary.

Almost all of the companies see the need to bring forward a steady stream of new products and services. New and better products or services is, for many companies, the single best way to stay competitive in a changing environment. In some instances, award winners plan to place more emphasis at the high margin end of the product line.

"We'd like to export seeds that are not in the low price market . . . that are being exported because of quality and performance rather than price. That will improve our long-term capability and we're making strides in that direction."

*Allan Sorenson
Manager, Farm Supplies
Alberta Wheat Pool*

Getting even closer to the customer will also be a part of the future plan for most companies. FAG Bearings Limited is developing closer ties to the Detroit automakers, Litton Systems Canada Limited envisages setting up more overseas offices to better service foreign customers, and Shaver Poultry Breeding Farms Limited will be going more directly to users in future, rather than relying so much on independent distributors and agents.

Maintaining export markets in what many see as a world of increased nationalism, protectionism and complexity requires innovative strategies. More sales of technology and services through licensing agreements, co-operative arrangements, consortia, management contracts and the like were mentioned by the award winners.

"Innovative ways of obtaining money, special ways of exchanging — in the countertrade sense, more emphasis on licensing and cooperative ventures . . . This is going to come more in the next five years. We've seen a little of it in the last five. We've dealt a little in countertrade, we've got some

licensed products. There are more countries that not only want to buy something but they want to have a hand in it."

*Robert Dungey
Marketing Manager
Bristol Aerospace Limited*

The future plans of most companies reflected a shifting of market priorities because of lower potential in current markets. For Cavendish Farms, as well as others, the Pacific Rim countries of Asia are expected to bring considerable business. A number of award winners see a need to concentrate more on the large and close U.S. market, whereas others plan to do a better job in the Canadian market.

In short, various plans are being formulated. There is no pat answer to the question "How can we best deal with the future?" Each company must look at the specifics of its own case. But the answers will usually focus on the export basics: products, markets, customers, and market-serving arrangements.

Government assistance

Canadian government assistance to exporters, at both the federal and provincial levels, should be seen as part of the support system available for companies facing export problems. The award winners recognize this fact and, over the years, have taken considerable advantage of such support. All still use various government facilities and programs but, because of their varying current stages of corporate and export development, do so to differing degrees. Some of the companies are large, well-resourced and seasoned performers in overseas markets and, as a general rule, less in need of government assistance than others are.

Most useful to these winning companies were the trade commissioners of the Department of External Affairs. They have been widely used and are praised as a source of much valuable information. Spar Aerospace Ltd., for example, talks about bringing the embassies on-board early as "part of the team." Shaver Poultry Breeding Farms Limited's early progress overseas was partly due to the use of the

trade commissioners in opening up new markets. The company finds that they are also helpful in re-establishing contacts in markets that have become inactive.

Other Canadian government facilities such as the Program for Export Market Development (PEMD), the Export Development Corporation (EDC), and the Canadian International Development Agency (CIDA) have been important for many of the award winners. For example, Seaboard Lumber Sales describes itself as the greatest single user of EDC. Significant Third World markets have been opened up and sustained through CIDA programs for Canpotex Limited, SNC Inc. and Westinghouse Canada. PEMD has been used by many companies to assist in breaking into new markets. This is achieved, for example, by funding trips overseas or by bringing foreign buyers to Canada, so that the trade potential might be investigated and decisions made about how to best approach the market. Similarly, most companies have been involved in trade missions sponsored by provincial or federal governments, and felt these to be important in getting exposure overseas and, perhaps more crucial, developing credibility as a supplier.

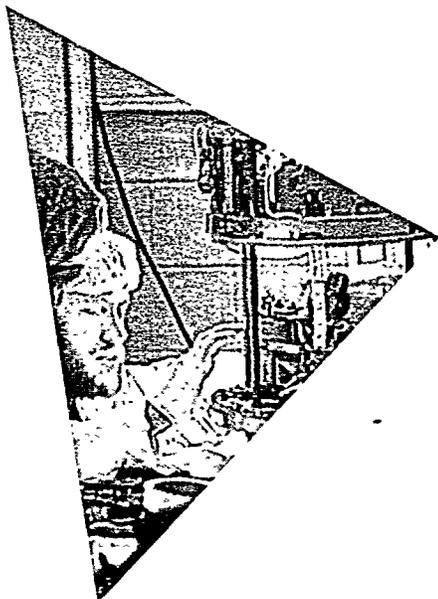
Generally then, award winners have been, and remain heavy-users of government export assistance, as well as support for product and technology developments. Exceptions do exist, however. As noted above, some of the larger companies use this support system less than their smaller counterparts.

Canadian government policies that are primarily domestic in focus have also affected the exporting efforts of certain companies. Dow Chemical Canada Inc., for example, reports that taxation in Canada is high, and fixed feed stock prices under the National Energy Program worked against its competitiveness in world markets. On the plus side, however, Shaver Poultry Breeding Farms Limited has benefitted from the excellent Canadian animal health regulations that are recognized worldwide.

Summary

The approaches award winners have taken in coping with current problems, and facing up to future challenges have been described above. These reflect a proactive stance: the award-winning firms don't wait for troubles to engulf them, rather they anticipate difficulties that might be developing, and find the best way to respond. Government programs have also been seen to help in dealing with the sometimes pressing problems in the international marketplace.

4 Advice for new exporters



In this chapter, attention turns to the new exporter. Award winners were asked what advice they would give to a company starting out in exporting. They provided the following general advice to all new exporters:

- Make certain you have a competitive advantage.
- Do your homework, be realistic and cautious.
- Get as much help as you can.
- Be prepared to travel to the market and do business differently.
- Ensure you have effective overseas representation.
- Be patient but persistent.

In certain situations, another suggestion was made:

- Think about working with a larger, established Canadian exporter.

Each of these points is developed below.

Make certain you have a competitive advantage “Find an edge”

The most important point for new exporters to remember is that success comes more easily if the company has some advantage or edge in the marketplace. Robert Kemerer, vice-president of international affairs and public relations at CAE Electronics Ltd. cautions Canadian firms to remember,

“There’s no inherent reason why anyone should buy from Canada. We are not the lowest-cost producer in the world, we have relatively little political clout in most parts of the world, and we don’t have — at least in our case — a large domestic base on which we can run around the world and say ‘Hey, we do most of our business at home and as a result of the home market having paid all our R&D costs, we can now offer you this new gizmo.’ We have almost the reverse problem . . . The reason we feel we’re successful out there is we produce a product that is superior to our competition.”

As in CAE’s case, a company’s competitive edge is most often embodied in its product or service, but other possibilities also exist. Two exporters can have very much the same basic products for sale, but one consistently achieving more sales than the other. This may result from any number of other differences: after-sales service, packaging, delivery and so on. Even familiarity can help one company at the expense of another.

Of course, price can be an important factor too. Companies planning to export automotive components to original equipment manufacturers should recognize this fact. As FAG Bearing Limited’s Vice-president of Sales/Marketing Robert Leeming notes, “In any consideration, the purchasing office asks ‘Is your price right?’, and if your price is right, then your product gets tested, and not the other way around.”

Developing and exploiting an edge is crucial. Award winners repeatedly referred to the need to be “experts,” to build a “reputation” — in short, to be a credible supply source. But how does a company gain an edge? For high technology firms like CAE Electronics, part of the answer lies in

R&D spending. CAE currently invests 15 percent of sales in R&D, considerably more than its industry's average, and is able to translate this activity into new and enhanced products. FAG Bearings is able to price its products right because it pays a lot of attention to productivity. Cost savings are sought not just on the factory floor, but also in finished goods inventory and shipping. Substantial investments are made so that the company remains competitive.

It shouldn't be assumed, however, that millions of dollars must be spent in order to secure a competitive edge. Often it is more a question of attitude and effort than big spending. Many firms have an edge in the buyer's mind because they have worked harder than others in attending to customer needs and problems. Again, this will often tip the balance.

Whatever the source, a competitive edge gives the newcomer a very important first "string" to its exporting "bow."

Do your homework, be realistic and cautious "Think it through"

Once a competitive edge has been identified or developed, the next task is to think through a game plan for exporting. A lot of hard work is often involved, learning about overseas customers and markets. Export award winners emphasized the need for new exporters to make informed choices of markets to pursue. The first step here involves finding out as much as possible about the markets of most interest.

"Knowing as much about the markets you intend to approach before doing anything else is time well spent. Trying to see where your product fits into a particular market niche is important . . . and that varies from country to country and from product to product. It depends how strong your competitors are and how long they've been entrenched there as to what your tactics have to be: whether to launch a frontal attack or whether it's a sideways attack."

*Roy Humanen
Product Line Manager —
Brown Eggs
Shaver Poultry Breeding
Farms Limited*

Once this information is assembled, market choices have to be made. Many award winners advocate that new exporters begin with a relatively narrow market focus. In other words, the newcomer is likely to do best by concentrating on the few best markets or, alternatively, the most promising region of the world. Ted Strain, president of Motorola Information Systems Ltd. recommends,

“Choose a few markets similar to your own in some respect, for example, in technology or language. That gives synergy. Build success in those markets and then use that success to build outwards.”

CAE Electronics Ltd.’s experience in the United States shows export expansion strategies at their best (see Opportunity 2).

In cases where one or a few overseas markets won’t sustain a profitable exporting operation, new exporters will have to treat the world as a “global market.” Epic Data Inc. is a company that operates along these lines, and Norman Cafik, vice-president and general manager, describes his company’s approach,

“We view ourselves as having a world mandate. We don’t export, we sell . . . The question we ask about going to Mexico is the

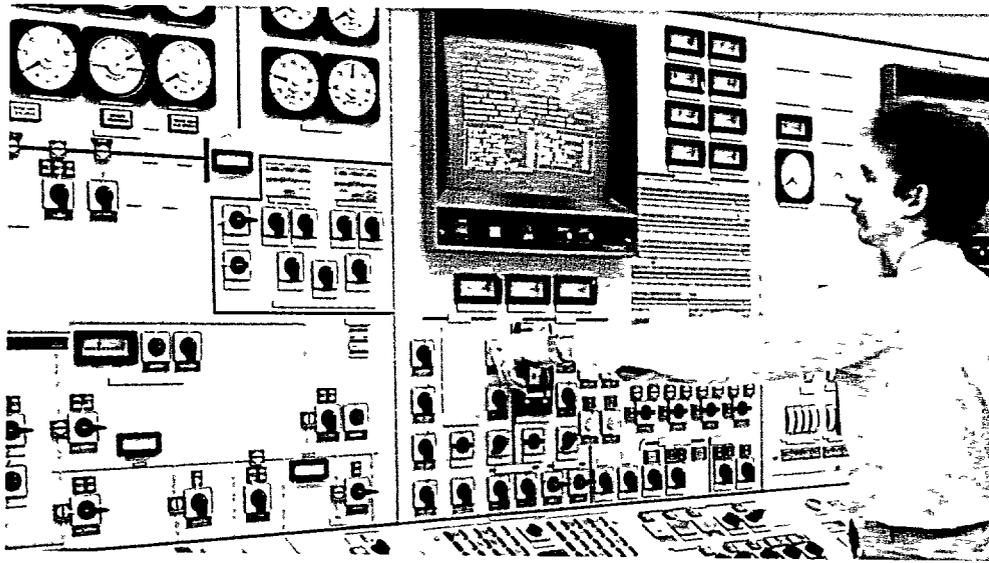
same one that we ask about Montreal . . . and if you come up with a positive, then you go. And where it is located is totally irrelevant. The questions are exactly the same in every case.”

Whether pursuing a concentrated approach to overseas markets or looking for business worldwide, realistic planning is required. Fledgling exporters must be realistic in their expectations of the sales that will flow from offshore markets, particularly in the early stages. Just as a football or baseball team finds it is often more difficult to win “on the road” than it is at home. Not only does the competition seem more formidable but the field of play is less well known. So, be objective about what you can achieve.

Award-winning companies advise caution as well as realism in formulating the game plan.

“Don’t go in there ‘til you are ready and able to do the job properly. That’s the deadliest sin of all . . . If you go in without proper service or product back-up, you will be creating a bad reputation for your product, and you may never be able to carry yourself over the barrier so created.”

*Peter Sewell
President
Western Packaging
Systems Ltd.*



The Ontario Hydro Bruce 'B' Candu Reactor nuclear generating station simulator used for training nuclear power plant operators.

Opportunity 2

Nuclear power plant simulators to the United States

CAE Electronics Ltd. of St. Laurent, Quebec is well known for its state-of-the-art flight simulators, which are used around the world in the training of airline and military pilots. Over the years, the company has developed business for other types of simulators from this base, including those for training nuclear power plant operators. By 1982, it had won business for four such simulators with Ontario Hydro and completed two of these contracts. However, little additional business seemed likely at that time, either at home or in overseas markets.

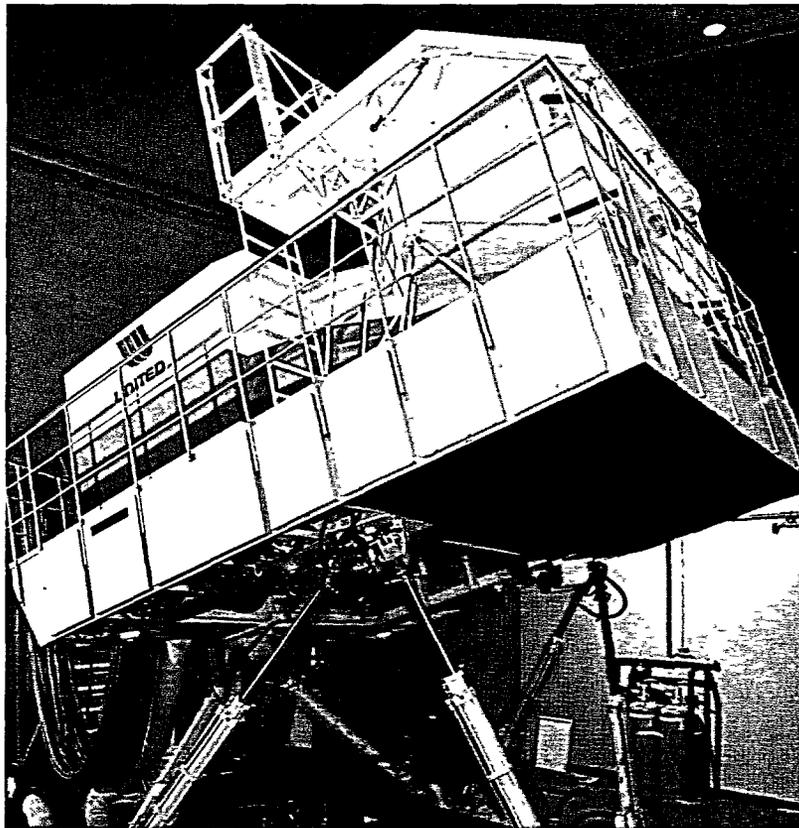
This led the company to look seriously at the U.S. market where the Three Mile Island scare had resulted in tougher regulations for nuclear power plants, but also an opportunity for companies like CAE to sell their simulators for training and licensing purposes. However, CAE faced a number of problems: it wasn't known in the United States for these simulators; its Canadian simulators were for heavy water reactors whereas the United States used light water reactor technology; there was considerable competition; and there was something of a "buy American" approach to purchasing. Despite these obstacles, CAE believed it had some real strengths: a technically advanced product; a declining Canadian dollar; and a satisfied, world-renowned customer in Ontario Hydro.

CAE focused its attention on developing light water reactor credibility. It worked with Ontario Hydro on modelling the light water reactor process and then, in a market where agents and sales representatives are the norm, it decided to sell directly to the customer. Next, it contacted the Commercial Counsellors at the Canadian Consulates in the United States for assistance in making contacts and analyzing market potential. Finally, contact was made with specialist engineering consultants that service the U.S. utilities.

The first utility targeted was GPU, the owner of Three Mile Island. Although the simulator was technically highly rated and competitively priced, the contract was lost because the utility wouldn't bear the risk of delivery delay with a new supplier. Although this first U.S. bid failed, CAE gained valuable experience and posted notice that a new competitor had entered the market.

The next target was Boston Edison. In this bid, several factors worked to CAE's advantage: through the Boston Consulate, the company gained an excellent introduction to the utility; a successful relationship was developed with the firm that acted as the utility's consultant; and then, the utility had no "buy American" policy. CAE made a technically advanced and well-priced proposal and this, coupled with a flexibility in meeting the customer's demands — in contrast to its rivals — led to its first U.S. order. Because of some recent withdrawals from the industry and CAE's status as a new supplier, the order was not finalized until CAE's president appeared before Boston Edison's Board of Directors committing that his company would stay in the nuclear power plant simulator business.

Since the Boston Edison contract, CAE has been successful in winning further business in the United States from Florida Power and Light. Robert Kemerer, vice-president of international affairs and public relations at CAE explains the penetration of this new market as resulting from: good timing, competitive pricing, overcoming a technical deficiency before going ahead, offering a technically superior product, and approaching the market and customer in a professional manner.



This United Airlines' B-727 Phase III flight simulator manufactured by CAE Electronics Ltd., is typical of the many used around the world to train airline and military pilots.

The final item under the heading of “Think it through” concerns resources. Having already recommended realism and caution, award winners go on to warn newcomers that they must set aside sufficient resources to do a proper exporting job. Few firms experience instant success in overseas markets, so that expansion offshore should be recognized as a long-term and potentially costly undertaking.

As well as taking time to develop, export markets may turn sour. In view of this possibility, ensuring sufficient working capital is a precaution well worth considering. Be prepared to allocate enough resources to exporting, but having done so, carefully watch how and where they are used. And this isn’t advice just for small firms!

Generally then, new exporters are advised to feel their way forward, learning from each step, and ensuring that growth does not outpace available resources.

Get as much help as you can “Don’t be proud”

When the pioneers first explored and settled Canada, they looked to others that had gone before them to map out directions and provide advice. In the same way, the first-time exporter would be foolish to ignore the experiences of others. The Canadian federal and provincial governments were singled out as being very useful starting points in the export field. In particular, the trade commissioners have proven extremely helpful to many of the award winners as noted earlier. Rob Read of Canparts Automotive International Ltd.’s Export Department recalls that,

“My first job when I got here was to write a letter to every Canadian embassy we had, and introduce Canparts, introduce myself, and get a list of contacts, possible distributors, agents, whatever I could . . . and contact those people. That was my first job . . . for me the trade commissioners in different embassies are fantastic guys, I can’t believe it.”

In addition, many award winners made substantial use of various federal and provincial government export programs, especially to investigate new markets firsthand and to attend or exhibit at trade shows. They advised would-be exporters to check out all the government programs and facilities relevant to their needs.

Other sources of useful information and advice are freight forwarding companies, trade associations and the international centres of commercial banks. Forwarders are particularly helpful on the logistics and mechanics of making overseas shipments, whereas trade associations often have a keen understanding of exporting possibilities and problems. Naturally, banks have good experience and extensive contacts in markets around the world.

Although outside organizations will provide a better map of the export path and destination, this may still lack sufficient detail. Assistance can also come, according to the award winners, through the recruitment of new personnel, or training of existing personnel. Recruiting knowledgeable individuals often makes for a speedier and safer export passage.

"For firms starting today, I would recommend hiring an experienced entrepreneur. If they're really serious, get somebody that's done it before."

*Paul Kelly
International Business
Manager
Stanley Associates
Engineering Ltd.*

Be prepared to travel to the market and to do business differently "When in Rome . . ."

Once the initial spadework has been done, personal overseas visits to the market are invaluable, providing the opportunity for on-the-spot examination of the new ideas. At this stage thoughts turn from questions of "Is this a good market?" to "How can we best achieve our market penetration goals here?"

From their initial market visit, companies often realize that early plans require revision. The need

for product adaptation sometimes becomes apparent. As Raymond Bussièrè, chief executive officer, Rock-o-Matic Industries notes,

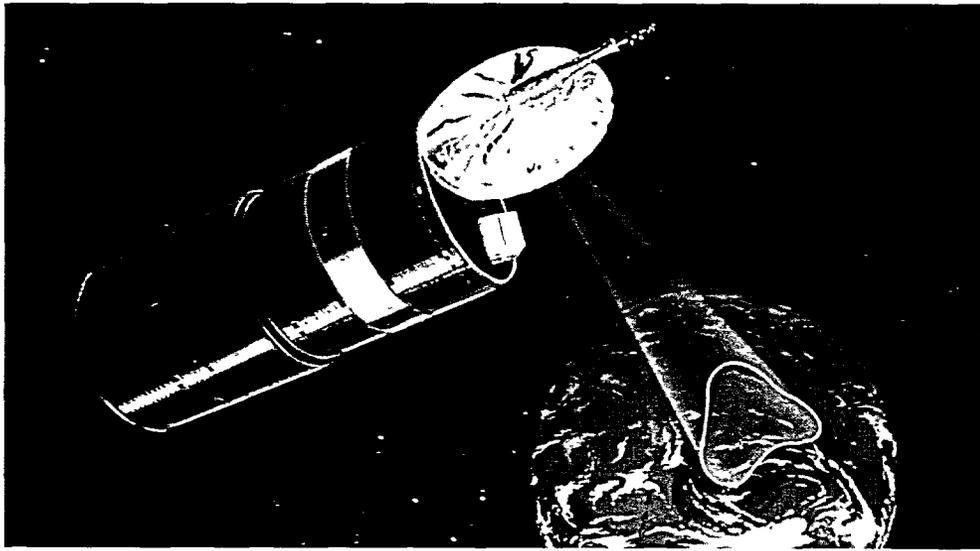
"We certainly are prepared to change the product if it's not right, but first we monitor all suggestions, whether it's customer or dealer feedback. If we feel the change is going to improve the performance of our product without causing the price to fluctuate dramatically then, of course, we incorporate it. You don't change for the sake of change but if the marketplace demands it, then you go for it."

Adaptations may have to be made in a more general sense. Gene Kayal, export business manager of Cavendish Farms has this in mind when he urges new exporters to forget the expression "This is the way we do it back home." Rather, the newcomer must try to work within the ways of doing business in the overseas market. Flexibility is the watchword. Spar Aerospace Limited showed considerable flexibility in its Brazilian satellite contract (see Opportunity 3).

The need to make changes may already be anticipated if the overseas market is Indonesia or Nigeria, but many Canadian firms entering the U.S. market are surprised to find that they must also respond to a different environment. Consider one company's experience:

"To market in the United States you should try to create an American image . . . While they prefer locally manufactured products, they will accept foreign products; but they want to know that they're available locally, stocked locally and serviced locally. Don't tell them about how it's coming, and don't tell them about your problems; they want it there where they need it, on time. That's basically the American approach. That's a very vital aspect to remember."

*Stanley Diamond
Co-owner and Director of
International Marketing
Intalite Inc.*

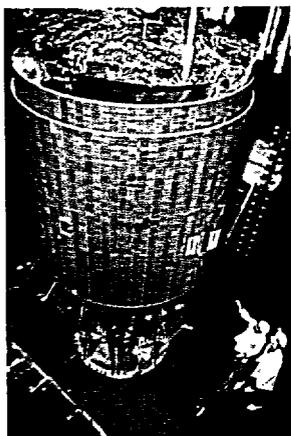


Artist's conception of Brazilsat with antenna "footprint" coverage over Brazil. In 1982 Spar Aerospace Limited secured a contract valued at U.S. \$125 million to provide two satellites and related ground equipment for the Brazilian domestic satellite communications system.

Opportunity 3

Satellites and equipment to Brazil

Spar Aerospace Limited won a Canada Export Award for its success in securing a 1982 contract, valued at U.S. \$125 million, to provide two satellites and related ground equipment for the Brazilian domestic satellite communications system. This contract was notable for: (1) being the first domestic communications satellite system in Latin America, (2) being the largest satellite sale to date for the Canadian company, and (3) proving that a positive relationship between government and private industry can reap benefits in the fiercely competitive export market.



Brazilsat undergoing tests in the thermal vacuum chamber at the federal Department of Communications' Communications Research Centre just outside of Ottawa.

The major competitor for Spar (who teamed with Hughes Aircraft) in the Brazilian market was Aerospatiale (who teamed with Ford). Aerospatiale, owned by the French government, had as its president the brother of the French president, François Mitterrand. The competition was able therefore to strengthen its bid for the contract through high-level official visits and medal-awarding ceremonies to deserving Brazilians. Spar drew on the support of Canadian ministers in their departmental roles to counter this French approach. Knowing that financing would be a major consideration in this market, Spar put together a financing package using Export Development Corporation financing for the Canadian component and U.S. Export-Import Bank financing for the Hughes component. The Spar package included participation for Brazilians in building the earth-based satellite-interface structures and the transfer of technology in this field. This approach was based on the recognition that technology, prestige and national pride were important considerations to the Brazilians, and that an attractive package would need to include trade offsets, financing and the training of Brazilian technicians and engineers.

One of the largest barriers faced by Spar was its track record; the company could only point to the potential of its prime contract for the Anik D satellite, while Aerospatiale had the advantage of having built successful satellites. Fortunately, during negotiations, the Spar-built Canadarm made its successful debut, while the Aerospatiale-built satellite for India's domestic communications system malfunctioned.

Charles Danneman, corporate director, marketing, believes that Spar owes its success in winning the contract to the following: "We knew we were up against powerful competition in Aerospatiale (a French equivalent of our Crown corporations) and countered this with some creative teaming arrangements with our government, particularly in the area of training and technology transfer." The contract has gone well, and Spar is hoping that Brazil will exercise its option on a second system worth about \$50 million. In addition, work has begun on 26 satellite earth stations in China. For this company, patience has paid off.

Whether it is product changes or other modifications that are required will only become apparent to executives that have their eyes open and ears attuned to the new market. Even large, successful exporters make mistakes. Bill Ballard, general manager of chemicals and plastics, Dow Chemical Canada Inc. recounts the following story:

"We were moving a product into China and this had to be packaged, so we decided to put it in polyethylene bags and ship it . . . But it came back that the Chinese wanted a cross between a jute and a polyethylene bag. We said 'That's stupid. We can't do it. We'll offer them a penny a pound off if they will take it in a straight polyethylene bag.' We finally got it through our peoples' heads that it wouldn't matter if we offered five cents off . . . The reason they wanted the jute bags was first, so they could reuse them and second, there is no polyethylene bag that can be economically made to withstand the way they handled it."

In Dow's case, people in their Pacific organization were instrumental in bringing this problem to the attention of headquarters. Photos of trucking and handling operations in China got the jute bag message across. This leads logically to the next piece of advice.

Ensure you have effective representation overseas

"Your network must deliver"

Once the export plan has been formulated and set in motion, overseas potential must be turned into sales through the foreign marketing organization. This organization may be staffed with full-time company personnel but, more frequently for new exporters, takes the form of an agent or distributor network. Whatever the case, the network is the company's marketing arm overseas, working as the critical company-customer interface.

Large and small exporters use agents or distributors and make these networks deliver for them. Tom McGuigan, vice-president of marketing for Litton Systems Canada Limited remarks,

"We make a very strong effort to be in close communications with the agent. We're always standing there watching him and prodding him to make sure he's out there doing something."

At Produits Belle Baie Ltée, General Manager Valmond Chiasson feels strongly,

"You have to be very honest with the people you are dealing with and even if they are far from your place, you have to be in constant contact with them. And it's . . . the honesty which is, I'll say, one of the most important things in the business."

As these businesspeople indicate, clear, frequent and honest communication with the members of your network is essential. Needless to say, to get good performance the exporter should provide the tools for effective selling by the agent or distributor. For example, up-to-date, accurate, well-produced product literature is a must, but a tool overlooked by too many exporters. Product training is another, as is advertising support, and so on.

If you show the agent and distributor your seriousness about selling in their market, and if you treat them as an extension of your own company, the chances are that you'll do well. The marriage of such market knowledge (the agent/distributor) and product/service knowledge (the exporter) can produce a real competitive edge.

For companies planning to service customers directly from headquarters, senior executives and domestic sales staff can double-up in what are often far-flung foreign markets for only so long. Recruiting export sales staff will soon become a necessity, and this calls for a special kind of person. As Bert Kinner, marketing manager — seeds, of the Alberta Wheat Pool comments: "If I started from scratch . . . I would look for a strong team of people who enjoy being successful in the export market environment."

While highly desirable for some companies, finding the right sales people is no easy matter. Don Park, Dicon Systems Limited, vice-president sales and marketing, sums up the problem when he states, "The problem about getting high calibre salespeople is why would a good . . . person want to be away from home for two or three weeks a month?" Other award winners, however, have been able to find people that relish the overseas challenge.

Few companies will set up overseas sales offices as a first exporting step, but some may if they choose to concentrate on one or a few new markets. Generally, they are advised to employ nationals in these offices, as mentioned earlier.

Be patient but persistent “Don’t expect instant riches”

The final piece of general advice for new exporters is “don’t give up — at least not without a good fight!” Award winners were almost unanimous in their comments here, many themselves having come close to failure before turning the corner and going on to achieve success. A reputation as a credible supplier doesn’t come easily or quickly in foreign markets. Buyers are often unwilling to take a chance on the “new kid on the block.”

Two of the Montreal-based firms that won awards experienced some lean patches along the way. In the field of engineering services:

“A lot of success is built upon previous failures in the sense that you’re working with a client, you’re bidding and the thing falls through. And you do that three or four times and you learn to deal with a client and to develop the project, and eventually the thing clicks.”

*Raymond Gladu
Director, Marketing
SNC Inc.*

It’s the same for manufactured products.

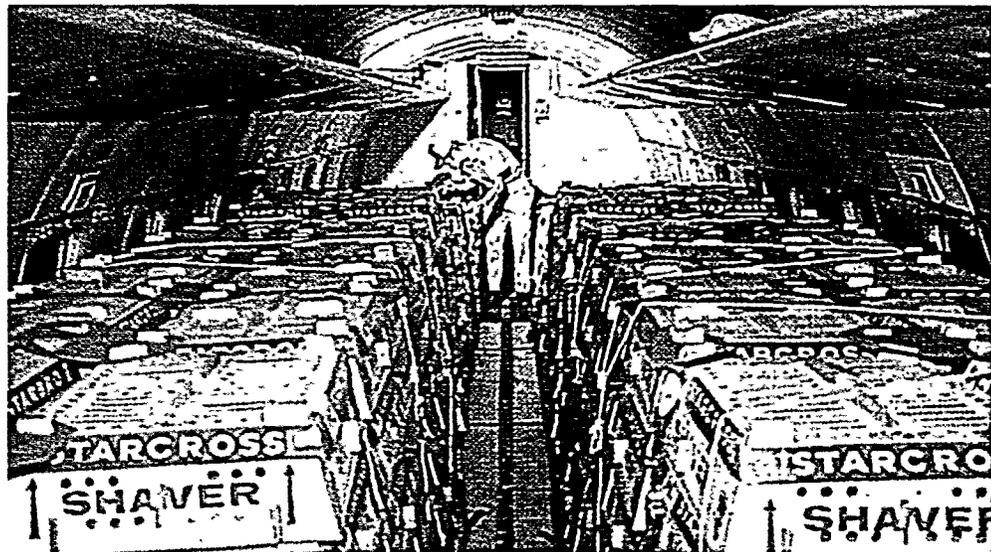
“You have to be able to wait. Sometimes you have to wait for the first dollar for a couple of years and you have to take four or five trips to the marketplace. But as long as you know you are doing the right thing and you follow your objectives, I think the rewards are there. But don’t expect returns right away.”

*S. Emile Chehab
Director, Export Sales
Intalite Inc.*

Award winners consistently talked about “being patient,” “sticking with it,” “persevering,” “making a commitment for the long-term.” For them, the pay-off has been, and continues to be realized. Shaver Poultry Breeding Farms Limited in China is a classic example (see Opportunity 4).

Finally, for certain types of companies, one last piece of advice was given.

Shaver Poultry Breeding Farms shipment being loaded aboard a DC-4 aircraft being readied for take-off to Columbia.



Opportunity 4

Poultry breeding stock to China

Shaver Poultry Breeding Farms Limited of Cambridge, Ontario, is one of only nine poultry breeding companies worldwide. The company was established shortly after the Second World War by Mr. Donald Shaver who, over the years, and through skillful genetics research, has turned a boyhood interest in poultry into a thriving business. Shaver operates 14 breeding farms in North America and Europe, from which it ships millions of chicks each year to over 90 countries. Currently, about 30 percent of all the world's white eggs, 15 percent of all brown eggs, and 10 per cent of all broiler or roasting chicks trace their origins back to these Shaver farms.

One notable Shaver achievement in recent years has been its expansion of business with the People's Republic of China. In the 1960s, long before China became a fashionable export market, efforts were made by Shaver to introduce itself and then gain a toehold in this huge country. Initially, modest sales were made with the assistance of a Hong Kong-based trading company. Following participation in a Canadian Trade Fair in Peking in 1972, and a persistent mail campaign, an invitation was extended by the Chinese for Shaver personnel to visit China in the late 1970s. As a result of this visit, and in competition with its U.S., British, French and Dutch rivals, Shaver was successful in securing a major contract.

This contract called for the supply of pure line stock so that the Chinese would be able to develop their own breeding program, rather than constantly having to replenish their stock from Shaver. This was in direct contrast to Shaver's normal sale of chicks on a frequent repeat-business basis. Because of the different nature of this transaction, a 3 to 5 year technical service agreement comprised part of the contract.

A number of obstacles had to be overcome before Shaver was able to secure this sale. These included: the very real language barrier; a general suspicion of "things" western; a rigid bureaucracy; and determining who the key decision makers (from a buying point of view) were. The retention of a Chinese-born consultant, who has lectured in China extensively over the last five years, was particularly helpful in dealing with some of these difficulties. In addition, considerable use was made of translators, both on the frequent trips to China and in the extensive written communications between Shaver and interested Chinese parties.

Other actions have served to reduce these obstacles over time. As part of the 1979 contract, four groups of Chinese technicians have each spent a four-month training period at Shaver's plant in Cambridge. Reciprocal visits of Shaver staff to Chinese facilities have also helped to develop strong ties between the company and important "players" in China. The company published its own newsletter and technical bulletins in the Mandarin language, and these are widely distributed within China using a mailing list developed with the



Brown eggs are a tradition in Europe, South America and other regions of the world. Shaver continues to research techniques and methods in order to ensure they can respond to the quality and quantities required to fulfill these markets' demands.



assistance of the Canadian Commercial Counsellor in Peking. These mail-outs generate feedback from 75 percent of the recipients.

As a consequence of these market serving strategies, Shaver won a repeat contract from the Chinese in 1981. Since this time, activity in China has intensified, due to the increased interest in poultry production as an efficient and low-cost way of improving diets, and to the authority provincial organizations now have to enter directly into international trade arrangements.

Shaver management attributes its success in this difficult market to: patience in developing awareness of their company; a full range of products of interest to the

The skillful genetics research started by the founder of Shaver continues to produce the strongest, best quality and healthiest chicks, most suited to their destined market.

Chinese; honesty in their business dealings; and persistence in following up every possible new business lead. In short, from the very beginning, Shaver was very serious about securing sales in this burgeoning market.

Think about working with a larger, established Canadian exporter

“Try teamwork”

Being small or new to exporting can present problems.

“My problem is that I see the (exporting) difficulties that we have with the Litton resources. To be successful without that, I think, is so hard, it's absolutely incredible.”

*Tom McGuigan
Vice-president, Marketing
Litton Systems Canada
Limited*

While the lack of resources and inexperience of small and new exporters aren't insurmountable barriers to export success, they can certainly get in the way. In view of this, several of the larger award winners recommend a teamwork approach to winning overseas business. In fact, several companies themselves operate in this way, and have found that the arrangement works well.

Dow Chemical Canada Inc., for example, actively seeks out Canadian firms that are interested in exporting and that would produce specialty items based on Dow input

materials. Once identified, Dow spends time working with the smaller company to develop effective export strategies. Both companies benefit: the smaller firm by becoming a better exporter and Dow by securing a larger market for its own products.

In the large projects field, teamwork may be the best way to secure foreign business. In the consulting engineering industry, SNC Inc. feels two options face Canadian firms: (1) seek out business through Canadian International Development Agency projects (which limit competition to Canadian firms), or (2) enter into supply arrangements with large firms like SNC Inc. For firms starting out, the second approach presents more opportunities for business since SNC Inc. bids on many kinds of contracts, not just Canadian-financed projects.

In the field of technology and military contracts, similar advice was given by award winners. Litton Systems Canada Limited suggests that the easiest way for small and new companies to get started in exporting is through selling to larger Canadian companies. In other words, become a components supplier to a company that is exporting a system or package to the final user. This arrangement provides some initial exposure to exporting for the small or new firm, without much risk.

CompetitivePat
Cautious Co-op
Prepare Teamw
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Travel Patience
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With time and more experience, these firms may decide to approach export markets more independently.

Another teaming approach is to work with a Canadian-based trading house. This will not necessarily mean that the exporter benefits from the resources of a larger partner. What it will mean — if a careful selection of a trading house is made — is that valuable experience and contacts are made available to the exporter, either in a particular export trade (or industry), or in a specific region of the world.

Teamwork then, can be an effective method for exporting. And it isn't just a strategy for small firms. As the Spar Aerospace Limited experience (Opportunity 3) indicates, large companies sometimes use teaming approaches too.

Some potential problems of being small have been dwelt on above. It's worth reminding ourselves, however, that "small can be beautiful" too. Western Packaging Systems Ltd., for example, benefitted initially from its small size since this gave it the needed flexibility to adapt quickly to changing product-market needs. Similarly, Rock-O-Matic Industries' outstanding success was attributed by its chief executive officer to its small

size and consequent high level of communication, flexibility and responsiveness to customers' problems.

Exporting action

To the uninitiated, the award winners' advice may seem a somewhat formidable checklist. It's hoped that this isn't the case. If the list seems long and detailed, recall that thousands of Canadian firms have been successful in international markets. TannerEye Ltd. started business in 1978 with the princely sum of \$7,500 capital, and immediately started selling offshore. And look what they've already achieved. Countless other companies like TannerEye have demonstrated that forethought, care, perseverance and patience can pay rich dividends.

Another thought to bear in mind is that exporting can be both exciting and enjoyable. Jim Smith, chairman of Canparts Automotive International Ltd. is a good example here. He related that he has so much fun in his company (largely export-based at 87 percent of total sales outside Canada), that he starts his day at eight in the morning in the mailroom, curious to see what that day's delivery has brought him from around the world.

Epilogue

The desirability of improved Canadian export performance was noted at the beginning of this book. As a nation we already export about 30 percent of total goods and service output to other countries. This level must be maintained if we are to continue to enjoy current living standards. To improve living standards, of course, requires that Canada increase its exports. This is no easy matter, however, because world markets are in a state of flux.

Not only has competition in most industries and markets intensified in recent years, but the slate of competitors has changed. New rivals have emerged from the Pacific Rim and Third World countries, as well as others, to challenge the established order in many fields. Some markets are proving difficult to penetrate as protectionist measures are taken or more buying and selling takes place between economic groupings of nations. Technology is another factor. Many of the advanced industrial countries Canada compares itself with have made rapid strides forward. This has resulted in a flow of newer, better and less costly products and services, and sometimes Canada has lagged behind in these developments.

Canada faces a challenge now as never before. A better exporting job must be done or else a decline in living standards is inevitable. Canadians must look to the companies that generate our economic wealth for decisive action.

The experience of the 27 Canada Export Award winners shows that exporting success is achievable. Exporting is seldom a simple matter, but with careful thought and considerable effort, the barriers to success can be surmounted. In their pursuit of profits outside Canada, companies would do well to bear in mind the reasons for the award winners' high performance, as well as their advice.

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5 Appendices

Scope and methodology

Scope

This book is the outcome of a study of Canada Export Award winners. Established in 1983, the Canada Export Award Program recognizes companies that have demonstrated significant export achievement over a three-year period. Similar award programs operate in a number of other nations, as well as in some provinces within Canada. The Canada Export Award Program is promoted each year by the Department of External Affairs and application forms are sent to companies that wish to be considered. The information provided on these forms is used by a group of judges, mostly private sector businesspeople, in deciding who the award winners should be.

A number of criteria are used by the judges in the selection process: (1) significant increases in export sales, (2) success in breaking into new markets, and (3) success in introducing new export products into world markets. Other factors considered include: level of Canadian content; range of markets; holding off strong foreign competition in overseas markets; and the level of export intensity, that is, exports as a percentage of total sales.

In the first two years of the program (1983 and 1984), out of more than 400 applicants, 29 companies received recognition. These were drawn from all regions of the country, and varied widely as to company size and industry sector. Visits were made to all but two of the award winners in the summer of 1985, and exporting discussed with 57 owners and senior executives involved in international trade.

Since the goal was to find out how these companies had achieved exporting "stardom," discovering what factors had enabled these companies — small and large, some new to exporting, others more seasoned — to turn in excellent performances during an economically difficult period was of

great interest. It was anticipated that the experiences of this group of high-performance exporters would yield interesting and useful pointers to other companies, either starting out or looking afresh at their international operations.

It is hazardous to draw on the experiences of a relatively small number of export achievers and present a recipe for success. Clearly, what works for one company or industry may not work for another. Nevertheless, an attempt has been made to discern what common threads were present in the "fabric" of these award winning firms. In order to present the fullest "picture," efforts have also been made to draw out some of the success factors particular to certain types of companies (for example, small versus large) and industries (for example, high technology, engineering services). In a sense, these are the "uncommon threads."

Method

This book is both for exporters and by exporters. What is meant by this statement? The first part is clear enough but the second may need some explanation. Although the study was designed and conducted by four people knowledgeable in the field, the work was approached with as few preconceptions as possible. In other words, although the sizeable literature was read and some ideas developed about what leads to success in exporting, it was decided not to approach the interviews in a truly "scientific" manner, that is, with a model in mind to be field-tested. Rather, the successful businesspeople were encouraged to speak out in their own words on exporting:

A series of general questions were developed to guide the discussions. These were very much open-ended questions, phrased to draw out the thoughts, opinions and beliefs of the executives being interviewed. Discussions were tape recorded and later transcribed.

Similarly, in analyzing the information collected in the company visits, as well as the background material from newspapers, magazines, company reports, and the

export award applications, an attempt has been made to let the exporters' voices be heard. Naturally, organization of this information was required, but the structure was allowed to emerge from what had been heard and read, as opposed to forcing it according to some pre-determined order.

This wasn't an easy way to proceed, but it is believed that the method has merit. A richer final product results, because the exporting story is essentially one told by highly successful practitioners.

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