

The Conference Board of Canada
Insights You Can Count On



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(503-03) What Drives Foreign Direct Investment? The Role of Taxation and Other Factors—The last decade has seen phenomenal growth in foreign direct investment (FDI) worldwide, at a rate outpacing the growth in both production and international trade. With investment more footloose, taxes are now a serious and growing concern in location and sourcing decisions. While an increasing number of Canadian companies are investing in other countries, Canada's attractiveness as a place for foreign investment has been decreasing. For this publication, the Conference Board's findings rest on an extensive review of economic and business literature to understand all of the drivers of FDI, as well as on consultations with members of the Board's Tax Research Centre, which includes tax experts, government tax policy-makers and representatives of multinational corporations.

(485-03) Shedding Light on Power Solutions—The Aug. 14, 2003, blackout was a disaster waiting to happen. This briefing looks at its underlying causes and examines how a clear, consistent and comprehensive electricity policy could prevent future problems in the electricity sector. Three primary factors, in combination with a heat wave, contributed to the blackout: an outdated and interconnected North American power grid, insufficient generation capacity, and wastefulness. All these problems were well known before Aug. 14. This briefing makes several suggestions for government to move forward with electricity policy.

(413-03) Strengthening Corporate–Aboriginal Relations: The Influence of Public Policies and Institutions—Do public policies and institutions hamper or enable Aboriginal economic relations—and what would help? While Canadian private sector executives express optimism, they see more barriers than enablers in the public policies and institutions that influence their economic relationships with Aboriginal people.

Recent publications from The Conference Board, Inc., our sister organization based in the United States

Compassionate Downsizing: Making the Business Case for Education and Training Services—This report analyzes the results of a survey of senior human resources executives about recent layoffs and offering education and training benefits to downsized employees. It finds that treating employees with compassion and respect is a good business strategy.

Corporate Security Management: Organization and Spending Since 9/11—This study reveals business spending patterns since the attacks of Sept. 11, 2001. Many expected movement toward strategically aligning functions like physical protection, risk management, and IT security under a chief security officer. But senior security executives report that we are seeing an evolution—not a revolution—in how companies manage corporate security.

Copies of these publications are available at www.conferenceboard.ca/boardwise, by contacting our Publications Sales staff at 1-866-711-2262, or by e-mail at contactcboc@conferenceboard.ca.

Canada's Innovation Agenda: Measuring Our Capacity and Progress



Anne Golden
President and
Chief Executive Officer

If it is true that, as the popular saying goes, “The world needs more Canada,” then this should include more Canadian innovations. From the telephone to the BlackBerry, our inventions provide value to users across the globe. How will Canada continue generating leading-edge products and services, and how do we measure our capacity and progress in innovation? This is a central focus of the Conference Board's work.

It has been a year since I co-chaired the federal government's National Summit on Innovation and Learning in Toronto. The Summit brought together leaders from all sectors—business, academia, government and non-profit—following a series of cross-country consultations. It generated a consensus on an 18-point action plan for Canada to become one of the most innovative and skilled nations in the world, as well as a top destination for talent and investment.

At the Conference Board, we adopt a broad definition of innovation, encompassing both the “eureka” of new discoveries as well as different processes to improve on existing goods and services. We look at its four dimensions: creation (the initial spark); diffusion (getting the idea out); transformation (developing new or improved products or services); and use (implementing or selling new ideas that the market wants and needs).

Performance and Potential 2003–04 provides an update on Canada's innovation capacity, as measured by accepted international indicators. Our benchmarking ranks Canada fifth in innovation among leading Organisation for Economic Co-operation and Development (OECD) countries, behind

Finland, Sweden, Iceland and the United States. We score top marks in our information and communications technology (ICT) connectedness and our openness to foreign ideas, but we need to work on other areas, including business and government investment in R&D and private sector spending on training and development.

In this edition of *InsideEdge*, we delve more deeply into one important aspect of innovation—commercialization—that is also the subject of our *5th Annual Innovation Report: Trading in the Global Ideas Market*.

The essence of commercialization is cashing in on creativity. Our report finds that there is a role for both the private sector, which blazes the innovation trail, and government, which supports the process. Several factors distinguish the most innovative firms from the rest of the pack. The most significant is an “internal champion” who is at the centre of the innovation dynamic. Nothing can replace the passion and commitment of a leader or team with the drive to see a new idea through from the drawing board to the marketplace.

Additionally, top innovative companies are those most closely engaged with their clients—often targeting a lead customer who actively helps in new product development and is willing to pay for it. In making risky investments, leading-edge innovators successfully combine business analysis with gut instinct. And they integrate the thinkers, who are focused on research and ideas, with the doers, who require practical business applications.

What is the role of government? There are both general and specific priorities. Clearly, public education has to be paramount, as it is fundamental to developing human capital for innovation. Governments must also provide a stable and predictable macroeconomic policy environment. With regard to targeting innovation directly, our report sets out some future steps. The times of simply relying on the state to “pick winners” are over. While government procurement remains important for some sectors and firms, it is more complicated in a world of global free trade. Preferable measures include: establishing an “innovation policy test” so that policies and regulations that might inhibit innovation are identified; offering funding only under conditions of strict accountability, with clear performance guidelines and business plans; and facilitating connections among businesses, researchers and investors, which the private sector must then leverage.

It is said that what gets inspected gets respected. I hope that this is the case, as Industry Canada recently called on the Board to provide a multi-year report card on the nation's innovation performance, measured by international benchmarks. The purpose of these report cards—the first one is due in the new year—is to track the progress in meeting the aims of the Innovation Summit. This should help Canada move up the innovation ladder.

Economy to Accelerate Slowly in 2004

Canadian Outlook Strong Dollar Moderates Recovery

The Canadian economy is emerging from its summer 2003 doldrums with a slow acceleration in growth.

Momentum in the economy is expected to build in 2004, largely because of a sharp increase in U.S. activity. The torrid 4.2 per cent growth pace that is forecast to resuscitate the U.S. economy in 2004 would normally ensure a similar outcome north of the border. The one lingering drag on Canada's economy, however, is the strength of our currency. Although exports will get back into the black, they will see a comparatively modest increase in 2004.

Sustained strength in domestic spending will tide the economy through the year as business investment ramps up and consumer spending remains strong. Overall growth in 2004 is forecast to hit 3 per cent, just slightly above Canada's potential growth rate—the rate that can be sustained over time.

Provincial Outlook Strong Performance in the Prairies

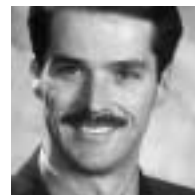
Alberta, followed closely by Saskatchewan and Ontario, will lead all provinces in economic growth in 2004. Massive oil investment will make Alberta's economy the strongest in the country at 3.5 per cent growth in real gross domestic product (GDP), according to *Provincial Outlook Autumn 2003*. Saskatchewan's economy, second to Newfoundland and Labrador in 2003, continues to grow due to an ongoing agricultural rebound and strong construction activity.

Elsewhere, Ontario will rebound from a difficult 2003 as its economy expands by more than 3 per cent on the wings of the U.S. recovery, although the high dollar will dampen export performance. The dollar will also hamper Quebec's exports, leading to overall GDP growth of 2.6 per cent. British Columbia is emerging from its slump with an expansion approaching 3 per cent, while

Manitoba's economy continues to grow at a steady pace of 2.8 per cent this year. The Atlantic provinces will experience a sluggish 2004 as growth hovers around 2 per cent in all provinces, except New Brunswick, where highway construction and energy investments are boosting its bottom line.

Quarterly economic forecasts are available on Weblinx, <www.conferenceboard.ca/weblinx>, the Board's economic intelligence service.

E-mail <contactboc@conferenceboard.ca> or call 1-866-711-2262



Peter Hall
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Metropolitan Outlook

Toronto Set to Bounce Back

Following last year's disappointing 0.7 per cent expansion, the Toronto economy is in for a much better year in 2004, according to *Metropolitan Outlook Winter 2004*. A rejuvenated U.S. economy, combined with a recovering tourism sector, will lift Toronto's real gross domestic product (GDP) growth to 3.5 per cent. The acceleration in U.S. economic activity will also be the main engine of growth in cities such as Winnipeg, Trois-Rivières and London.

Regina will post the strongest rate of economic growth amongst the 18 cities covered in this edition of the *Metropolitan*

Outlook, thanks to a long-awaited recovery in the agricultural sector. Real GDP will expand by 5.1 per cent in 2004, following an average annual increase of only 0.4 per cent from 1999 to 2003. The improved outlook in agriculture will also benefit Saskatoon's economy, with growth expected to reach 2.9 per cent.

Calgary and Edmonton will remain near the top of the rankings in 2004, at 4.4 per cent and 4.1 per cent growth, respectively. Both will benefit from strong population growth and healthy activity in the oil and gas sector. Vancouver and Montréal are both expected to enjoy economic growth of 3.4 per cent in 2004. The Vancouver economy will reap the benefits of strong domestic demand, while a pickup in the manufacturing sector will boost the

Montréal economy. The federal government's continued expansion will keep growth healthy in Ottawa–Gatineau, while stronger global demand will bolster other Ontario cities, such as Sudbury and St. Catharines–Niagara.

Quarterly economic forecasts are available on Weblinx, <www.conferenceboard.ca/weblinx>, the Board's economic intelligence service.

E-mail <contactboc@conferenceboard.ca> or call 1-866-711-2262



Mario Lefebvre
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Export Growth Will Survive the High Dollar

A major uncertainty in the economic outlook for 2004 revolves around the impact of the high dollar on exports, as indicated in the Dec. 8, 2003, speech by Bank of Canada Governor David Dodge, and witnessed by the ongoing debate among economic forecasters. Much of this uncertainty arises from the unique situation facing Canadian exporters—a sharp rise in the dollar accompanied by a rebound in U.S. growth. Usually a jump in the currency corresponds to a U.S. recession, which has no upside for shipments to our southern neighbours. Untangling the opposing forces now acting on exports suggests that exports will expand by about 3 per cent in real terms in 2004, despite the high dollar.

Our research suggests that a 1 per cent rise in the price of Canadian exports leads to about a 0.4 per cent decline in demand, with most of this impact felt over the nine months following the change in prices. In general, a higher Canadian dollar increases the price of exports to our American customers, lowering demand. A higher Canadian dollar, however, also lowers the price of imports into Canada, and about one-quarter of Canadian exports consists of import content. Assuming that Canadian firms will be careful to incorporate the import cost savings in their final sales prices, a 1 per cent rise in the Canadian dollar can be expected to lead to about a 0.3 per cent decline in the volume of exports.

The recent surge in the Canadian dollar took place in two waves—a jump of 11 per cent in the second quarter of 2003 and another hike of 7 per cent in the fourth quarter. Obviously, this appreciation hurt exports in 2003. But if we apply our 0.3 per cent rule and spread the

impact of the two episodes of dollar appreciation over the ensuing nine months, the math generates a negative hit on export volumes of about 3.5 per cent in 2004, on an average annual basis.

Untangling the opposing forces now acting on exports suggests that exports will expand by about 4 per cent in real terms in 2004, despite the high dollar.

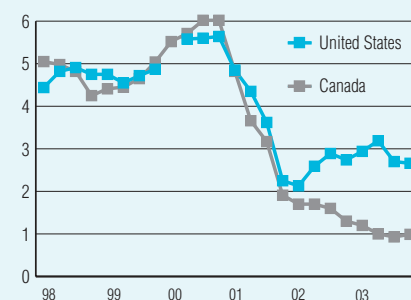
Our research also tells us that Canadian exports are very sensitive to U.S. growth, especially in the rebound phase of the cycle. The 4.2 per cent hike in U.S. real gross domestic product (GDP) now forecast by the Conference Board for 2004 can be expected to generate export growth of at least 6.5 per cent. The basic arithmetic thus suggests growth in export volumes of about 3 per cent this year—modest by the standards of previous recoveries, but enough to suggest that Canada should post overall real GDP growth in the neighbourhood of 3 per cent in 2004.

Not all sectors, however, will match the 3 per cent overall growth in export volumes next year. U.S. housing starts and car sales—currently at unsustainable levels—are forecast to fall in 2004. As a result, exports of lumber, and autos and parts, will remain soft. Weakness in these sectors will be largely offset by continued robust exports of office equipment, as U.S. firms replace obsolete computers. In addition, a recovery from the 2002 drought will boost exports of wheat and barley by close to 35 per cent in 2004.

The 8.2 per cent surge in U.S. real GDP (at annual rates) in the third quarter of 2003 virtually eliminated the uncertainty of a U.S. rebound. Moreover, as the U.S. economy begins to put pressure on capacity, the Federal Reserve will look to tighten monetary policy by increasing interest rates, narrowing the unusually high spread between Canadian and U.S. short-term rates. (See Chart.) Narrower spreads would put some downward pressure on the Canadian dollar, adding to export growth next year. Thanks to a solid U.S. recovery, Canadian export growth will survive the high dollar.

Interest Rates

(90-Day T-Bill) Quarterly 1994–2005



Sources: The Conference Board of Canada; Economy.com; Statistics Canada.



Paul Darby
Vice-President and
Chief Economist

Commercialization— Turning Ideas into Income

Innovation is more than the creation and diffusion of new ideas. Innovation does not happen without commercialization—the transformation of ideas into products and services that generate economic or social value. Though public policies set the context, the responsibility for achieving success in commercialization lies primarily with the private sector.

The Conference Board's *5th Annual Innovation Report: Trading in the Global Ideas Market* finds that Canada's more-innovative companies—defined as those that derive more than 20 per cent of their sales from new or significantly improved products or services—share several characteristics that give them a commercialization advantage. First, more-innovative firms import ideas from all over the world. Second, they bridge traditional gaps—between researchers and clients, between risk capital investors and companies, and between governments and the private sector—to create new marketable products and services.

Less-innovative companies make comparatively less use of universities or government labs as a source of product ideas.

Researchers claim companies don't have the capacity to receive and exploit the new ideas they generate, while firms counter that they respond to client demands, not "solutions in search of problems." The tension between "technology push" and "market pull" means that less-innovative companies make comparatively less use of universities or government labs as a source of product ideas. Companies with successful commercialization processes, however, close these gaps.

The report, which compiles survey results from more than 200 Canadian companies, finds that more-innovative companies make customers, suppliers and research partners their primary sources of ideas. Furthermore, innovative firms "go global," importing ideas and opportunities back to their company no matter where they originate. Sixty per cent of survey respondents said they take ideas from outside Canada, increasingly in collaboration with international partners or customers.

More-innovative firms import ideas from all over the world.

More-innovative firms develop explicit business processes to achieve clear commercialization objectives. They have an internal commercialization champion who brings researchers and clients together to discuss and advance the required business processes. Companies rigorously generate and evaluate opportunities through formal processes, but they also make investment decisions based on "gut feel" for risky but potentially lucrative ideas. These firms also engage a lead client who is willing to assist in development. This customer presence sends a strong message about the market viability of a new product or service.

While the private sector must drive commercialization, governments also have an important role. Their primary responsibility is to maintain a favourable socio-economic environment, which includes implementing appropriate tax and regulatory policies. Governments can apply an innovation test to regulations by asking "whether this policy or program inhibits innovation in any way." Governments also allocate research and develop-



ment funding to universities and are responsible for nurturing an environment that recruits and retains the most talented researchers. In specific areas, governments can play a matchmaking role for initial contact among clients, partners, researchers, distributors and investors at home and abroad. Governments can analyze the state of risk capital in Canada and very selectively consider programs to fill gaps in risk capital financing. And they can certainly promote their own programs and services more effectively across Canada.

Successful commercialization does not happen by itself. Companies that succeed scour the globe for ideas and bring researchers together with clients to create synergies. They maintain evaluation processes and internal leadership that drive commercialization. They ultimately find success where others experience failure.

Publication: 5th Annual Innovation Report: Trading in the Global Ideas Market (*briefing and report*)

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To obtain: visit <www.conferenceboard.ca/boardwise>



Brian Guthrie
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Weaknesses in Commercialization, Skills and Policy Hurt Innovation Performance

Innovation is the only way that industrialized countries can maintain and increase their levels of economic and social well-being, according to the Organisation for Economic Co-operation and Development (OECD).¹ Yet, Canada is falling short of other developed countries in some of the crucial components necessary for innovation. The Conference Board is completing the first *Innovation Benchmarking Report*, a comprehensive assessment of Canada's innovation performance, including investment in research and development (R&D), necessary skills, and its policy environment.

The report compares Canada with 10 other countries across four broad categories—knowledge performance, skills, innovation environment and community. The comparator countries are the eight largest OECD economies, Finland, Sweden and Australia.²

Canada ranks eighth in R&D investment among the 11 countries. Foreign investment in Canadian R&D is the highest among comparator countries, but investment by Canadian firms in R&D is low. The federal government has committed increased funds to R&D as part of its strategy to be among the top five countries in the world in R&D intensity. But this is an expensive and elusive goal, as other countries are also planning to boost their R&D intensity.

Canadian leaders must focus on commercialization—turning ideas into new products and services that sell in markets at home and abroad. Statistics Canada's 1999 Survey of Innovation found that only about 32 per cent of Canadian manufacturing firms introduced products that were new to the marketplace. Another study, comparing Canada to four European countries, found we had the lowest level of new sales in innovative products.³

Innovation Matters

Innovation matters to the success of companies and countries. For its *1st Annual Innovation Report* in 1999, the Conference Board surveyed major Canadian corporations and found that highly innovative companies perform better than weak innovators in key areas of business performance, including higher profitability and productivity, and have better global market share.

Canadians are good at starting firms—there has been an exponential increase in university spinoffs over the last decade—but we have a poor record of growing them into thriving businesses because of managerial and financial constraints. Among developed countries, Canada has an unusually large proportion of small and medium-sized businesses, further hindering our commercialization potential. Small firms usually have limited capacity to commercialize ideas and are missing the benefits of large-scale production and marketing of new products and services.

Innovation requires a highly skilled workforce that is creative, entrepreneurial, and capable of and willing to adapt to change. Canada has the highest percentage of labour force participants with post-secondary degrees and a growing pool of skilled immigrants. But the level of participation in job-related training is low in Canada compared to other countries, and we lack the systems to fully recognize the credentials of immigrants.

While firms are central to innovation, governments play an important role beyond the financing of R&D. They must provide a regulatory and taxation environment con-

ducive to innovation. Canada's administrative and economic regulations are favourable to innovation overall, although trade restrictions limit foreign direct investment that could boost our innovative capacity. On the tax policy front, the results are mixed. The federal government announced that it will gradually eliminate its capital tax, which should encourage capital investment, but the timetable is long. It has also reduced the capital gains tax rate that provides added retained capital for entrepreneurs to reinvest in new businesses and helps retain our top talent. Canada's R&D tax credit, however, has slipped from first to third among comparator countries.

Overall, governments and universities have made progress on the innovation agenda. While governments could do more, the onus is primarily on Canadian business leaders to increase their investments in R&D and skills development, and improve the commercialization of new products and services.

Publication: *Innovation Benchmarking Report will be published in Spring 2004*

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¹ OECD Working Paper on Innovation and Technology Policy, June 2003.

² The two Nordic countries are known for their high level of innovation, while Australia and Canada have similar socio-economic profiles and political systems.

³ Pierre Mohnen and Pierre Therrien, *How Innovative Are Canadian Firms Compared to Some European Firms? A Comparative Look at Innovative Surveys* (Montréal: Center for Interuniversity Research and Analysis on Organizations, September 2001).



Gilles Rhéaume
Vice-President
Policy, Business
and Society

Cost Containment in the Works for Compensation

What is the common thread among the following seemingly disparate announcements made around the world in late 2003? The University of California at Berkeley indicated that as many as 14 million jobs in the United States are vulnerable to relocation to other countries.¹ *Fortune* magazine's November 2003 article "Where Your Job Is Going" focused on Bangalore, where large multinationals are employing multi-accented Indians not only in call centres, but also in writing software, designing chips, running computer systems, reading MRIs, and preparing tax forms. Intel, Cisco, Oracle, Philips and GE announced major research and development facilities in India. Camco will close its Hamilton plant, in part due to its inability to compete with large global operations. Buffalo Color, which at its peak employed 3,000, let its final 170 workers go in 2003, unable to compete with Chinese manufacturers who exported indigo dye into the United States at half the price. Volkswagen exported its first "made-in-China top-quality" Polo sedan to Australia in late November, possibly starting a wave of exportable Chinese-made automobiles in a sector already suffering from a huge overcapacity.

Despite the economic recovery forecast for 2004, labour market tightness will be non-existent.

The common thread? Marshall McLuhan described it four decades ago: The world is a global village. The cumulative impact of trade liberalization, particularly China's accession to the World Trade Organization, has given a new twist to McLuhan's concept.

Both Canadian labour and management are acutely aware of the ramifications of this new reality on Canadian operations. Canadian Auto Workers President Buzz Hargrove is concerned about the roughly 77,000 jobs lost in the manufacturing sector in 2003, and certainly feels for the Camco workers and their families. But he recognizes labour's limited leverage when he says, "under free trade and globalization, these kinds of manufacturing closures have become all too familiar."

Management is aware that the powerful combination of trade liberalization, technology, and cheap labour and transportation means that both low-end and high-end jobs can increasingly be outsourced to countries with lower labour costs. (See Table 1 for average salaries of programmers.) Some multinationals are taking full advantage of this. For example, the world's biggest retailer, Wal-Mart, also happens to be one of China's biggest trading partners, purchasing more than \$12 billion of goods in 2002. But management also argues for the need to focus on productivity, innovation and cost containment if firms are to stem the tide of outsourcing.

Besides globalization, two other factors will influence company compensation strategies this year. First, despite the economic recovery forecast for 2004, labour market tightness will be non-existent. Second, the inflation rate is expected to be low, at around 2 per cent.

It is against this backdrop that Canadian companies are planning their compensation strategies for 2004. There is widespread realization that the compounding effect of yearly salary increases without additional improvements in pro-

ductivity is a recipe for financial disaster given the onslaught of competition. Companies understand that salary increases to base pay must be accompanied by a *quid pro quo* in productivity. More and more, companies are also focusing on smart spending. They are willing to provide substantial base pay increases to stellar performers, but little or no increase to those who are "doing their job in a fine manner."

Salary increases to base pay must be accompanied by a *quid pro quo* in productivity.

The Conference Board's *Compensation Planning Outlook 2004* survey shows a deceleration in salary increases in 2004. The average base salary of non-unionized employees is expected to increase by 3.4 per cent. But in light of increasing globalization and competition, the Conference Board predicts that the actual increases given to employees in Canada will be closer to 3 per cent. This is about one full percentage point below the actual increases in 2002.

Pay increases for unionized employees will be even lower. Although the average increase predicted in the survey for the unionized sector is 2.6 per cent, cost-cutting imperatives, particularly in the manufacturing sector, will result in anemic increases. (See Chart 1 for a comparison of union/non-union increases.) Manufacturing companies will be cutting to the bone. For instance, at Delphi, the car parts group in the United States, there will be no pay increases for two years and reduced wages for new workers. The previous negotiated contract gave workers at Delphi a 12 per cent pay raise. This

example symbolizes the dilemma for the manufacturing sector in North America, and helps explain why wage increases will not figure prominently on labour's agenda in 2004. Labour is more interested in employment guarantees and improved pension provisions for its members.

Canadian companies will be looking at significant cost reductions next year. Many openly affirm that they want to be the lowest-cost producers of goods and services. Part of this reduction will come from curtailing employment costs. Companies know they are at a huge disadvantage when competing with low-cost countries like China and India, due to their low salaries.

The world order is such that companies cannot give hefty increases every year without demanding additional value creation. There is no other way to remain competitive in the global village.

Publication: Compensation Planning Outlook 2004

To obtain: visit <www.conferenceboard.ca/boardwise>

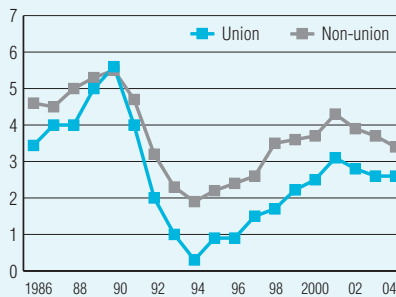
¹ A.D. Bardhan and C.A. Kroll, *The New Wave of Outsourcing* (Berkeley: Fisher Center for Real Estate and Urban Economics, University of California, Fall 2003), pp. 1–12.

Table 1—Average Salaries of Programmers

Country	Salary Range
Poland and Hungary . . .	\$4,800 to \$8,000
India	\$5,880 to \$11,000
Philippines	\$6,564
Malaysia	\$7,200
Russian Federation	\$5,000 to \$7,500
China	\$8,952
Canada	\$28,174
Ireland	\$23,000 to \$34,000
Israel	\$15,000 to \$38,000
United States	\$60,000 to \$80,000

Source: Bardhan and Kroll, *The New Wave of Outsourcing*, p. 4.

Chart 1—Looking Back: Union and Non-union Increases



Sources: The Conference Board of Canada; HRDC.



Prem Benimadhu
Vice-President
Organizational Performance

The Leaders' Summit on Visible Minorities

**The Fairmont Royal York, Toronto
April 22, 2004**

The Conference Board is pleased to host a Leaders' Summit, part of a unique project involving public and private sector partners on maximizing the talents of visible minorities.

The Summit includes:

- A Leaders' Dialogue with more than 40 influential leaders (by invitation only)
- An evening gala reception and dinner to celebrate diversity (corporate tables available)

Co-hosts:

Senator Donald Oliver, and Anne Golden, President and CEO of The Conference Board of Canada

For more information on this project, contact Bente Baklid, at ext. 357, or e-mail <baklid@conferenceboard.ca/conf>.

Visit
<www.conferenceboard.ca/conf> or call 1-800-267-0666 to attend the evening gala.

Legitimacy Should Govern Relations with Civic Groups

Civil society organizations (CSOs) are a political force to be reckoned with in public governance. Through sheer numbers—apart from the merits of their causes and ideas—non-governmental and grassroots organizations, community groups, labour unions and other civic organizations are demanding a place in the decision-making process. One recent estimate puts the size of the global not-for-profit sector (excluding religious congregations) at \$1.1 trillion US, with 19 million full-time employees. These CSOs are pressuring governments and private sector corporations to allow them greater influence over policy and operational decisions.

Legitimacy is the key criterion for engaging with some groups rather than others.

Public and private sector leaders must mount an appropriate response to this trend. When governments face a welter of civic groups demanding attention, who should get access to the decision-making process? A new Conference Board briefing, *Civil Society and Public Governance: Getting a Fix on Legitimacy*, argues that legitimacy is the key criterion for engaging with some groups rather than others. Decision-makers should assess three important criteria for legitimacy: values; representation and accountability; and credibility and competence.

Values—Governments regularly consult with CSOs whose values and mandates are consistent with their own. But what happens when values conflict? CSOs that have fundamental differences with governments may still be legitimate. What about groups that are illegal? The instinctive answer is that “only law-abiding

groups need apply.” But even lawfulness can lead into slippery territory. Consider South Africa in the 1970s and 1980s, when “illegal” groups in civil society sought to engage the government about abolishing the “legal” policy of apartheid. Of course, governments bent on furthering values that fly in the face of international norms cannot be relied upon to make good choices about engagement with civil society. A well-intentioned government that has a genuine desire to engage with a broad range of CSOs—including those that adopt positions at odds with the government—ought to think about CSO values in terms of whether they are broadly in line with the public interest.

Representation and accountability—The more that CSOs demand a role in governance, the more their own governance practices should be scrutinized. Their legitimacy is tied to the way their actions represent the values of members, supporters and intended beneficiaries. And CSOs must have accountability processes that provide a framework for ensuring that they remain true to the groups they purport to represent. If an organization establishes regular processes by which its constituents can understand and evaluate its activities, then its legitimacy can be sustained.

The more that civil society organizations demand a role in governance, the more their own governance practices should be scrutinized.

Credibility and competence—The legitimacy of an organization is also a practical matter. Competence and credibility refer to performance, expertise and track record. Many research-based CSOs seek to influence public policy issues and

inevitably walk a tightrope between advocacy and impartiality. They build credibility—and therefore legitimacy—by being perceived as thorough and objective in their work. A reputation for political bias may undermine their credibility in the eyes of the organizations they seek to influence. There is an added nuance: government shouldn’t confuse politically popular views with credibility. The challenge for government in engaging with credible CSOs is to make regular reality checks by going beyond orthodoxy to seek out competent dissonant voices.

Relevance for the private sector

Nike Inc.’s sweatshop controversy and Talisman Energy Inc.’s confrontation with activists over its Sudan investments are well-known cases of the influence that civic groups are demanding—and attaining—in corporate decision-making. Like government officials, corporate executives face demands from CSOs. Applying the legitimacy criterion may help corporate leaders answer difficult questions about engaging with their full range of stakeholders.

Publication: Civil Society and Public Governance: Getting a Fix on Legitimacy
To obtain: visit <www.conferenceboard.ca/boardwise>

Organizational Structures Enhance Ethics Management

Corporate codes of ethics, hiring of ethics officers, ethics training for staff and whistleblower hotlines tend to dominate discussions about the management of corporate ethics. Less discussed, but equally important, is tailoring corporate organizational structures to implement ethics programs smoothly and effectively. A forthcoming Conference Board briefing, *Set Up to Deliver: Corporate Ethics and Organizational Structure*, documents growing evidence that major corporations are filling this gap with well-developed and supportive structures that distribute responsibility for ethics management throughout and across the organization.

These six companies strike a balance between setting the direction and leadership at the centre of the organization, and obtaining the buy-in needed to implement ethics policies throughout the organization.

The briefing describes and analyzes ethics management structures in a diverse group of six companies: TELUS Corp., Alcan Inc., Nexen Inc., Texas Instruments Inc., Boeing Corp. and Baxter International Inc. These companies have developed structures that promote a systematic approach to implementing corporate ethics programs across staff positions, business line units and geographic regions. They also strike a balance between setting the direction and leadership at the centre of the organization, and obtaining the buy-in needed to implement ethics policies throughout the organization.



Common patterns to these organizational structures include:

A single senior corporate standard-bearer for ethics—This individual, who usually has “ethics” in his or her title, is a vice-president at Boeing and Texas Instruments, a director at TELUS, a senior co-ordinator at Nexen and a company ombudsman at Alcan.

A central cross-functional, cross-organizational body—This committee, working group or public policy committee crosses organizational functions and geography to bring ethics officers and managers together with the senior ethics officer, top management and the board of directors.

Formal responsibility centres for ethics across operating units—The levels of seniority vary for these positions, from a director of ethics in each Boeing business unit to integrity officers at Nexen and ombudsmen at Alcan.

Formal responsibility centres for ethics across geographic units—Baxter has a Regional Practice Committee with responsibility for ethics. Boeing and TELUS have ethics officers or contacts in operating sites or in regions, and Nexen posts Integrity Contacts in each of its geographic regions.

Decentralized ethics structures that allow issues to be handled at the appropriate corporate level—Ethics officers can respond quickly to challenges within their geographic region or operating unit. This allows many ethical issues to be addressed by individuals most familiar with the circumstances. This structure also allows more serious matters to rise to the most senior level of the organization if the circumstances warrant.

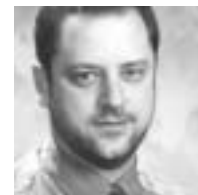
High-level oversight of corporate ethics is the responsibility of the board of directors.

Finally, in the companies studied, oversight of corporate ethics is the responsibility of the board of directors. The cross-functional body noted above plays a key role, as most of the organizations profiled have given it a direct link to the board or a board committee.

Publication: *Set Up to Deliver: Corporate Ethics and Organizational Structure will be published in Winter 2004*

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To obtain: visit <www.conferenceboard.ca/boardwise>



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Juan Enriquez
Chairman and CEO
Biotechonomy

Author of *As the Future Catches You: How Genomics & Other Forces Are Changing Your Life, Work, Health & Wealth*

THE FUTURE IS NOW

Genetic code is the language of the future, according to best-selling author, businessman and academic Juan Enriquez. The ability to read the genetic structure of living cells—now in its infancy—will transform countless aspects of business and society.

Mr. Enriquez is one of the world's leading authorities on the economic and political impacts of life sciences. He was founding director of the Harvard Business School Life Sciences Project. His company, Biotechonomy, researches and funds start-ups to enable the genomic revolution.

Mr. Enriquez spoke at the Conference Board's conference Innovation and Commercialization: Accessing Global Knowledge, Growing Global Markets on Nov. 13, 2003, in Toronto.

Q A lot of people may not understand the significance of genomics to the future of our society, not just our economy. Could you explain what genomics is and why it is such a powerful force?

Think about how you generate wealth. Generating wealth first became an issue of finding a surplus of calories, so people could do other things besides look for food and find reasonable shelter and safety. The first societies to generate surplus calories became the first to generate a lot of wealth.

After that, it became an issue of how to change the dominant language, so you

could generate a lot more work per person—the industrial revolution. Those countries that industrialized did very well, and those that didn't understand the change didn't do so well. The next change was the IT revolution, so, all of a sudden, the world economy went from being one-third agricultural, one-third industrial and one-third services, to two-thirds services, where most of the wealth that is generated and sold is in binary code. Those countries that speak 1s and 0s have done well.

Now we've got a new change. Eight years ago, we first read the full genetic sequence of a living creature, written in the code of DNA. In the same way that digits started flowing out of computers into every industry on the planet, life code is going to flow into every business on the planet. It's going to change virtually any business you can name. Obviously it's going to start with pharmaceuticals, biotech, food and fibre, and feed and seed, but it will move into chemicals, insurance and health care. It's very hard to find an area of the economy that won't change.

Q As the genomics revolution continues, it will undoubtedly make many people uncomfortable with the rapid pace of change, as well as elements such as cloning and genetically modified foods. What advice do you have for people as they try to understand what is really happening and how they should cope with these changes?

If you're a successful society that's been on top for a long time, a successful industry, a successful company—particularly if you're the leader and you're comfortable—the hardest thing in the world to do is change, because you're working in a system where you understand the rules and you're winning. And the problem comes when somebody changes the rules.

We watch it happen over and over again. A whole series of people say "our system works, why change?" Change is scary, change is frustrating, and it has its risks. But there has been a series of civilizations that said, "We don't want to adopt the automobile; we don't want to adopt electricity; we don't want to adopt a digital language, because we speak a beautiful language ourselves." And those types of decisions end up being exceedingly costly.

Q You specifically note that Canada got only 2 per cent of U.S. patents in 1999 and that it continues to fall behind the United States, especially in science and technology, despite its own record pace of economic growth in the 1990s. What do Canadians need to do to keep pace with the United States in these areas?

I think there are an awful lot of smart Canadians, and I'd love to see more start-up companies that are technology driven in Canada. I'd like to see Canada making sure it has a clear inventory of what it's got. I'd

like to see Canada maintain an open immigration policy for smart people, the same way we import athletes. I'd love to see Canada have a varsity math team, or a varsity computer team, or a varsity genetics team that plays at a world-class level. And I'd like to see the entrepreneurs, the banks and the venture capitalists in Canada financing these folks, because that's where future growth is going to come from. Even if you manage your forestry industry or an oil shale very well, it isn't going to generate a doubling of the Canadian GDP. Most growth is going to come in knowledge—partly digital knowledge and partly general knowledge.

Q You describe how small, once-disadvantaged countries such as Singapore and South Korea made themselves economic powers through education. In your opinion, how many leaders really understand how critical it is to educate people for the knowledge economy? And how committed are they to taking the necessary steps to meet the challenge?

I don't think there is a politician on earth who doesn't wake up in the morning and say, "nothing is more important than the education of kids." But you can count on one hand the number of leaders who actually live by that. Living by that is a very brutal thing to do, because, as they say in the States today, "nobody wants to leave a child behind."

A lot of people think graduating from high school is a right. And if getting a high-school diploma is a right, as opposed to something that a person earns, then we should save taxpayers a lot of money and print the high-school diploma on the back of the birth certificate, and simply make it valid on the 18th birthday. If you're going to give out diplomas in high schools, and in college, they should stand for something—that this person achieved a minimum competence. Doing that requires really asking

people to put as much effort into studying science and math or other subjects as they put into twice-a-day football practice, hockey, soccer or cricket. You'd better be willing to ask them to work their tails off to do well in school, because that's what is going to power the nation.

That's a hard choice for politicians, because they've got to say no to somebody. It's much easier to say we're all in this together, we all graduate together, we're all equal. That's not the way you achieve national competitiveness.

Q How can Canada cash in on the genomics revolution? What would be the most opportune investments for Canadian businesses and governments?

Canada needs to sit down and really think about what it's going to do. If Canada sends competing delegations from each province to bio-meetings and tries to compete for the same business, that's one strategy. If Canada has a national innovation strategy for biotech and establishes two or three centres of regional excellence in biotech, that's a second strategy. If Canada adopts a free market strategy and says let the free market dictate where the investment goes, that's a third strategy. Each has pros and cons, and there are probably three or four other strategies.

The important thing in Canada is for people to realize that this area is going to grow very quickly. Decisions we make today on the price of pharmaceuticals, and what can and can't be patented, are going to have long-run implications. You should ask yourselves, are there a lot of world-class Canadian pharmaceutical companies, and if not, why not? If you're not going to compete in health care, are you going to compete in seeds, because agriculture is important to Canada? Or are you going to compete in forestry, or in applied genomic medicine, or in chemical manufacturing?

Q What advice would you give to Canadian leaders who may not be focusing on genomics or even on other new emerging technologies?

It's important to look at the history of other industries that have become very valuable. The auto industry, just before it took off in the U.S., was about 150th in importance. France and Germany started out being the leaders in the auto industry, and the U.S. took over. Then the U.S. took the auto industry for granted, and the Japanese took over. And now the Koreans may or may not take on the Japanese. So you watch this continuous cycle where people aren't watching innovation. Right now, it may seem like hybrid cars aren't a big deal. They're not—it's a new technology. But now you've got an inkling of a model and what it looks like at an affordable price. And, boy, you better start focusing some executive attention, sales attention and marketing attention on it, because if you keep focusing on cars that are bigger, stronger and consume more, that may not be a sustainable model. It's a model for the next "X" number of quarters, but then it's a new game.

Wrestling with Workload Woes

Work overload takes its toll on organizations, not just on individuals. Organizations are feeling the pain in very costly ways—higher rates of absenteeism and errors, diminished innovative capability, lower employee morale and job satisfaction, and skyrocketing health benefit and long-term disability costs. At the Conference Board's May 2003 workshop Wrestling with Workload: Organizational Strategies for Success, participants presented potential solutions to workload woes, ranging from focusing on process improvements and transforming work culture to training in new technologies.

Evidence is mounting that persistent work overload translates into higher stress and poorer health for many Canadians. More Canadians are working longer hours than they did a decade ago, and many are feeling overwhelmed. A recent Statistics Canada study found that more than a third of Canadians cited "too many demands on hours" as the most common source of stress in the workplace.

There is no single reason for employees' burgeoning workload concerns, and no simple remedy. Some employers are developing tools and processes to reduce waste and redundant tasks. Jean Gallant, a project manager at MDS Nordion, told workshop participants that a 1998 company survey revealed that only four in 10 employees felt that they "were given the time and resources to try out new ideas." The culprit, in part, was non-value-added work. The organization implemented a process improvement initiative called "unplugging," where employees meet as groups for no more than one hour on two occasions to recommend revising and even eliminating unproductive processes, with impressive results. By 2001, more than twice as many employees responded positively to the above statement compared to the 1998 survey.

Other organizations honed in on their work cultures, focusing on results rather than on rewarding "face time." An entrenched hotel-industry tradition of long hours and a "see and be seen" culture—particularly for managers—hurt the ability of Marriott Hotels International to recruit and keep great people, according to Donna Klein, its U.S. Vice-President, Workforce Effectiveness. Internal Marriott research revealed that a lack of flexibility was the number one reason for unwanted turnover. In 2000, three hotels in the chain piloted a six-month project that focused on changing the culture. Reducing the perception that "presence equals productivity" helped cut almost five work hours per week per manager, and managers reported lower levels of stress and burnout.

Other examples described at the workshop included training on new (and old) technologies and ensuring that people have the necessary tools to do their jobs. Some organizations are working to improve time management and meeting management. They have implemented protocols to guide the use of e-mail and voice mail—such as copying only those who need to know on e-mail, and not sending long messages and attachments demanding immediate replies.

Conference Board surveys over almost 20 years show that an increasing number of organizations have policies and practices promoting flexible working hours, child care and eldercare, information referral services, and leaves of absence for family reasons. Workshop delegates agreed that these initiatives are a necessary first step in assisting employees in today's fast-paced economy. The next step is to look at how work is organized, delegated and rewarded. An often underemphasized but promising strategy is to concentrate on hiring individuals with the appropriate skills and personalities for their jobs in the first place. A poor job fit is a recipe for high stress, ill health, long hours and poor productivity.

The Conference Board conducted this event for organizations interested in addressing workload issues. A Conference Board briefing, featuring key learnings from workshop speakers representing organizations such as IBM Canada, Ceridian Canada, MDS Nordion, Marriott Hotels International, Human Resources Development Canada and others, will be published in winter 2004.

Workload Overload

Culprits contributing to the problem of overload include:

- the introduction of new technologies in the workplace with insufficient training on their use
- poor management practices
- a lack of clarity of individuals' roles and responsibilities
- rising expectations and increased demands by both internal and external customers
- weak performance management processes
- a poor fit between an individual's skill sets and the job he or she is asked to perform

Source: The Conference Board of Canada, Wrestling with Workload Workshop (May 2003).

Publication: A briefing about the Wrestling with Workload workshop will be published in Winter 2004

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Eight Steps to Implementing Risk Management in the Public Sector

Risk management is as much a priority for government organizations as it is in the private sector. While public sector organizations have always included risk management in their operations, their leaders are sometimes reluctant to acknowledge the prevalence or extent of risks, fearing negative public reaction. But the public is increasingly demanding accountability from decision-makers on issues affecting health, safety and security.

The challenge for the public sector is to move beyond talk, to implement risk management as a deliberate strategy encompassing risk identification, mitigation and communication. Sustaining risk management beyond the initial implementation is also a challenge, because senior officials and political leaders change frequently, and risk management can be cast aside except in times of crisis. In a new study, *Risk Management: Moving the Framework to Implementation*, the Conference Board and Deloitte & Touche jointly define eight common practices used by public sector organizations in Canada and other countries to plan, implement and sustain risk management processes.

Plan to adapt and learn—

Organizations prefer a process of experimentation for a few years. Most test the concept under a pilot approach with divisions or individuals receptive to risk management and adjust the implementation based on experience and feedback. This method allows organizations to experiment, evaluate and refine their process as they introduce it throughout the organization.

Provide leadership support—Hands-on leadership is needed from senior executives to demonstrate continuous and visible support for risk management implementation. Senior managers set the tone for imple-

menting risk management processes and managing risks as an integral part of doing business.

Adequately resource and manage—

The right collection of skills is needed at the appropriate levels of the organization to guide risk management efforts. While no one organizational structure works best in supporting risk management, a central co-ordinating body for training, quality control, and framework development is recommended to provide consistency. In addition, a diversity of skills—in accounting, communication, analysis and evaluation—is required among the individuals or teams implementing the process at all levels.

Keep it pragmatic and relevant to day-to-day operations—Communicating and reinforcing the benefits and goals is important, otherwise risk management can be quickly dismissed as the latest flavour of the month. When portrayed and communicated as a management tool, it is seen as less threatening and is more likely to be adopted by everyone in the organization. Effective risk management can also identify opportunities for innovation in delivering programs.

Integrate into existing processes—

Risk management supports, rather than replaces, overall business and management planning, so it should integrate with existing planning and decision-making processes.

Engage stakeholders—Failing to involve stakeholders in risk management poses a risk in itself. Government organizations are engaged with a diversity of stakeholders, so it is important to educate and involve them. Stakeholders can provide valuable input into identifying, prioritizing and mitigating risks.

Make it transparent—Increasing demands for public sector openness mean transparency should be built into the implementation process from the beginning.

Establish risk tolerances gradually—Most organizations did not set specific or quantifiable risk tolerances, as they found that setting specific or static limits is not widely practical. Developing tolerances in a fluid business environment is a dynamic process that should evolve based on circumstances.

Sustaining risk management in the public sector is difficult, as leadership changes and the initial fanfare of risk management can dissipate over time. To maintain the initial enthusiasm, the importance of developing risk management champions throughout an organization and continuous training cannot be overestimated. The ultimate goal of risk management is to help organizations better manage both anticipated and unexpected risks to ensure the health, safety and well-being of the public they serve.

Publication: *Risk Management: Moving the Framework to Implementation will be published in Winter 2004*

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Increasing Costs Threaten Balance of Health Spending

Prescription drugs and home care will, over the next two decades, make up a greater portion of total provincial health expenditures, while doctors and hospitals will consume a smaller share, according to the Conference Board report *Canada's Public Health Care System Through to 2020: Challenging Provincial and Territorial Financial Capacity*. As the mix changes, Canadian governments will struggle to sustain a system that made up 32 per cent of provincial expenditures in 2001, but is projected to take 44 per cent in 2020. One logical implication of this research is that efforts to control costs must take these trends into account.

An aging population, increasing patient use, substantial increases in home care and rising prescription drug costs are a few of the key reasons for the growth of public health care spending. Based on current trends, prescription drugs, which made up 7.2 per cent of health expenditures in 2001, will rise to 14.6 per cent of total costs in 2020. The per capita expenditure on drugs will grow from \$156 in 2001 to \$496 in 2020. Similarly, home care costs will increase from 4.2 per cent of provincial and territorial health budgets in 2001 to 7.6 per cent in 2020. Expenditures are expected to more than double over the forecast period, from \$81 to \$198 per capita. Drugs and home care provide an important alternative to surgery and hospital care, but despite ongoing innovations in drug therapy, there is no guarantee that new drugs will be able to treat diseases and replace surgical procedures.

The per capita expenditure on drugs will grow from \$156 in 2001 to \$496 in 2020.

CURING WHAT AILS THE ACUTE CARE SECTOR

Hospitals face numerous challenges, all of them exacerbated by the slow pace of change in this sector. The Leaders' Forum on Acute Care Services is the Conference Board's approach to developing research and strategic planning in the sector. The Board recently prepared *Acute Care Sector Component 1: Industry Analysis* for members of the Leaders' Forum to serve as the basis for discussions during an expert panel review, which will lead to a scenario planning exercise and financial impact analysis.

Hospitals must redefine their roles within the emerging consensus that the priority for health care reforms should be improving the health of the population while continuing to care for the ill. Potential solutions include: increasing emphasis on health care prevention and wellness; increasing productivity of health care professionals—working smarter, not harder; investing in technology and innovation; and better integration with other community organizations and primary care providers. Through networking opportunities, research and learning events, the Leaders' Forum will work toward a plan for acute care, one that can become part of an overall plan for health care in Canada.

By contrast, hospital expenditures are expected to decline as a share of total health spending, from 43.9 per cent in 2001 to 36.6 per cent in 2020, although per capita expenditure will rise and acute care facilities will remain the largest single expenditure in the system. Similarly, the share of expenditures for physicians is expected to drop, from about 20 per cent to 16 per cent of total spending over the forecast period.

Home care costs will increase from 4.2 per cent of provincial and territorial health budgets in 2001 to 7.6 per cent in 2020.

“These changes are occurring as a result of policy and consumer choice, not legislated reforms,” said Glen Roberts, Director of Health Programs. “The questions of affordability and sustainability are central to health care planning. Finding the right mix of health care spending will be a critical part of the planning, as will determining whether the projected trends in the changing mix will be the right ones.”

This groundbreaking Conference Board report uses a unique forecasting model to identify per capita expenditures and their share of the overall health budget from the present to 2020. The report takes into account the differing impacts of inflation on the costs for each of the following components: hospitals; other institutions; physicians; other professionals; home care; prescription drugs; and other health expenditures.

Publication: *Canada's Public Health Care System Through to 2020: Challenging Provincial and Territorial Financial Capacity*
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Putting Wind into the Sails of Renewable Energy

Renewable energy is a growth market in Canada. Excluding large hydroelectric facilities, few renewable energy projects currently exist and the total amount of renewable energy used today in Canada is minimal. Installed capacity, however, is expected to double within the next decade. Leadership is required to define an overall Canadian strategy for renewables, as well as to purchase renewable energy and stimulate market demand for it. A clear Canadian policy strategy could complement several public policy objectives, including mitigating climate change. The Conference Board report *Renewable Energy in Canada*, prepared for the Council of Energy Ministers, summarizes the status and potential of the currently available and emerging renewable energy sources—including wind, solar, biomass, hydrogen, hydroelectric, ocean wave and tides.

Incentives to support renewable energy remain critical if the economics of renewable energy are to become more attractive, relative to conventional energy options. Most types of renewable energy are expected to be competitive with existing power sources by 2013, provided that appropriate incentives are in place.¹ There are several approaches to the promotion of renewable energy, but the renewable portfolio standards (RPS) concept will likely be the most important policy tool over the next decade. An RPS requires that a minimum amount of renewable energy be included in the electricity generation that serves an identified region. The critical element of an RPS is program design: a well-designed program can support increased use of renewable energy, while a poorly designed system does little to instill confidence in the renewable energy industry.

Renewable Energy Certificates (RECs), also known as green certificates or green tags, are another possible approach. They represent the environmental attributes of renewable energy (measured, for example, in tonnes of emissions). RECs could be traded as separate assets among consumers, environmental groups or distributors. Tradable RECs could be used within or outside an RPS, and could be designed to complement climate change initiatives. The United States, Australia, New Zealand, Europe and Japan have existing REC markets or are in the process of creating them.

Other potential incentive measures include preferred treatment approaches, tax credits and exemptions, and green marketing and procurement. Preferred treatment approaches grant an economic benefit, such as preferential tariffs, preferential loan rates or preferred grid access, to encourage the production and transmission of renewable energy. Tax credits and exemptions, offered in many forms, are designed to reduce investment and production costs. Green marketing encourages consumers to choose “green” power and pay for it at its cost, thereby increasing demand for renewable energy.

A greater deployment of renewable energy alternatives in Canada would serve various environmental policy goals. Specifically, the implementation of renewable energy technologies would help meet objectives for improving air quality and mitigating climate change. Renewable energy options for generating electricity typically produce fewer emissions than conventional technologies.



As with any other area of public policy, clarifying the objectives and carefully matching these with appropriate means is critical. For example, a renewable energy initiative may be used to reach a certain target for renewable energy in a jurisdiction. But if it is a means to a further goal (such as reduction of greenhouse gases or air contaminants), then the measure must be evaluated against other instruments for achieving that goal (such as broad-based emissions trading or investment in energy efficiency).

Publication: *Renewable Energy in Canada*

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To obtain: visit <www2.nrcan.gc.ca/es/erb/english/View.asp?x=521>

¹ Some incentives are already in place. Incentives have common goals of reducing upfront investment, providing tax breaks and encouraging production. Source: Navigant Consulting, *The Changing Face of Renewable Energy: A Navigant Consulting Multi-Client Study* (June 19, 2003).



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Practical New Tool Helps Workers Gain Recognition for Job-acquired Skills

Entry-level jobs can offer something more motivating than a minimum wage paycheck, especially if employees obtain recognized credentials for demonstrating their skills in the workplace—credentials they could present to future employers. The Skills Credentialing and Assessment Tool, developed by the Conference Board, will reward employees for acquiring and applying skills in their workplaces and motivate them to perform at a higher level. These credentials could give employees a competitive advantage in the labour market when seeking future employment, because they have proven their skills in previous jobs. Employers can also insist that their employees meet accepted performance standards with an incentive beyond wages.

Use of the on-line Skills Credentialing and Assessment Tool will be entirely voluntary for both employers and employees. Employers will grade participating employees on their acquisition and application of skills such as teamwork, leadership and customer service, based on

consistent standards that the Conference Board is developing with the input of hundreds of employers.

Participating employers will receive Skills Solutions Employer Certification, which indicates that they assess employees on skill development and use the tool for recruitment and performance management. Employees will receive Skills Solutions Certification from their employers to recognize successful demonstration of work skills. Employees who achieve a high standard of skills accomplishment will obtain the Skills Solutions Certificate of Performance. Eventually, employers will be able to review the credentials of potential employees when hiring.

“We are defining performance criteria according to the employers’ standards,” said Kurtis Kitagawa, who is developing the tool. “This is a living transcript of an employee’s skill set, because employers provide the feedback. It gives employers an incentive to invest in skill development, as they can measure skills against accepted standards outlined in the tool.”

To extend its reach to everyone in the Canadian workforce, the Conference Board will be making a special outreach effort targeted at youth, Aboriginal people and new Canadians, to help them improve their skills and boost productivity, while gaining recognition for their performance.

This is the latest Conference Board educational product, and builds on the success of the Employability Skills 2000+ Profile. The new Skills Solutions Forum is actively involved in developing the tool, which will be validated by participating employers in the summer of 2004.

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New Web Site Will Help Make the Business Case for Workplace Education

The Conference Board launched a new Web site in December, <www.work-basedlearning.org>, to help employers make the “business case” for investing in workplace programs that improve employees’ skills. The site helps employers in two ways. First, it gives managers the tools to decide whether investing in skills development will generate the returns they require and whether it is the best option for them. Second, it enables managers to demonstrate to superiors, executives and boards of directors that investing in skills training will generate cost savings, increase productivity and improve the bottom line.

The Web site, created with the support of the U.S. Department of Education’s Office of Vocational and Adult Education, is an on-line resource that builds on findings from major studies describing the benefits of workplace education. *Turning Skills into Profit: Economic Benefits of Workplace Education Programs*, a 1999

Conference Board report, found that participating companies and their employees generated bottom-line success such as increased profitability, improved health and safety records, increased customer and employee retention, and an enhanced corporate image as an employer of choice. A study of 600 companies by the American Society for Training and Development (now ASTD) in 2000 found a significant correlation between the amount that firms invest in work-based learning and their total stockholder return.

Users of the Web site benefit from resources, research publications, tools to analyze and evaluate programs, tips, and networking opportunities with workplace education practitioners across North America. For example, the Promising Practices section showcases successful work-based learning programs in the United States. A Tip Sheets/Tell Your Story section highlights stories from the field in a point-form format—successes,

failures and lessons learned from programmers in various state-operated, not-for-profit and union-directed programs. Additional resources, such as a discussion area, are functional and will be expanded shortly.

This is a companion site to <www.scorecardforskills.com>, which the Conference Board developed for the U.S. Department of Education and launched in 2003. ScorecardforSkills.com allows organizations to better evaluate the impact of workplace learning on the organization. Together, these research-based products help organizations develop and sustain the momentum for workplace education.

Visit: <www.work-basedlearning.org>

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The Conference Board/Spencer Stuart National Awards in Governance winners for 2004 are:

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An independent panel has judged these organizations worthy of recognition for outstanding innovations in governance practice. The 2004 National Awards in Governance will be presented on Jan. 28, 2004.

Visit <www.conferenceboard.ca/conf> or call 1-800-267-0666.

Niagara Partner, Center for Creative Leadership, Gets Top Marks for Executive Leadership Programs

The Niagara Institute is in sterling company through its association with the Center for Creative Leadership (CCL). For the third consecutive occasion, CCL obtained a number one ranking in *Business Week's* biennial Executive Education Special Report, based on the results of an international survey. CCL—based in Greensboro, North Carolina, and with campuses in Colorado Springs, San Diego, Brussels and Singapore—was named the top organization for meeting training needs in the leadership category. Leadership is one of four survey categories in which training providers are ranked.

Niagara holds the exclusive Canadian licence for CCL's best-known program, the Leadership Development Program® (LDP). Niagara is one of only five worldwide licensees of the LDP, which is a cornerstone of Niagara's leadership programming. Niagara's program evaluations are consistently among the best of all these global program providers.

Business Week, a widely read business periodical, ranks both open enrolment and customized programs. CCL is the only private training provider that makes both lists. In the open enrolment category, it climbed from a 13th place ranking in the previous survey to fourth in this ranking,

and it placed seventh among custom program providers. It is also the only non-business-school program to receive a top ranking. The article praises CCL for "impressing clients with its depth of offerings in leadership and management development." It quotes a CCL client describing the programs as "well thought-out" and "having impact."

Contact: visit

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2003 Honorary Associate



Anne Golden, President and CEO of the Conference Board (left), and Senator John Buchanan (right) present Purdy Crawford with the Conference Board's 2003 Honorary Associate Award on Oct. 16, 2003, at the Board's Honorary Associate Award Dinner. Mr. Crawford, Counsel at Osler, Hoskin & Harcourt LLP and Chairman of the Board of Allstream (formerly AT&T Canada), was honoured for his contributions to Canada in the fields of business, law, education and philanthropy.

CONFERENCE BOARD FORECASTS MAKE SENSE OF UNEXPECTED EVENTS

Unexpected shocks to the economy, like Severe Acute Respiratory Syndrome (SARS), mad cow disease and the Ontario blackout, don't occur in predictable quarterly cycles. Economic analysis of their impact on business and government policy can't wait either. In these circumstances, the Conference Board provides timely and accurate analysis when unexpected events arise.

The SARS pandemic in Toronto in 2003 was more than a medical emergency. It also dealt a blow to the city's economy, raising widespread speculation about the economic impact. The combined competencies of the Conference Board's Metropolitan Outlook Service and the Canadian Tourism Research Institute pro-

duced an analysis generally accepted, by media and customers, as an accurate assessment of the economic effect of SARS. The Board identified the SARS impact on Toronto's retail, travel and tourism sectors as being about \$1 billion in total. Ongoing analysis in the succeeding months updated customers on the extent of the economic rebound following the crisis.

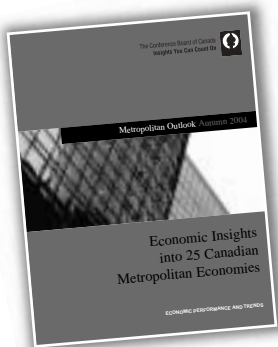
Other examples confirm that the Conference Board is the organization to help customers understand the impact of an economic shock. Its economic analysis shortly after the Sept. 11, 2001, terrorist attacks accurately predicted that Canada would not fall into recession—one of only two major forecasting organizations to do



so. Last year, Conference Board forecasters quickly incorporated the impact of the mad cow disease scare and the August electricity blackout into the Board's national and provincial outlooks.

Through its constant monitoring of the economy and ability to produce and disseminate outlooks quickly, the Conference Board provides customers with the best understanding of the economic fallout when the unexpected occurs.

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- **City's economy on mend, report says (The Globe and Mail)**
- **Region to grow by 4.1% in '03 (Ottawa Citizen)**
- **City economy set to improve (Winnipeg Free Press)**
- **Calgary remains on fire (Calgary Sun)**
- **Toronto, Vancouver to lead economic recovery (Vancouver Sun)**
- **City's economy prospers (Hamilton Spectator)**
- **Region sees "mind-boggling" growth (Kitchener-Waterloo Record)**

The *Metropolitan Outlook* is an exclusive Conference Board quarterly forecast for 25 Census Metropolitan Areas in Canada. It provides information that is available nowhere else, not only for Canada's largest cities, but also for mid-sized cities.

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January 28–29
Renaissance Toronto Hotel at SkyDome

2004 Customer Relationship Management Conference: Profitable Strategies for Building the Customer-focused Enterprise
February 16–17
Toronto Marriott Eaton Centre Hotel

Developing the Business of Coalbed Methane
February 17–18
The Westin Calgary

Toronto Business Outlook Conference
March 2
Novotel Toronto Centre

Workplace Health and Well-being: Strategic Solutions for Workplace Stress
March 3–4
Sheraton Centre Toronto Hotel

Workplace Health and Well-being: Strategic Solutions for Workplace Stress
March 22–23
The Westin Calgary

The Western Corporate Governance Forum: Operationalizing Governance Standards and Processes
March 29–30
The Metropolitan Centre, Calgary

2004 Western Business Conference
April 19
The Westin Calgary

Change Management 2004: Business Transformation Strategies for Organizational Success
April 19–20
The Fairmont Royal York, Toronto

Pensions Summit: Strategies to Build Sustainability into Pension Plans
April 28–29
The Fairmont Royal York, Toronto

Risk Management Strategies for the Financial Services Industry
May 6–7
Renaissance Toronto Hotel at SkyDome

Government Human Resources Conference: Talent Management Strategies for the Public Service of Tomorrow
May 12–13
The Westin Ottawa

2004 Corporate Social Responsibility Conference
May 26–27
Sheraton Centre Toronto Hotel

Strategic Options for Royalty Trusts
May 26–27
The Fairmont Palliser, Calgary

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