

The Conference Board of Canada
Insights You Can Count On



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Publications

Highlights of the Latest Research

(613-04) Enlargement of the European Union: Its Impact on the Canada–EU Trade and Investment Relationship—The most recent expansion of the European Union (EU) provides advantages and constraints for the 10 newest EU countries as well as for Canada. One of the benefits to Canadian businesses is the EU's common trade policy. But increased competition within and outside the EU also poses a considerable risk to future Canadian exports.

(607-04) The National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities—Global pressures from stakeholders are challenging corporations to think differently about their societal impact. This report, the first of its kind in Canada, finds that almost two-thirds of 53 large Canadian companies surveyed have policies and implementation mechanisms in place to drive ethical and responsible behaviour. But only 32 per cent of Canada's 300 largest companies issue corporate social responsibility reports. The report also finds that the most comprehensive practices are concentrated in industries subject to intensely political or regulated environments, such as mining, forestry, energy and financial services.

(593-04) Electricity Restructuring: Improving Policy Coherence—The sixth and final briefing in the Electricity Restructuring Series focuses on the importance of coherent policy for the electricity sector, in a complicated North American market with many competing stakeholder interests. The briefing offers examples of creative institutional mechanisms and integrative approaches and proposes a potential “made in Canada” approach to help ensure coherent policy for the Canadian electricity sector.

(570-04) Making a Visible Difference: The Contribution of Visible Minorities to Canadian Economic Growth—The rapid increase in Canada's visible minority population is changing the face of Canada and boosting the economy. Although visible minorities made up less than 11 per cent of the workforce on average between 1992 and 2001, they accounted for almost one-third of the labour force's contribution to growth of potential output and, in turn, to growth in real gross domestic product.

(542-04) Beyond Band-Aid Solutions: Managing Organizations' Health Benefit Costs—Health benefit costs are a growing concern for Canadian employers. According to Conference Board data, the cost of providing health benefits rose from 3.2 per cent of payroll in 1990 to over 6 per cent in 2003. As costs rise, there is mounting pressure on companies to find solutions. This briefing looks at the factors that are driving health benefit costs upward. It also examines the strategies that organizations are using to manage their expenditures.

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

Establishing Value for HR Technology—This report examines the impact of HR technology initiatives on overall corporate business strategies and explores the ways in which these innovations are helping companies create value. It is based on the results of a survey distributed to large global organizations in the summer of 2003.

Do Exchange Rates Matter?—This survey-based report provides deep insights into whether—and how—exchange rate volatility shapes business investment decisions and risk management practices. This project was a joint collaboration with The Group of Thirty, a private, non-profit, international group whose membership comprises very senior representatives of the private and public sectors and academia.

Making Innovation Work: From Strategy to Practice—This study examines how executives are making the business case for greater innovation, responding to cultural issues, creating support mechanisms, organizing teams and measuring success. It is based on survey responses from 100 companies, interviews with a dozen firms and an extensive review of recent business literature.

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

A Visit to Five Washington Think-Tanks



Anne Golden
President and
Chief Executive Officer

In June I took the opportunity to visit five well-known think-tanks in Washington, DC, with three objectives in mind: to learn how other non-partisan research institutes stay ahead of the curve in developing their programs; to discuss specific issues high on The Conference Board of Canada's agenda, such as urban competitiveness and Canada-U.S. relations; and to explore opportunities for collaboration. It was somewhat of an intellectual marathon, but very stimulating to meet with professionals so committed to and hopeful about improving the quality of public policy and the performance of institutions through independent research, analysis and discussion.

"We hire bright people and let them think and write outrageous thoughts."

The institutions visited—the World Bank Institute, the Woodrow Wilson International Center for Scholars, the Brookings Institution, the Carnegie Endowment, and the Center for Strategic and International Studies (CSIS)—share with the Conference Board several qualities: a non-partisan approach; a strategic and long-term perspective; and activities that integrate research and dialogue and engage public and private sectors. Both Carnegie and CSIS focus more on international/global issues, and CSIS's mandate goes beyond generating insights, convening networks and identifying choices to crafting policy solutions to specific global problems (such as post-war reconstruction and HIV/AIDS).

All five think-tanks count on their staff to keep them at the forefront of thought leadership. As Sydney Weintraub, Director of the CSIS Americas Program, put it, "We hire bright people and let them think and write outrageous thoughts." At Carnegie Endowment, the research agenda is driven by the interests of its president and senior faculty. At Brookings, one of Washington's oldest and largest think-tanks, the emphasis is on economics, foreign policy and governance. Like its Washington counterparts, Brookings follows the academic model and counts on its more than 140 resident and non-resident scholars to provide thought leadership.

The World Bank Institute has a very broad research program, consistent with the Bank's global mandate and its primary goal of capacity building. I was interested to learn that the Institute has a special interest in Canada for several reasons: Canada's pluralist model for society has particular relevance in the context of our rapidly globalizing and interdependent world; Canada's lack of an imperial past and related historical baggage contributes to our positive international image; and Canada's values are seen as being more oriented to the public good and less toward self-interest than other countries (for instance, on the environment and human rights). All three of these perceptions give Canada credibility as a potential partner between developed and developing countries.

I was also struck by the World Bank's emphasis on cities, not just as the engines of economic growth in many countries as they are here in Canada, but as the source of creative strategies for solutions to the dire problems that are disproportionately concentrated in major cities. How ironic that while the World Bank is studying global cities with a view to highlighting the innovation of strategies and actions now being taken by the world's urban leaders, civic leaders here in Canada are still fighting to convince provincial and federal leaders that there is a new urban reality! With more than half of Canada's population now living in six cities, Canada's large cities need more autonomy, better fiscal arrangements and a redress of the current electoral disparity so that they, too, can contribute to this emerging global urban empowerment.

The World Bank Institute has a special interest in Canada.

The issue of Canada-U.S. relations came up at several of the meetings. Like many other thoughtful Americans, our Washington think-tank colleagues see Canada as a successful, productive country, an important trade partner, and a friendly neighbour with whom legitimate differences of opinion can exist. At the same time, many Americans worry that Canada overcompensates for its own insecurities by focusing on the differences between the two countries rather than what we

(Continued on page 4.)

Growth Restrained in Near Term

Canadian Outlook—Rebound Weighed Down

At an average pace of 3.1 per cent, real gross domestic product (GDP) growth in Canada's economy will exceed its long-term growth potential over the next two years. While this is good news, one might wonder why our prospects are not brighter, against the backdrop of the red-hot U.S. economy. After all, Canadian growth met or surpassed the pace seen in the U.S. economy in seven of the last 10 years.

Several factors will keep near-term growth at bay in Canada.

Several factors will keep near-term growth at bay in Canada. The export sector will be restrained by the Canadian dollar's rise against the greenback in 2003. Despite recent weakening, our dollar remains 15 per cent higher than it was in 2002. Housing markets will recoil as short-term interest rates rise 185 basis points during 2005. Tighter management of inventories across the economy will weaken the bottom line in 2004. Finally, facing a new tide of red ink, provincial governments are taking the axe to near-term spending, exacting a significant toll on the bottom line. Given these negative influences, it's a good thing the U.S. economy is so strong.

Provincial Outlook—Tight Fiscal Policy Dampens Growth

Fiscal restraint will limit near-term growth across the provinces. Eager to move their books back into the black, governments are restricting increases in expenditure to a pace well below overall economic growth. Even so, there will be pockets of strength in the outlook. Investment in oilsands projects will help Alberta deliver the strongest real GDP growth in the country, at 3.1 per cent this year. Ontario will post growth of 2.8 per cent in 2004 and top all provinces at 3.5 per cent in 2005, helped by robust U.S. performance and strong domestic demand. Sizzling construction activity will help Quebec generate growth of 2.8 per cent this year.

Investment in oilsands projects will help Alberta deliver the strongest real GDP growth in the country.

Manitoba's manufacturing and construction output is expected to accelerate. British Columbia will benefit from strong gains in manufacturing and the end of the provincial government's spending reduction program. Saskatchewan's economy will see a modest 2.2 per cent expansion following a sharp increase in 2003.

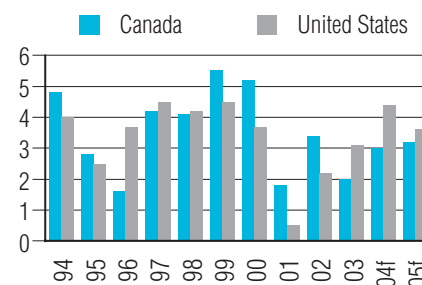
The near-term economic outlook for Atlantic Canada is grim, as average growth falls well below 2 per cent. Lower offshore oil production will slow Newfoundland and

Labrador's expansion. New Brunswick and Nova Scotia are contending with weakness in the goods-producing sector, while Prince Edward Island copes with poor demand for potatoes and a sixth consecutive budget deficit.

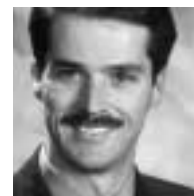
Quarterly economic forecasts are available on Weblinx, <www.conferenceboard.ca/weblinx>. Publications are available at <www.conferenceboard.ca/boardwise>.

Canada Well Below U.S. Growth

(GDP growth, percentage change)



Sources: The Conference Board of Canada; Statistics Canada.



Peter Hall
Director
Economic Forecasting
Forecasting and
Economic Analysis

(Continued from page 3.)

have in common. The asymmetry of the Canada-U.S. relationship creates inevitable resentment, but the key is not to let these natural feelings contaminate the relationship.

On multilateralism, there is recognition of the institutional shortcomings of the UN, but no consensus on what, if anything, could replace it. The problem with "coalitions of the willing" on issues as they arise is that the transaction costs of creating and recreating alliances are too high. Key thought leaders are trying

to develop a new model (the notion of an "Alliance of Democracies" has surfaced) but, so far, have not agreed on an alternative.

All in all, a day well spent!

Anne Golden

Hot Housing to Cool in 2005

The market for new housing has been red-hot over the past two and a half years, with housing starts averaging close to 215,000 units per month (at annual rates) since the beginning of 2002. This strength continued in recent months, as housing starts spiked to 253,000 units in March and averaged close to 240,000 units in April and May.

The housing market has already peaked, and housing starts are headed for a downward slide.

The booming housing market has resulted from rock-bottom mortgage rates, pent-up demand and solid employment performance. The Conference Board is forecasting housing starts to remain above 200,000 units for the rest of the year. (See chart.) The resale housing market is very tight, as the ratio of sales of existing homes to new listings is high. This seller's market has pushed up house prices, which have increased in real terms at an average rate of 9 per cent on a year-over-year basis since last June, convincing builders to construct new houses. In addition, there is a low inventory of newly completed, but unsold, homes.

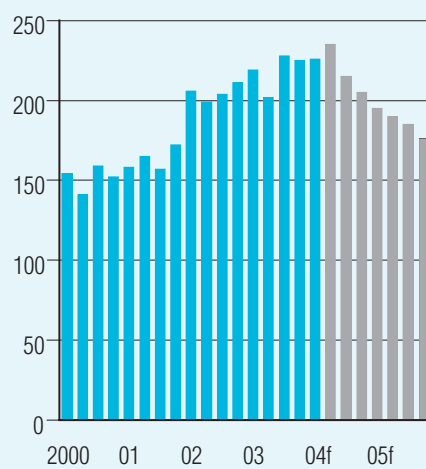
Homebuilders cannot count on the housing boom lasting much longer, however. The market has already peaked, and housing starts are headed for a downward slide that will lower them to an average of just 176,000 units in the fourth quarter of 2005.

Two underlying factors will force this steady fall in the pace of new home construction. First, the sharp rebound now underway in the U.S. economy is forecast

to lead to an increase in North American interest rates throughout 2005. The five-year conventional mortgage rate in Canada rose from 5.7 per cent in May to 6.5 per cent in early June. The recent surge in house-buying activity is at least partly the result of prospective homeowners jumping into the market as they realize that mortgage rates are on their way up. The Conference Board is forecasting five-year mortgage rates to continue to increase, reaching 7.7 per cent by the end of next year. This 2 percentage point hike in mortgage rates would be expected to lower housing starts by roughly 30,000 units.

Housing Starts 2000–05

(000s; quarterly, at annual rates)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

The second factor is the ongoing decline in the underlying demographic demand for housing. The relatively large echo-boom generation (the children of the

baby boomers) has mostly left home and formed new households. The generation following behind is much smaller demographically. As a result, the Conference Board estimates that underlying rates of household formation will fall from a peak of around 200,000 in 1997 to roughly 170,000 in 2005.

With mortgage rates rising closer to normal levels, housing starts in 2005 should mirror the underlying rate of household formation.

The slow economic growth of the early to mid-1990s forced many of the echo boomers to delay forming new households until the end of the decade. Much of the housing boom that began in 2002 represents catch-up on the part of the echo boomers, stimulated by strong employment growth and extremely low interest rates. By 2005, much of this pent-up demand will have been satisfied. With mortgage rates rising closer to normal levels, housing starts should mirror the underlying rate of household formation—which helps to explain the forecast of 187,000 housing starts in 2005.

The housing market has been a driver of economic growth over the last two years. However, with the new housing component of residential construction forecast to fall by 8.5 per cent in real terms, housing will restrict overall output growth in 2005.



Paul Darby
Vice-President and
Chief Economist

Reality Check for Clusters: Weighing Risks Versus Opportunities

Knowledge-based clusters are often touted as powerful engines of regional economic growth and the drivers of innovation, investment, employment and wealth. Governments worldwide are investing billions of dollars in trying to create or nurture them. But do they add value to the economy and society? The answer, the Conference Board concludes in the report *Clusters of Opportunity, Clusters of Risk*, is “yes”—a yes with caveats.

The benefits of a cluster depend on a number of factors, such as its degree of maturity and its capacity to innovate. Under certain circumstances, clusters can support regional economic growth and also deliver critical knowledge growth that enables them to reinvent themselves over time. It is the risks, however, that should caution governments against playing the “director” role.

If clusters fail to maintain a global pipeline to leading-edge knowledge, they risk becoming insular and unwilling or unable to access new ideas.

“The bottom line is that clusters should not be created from scratch through public expenditure alone, nor is a one-size-fits-all approach an effective policy choice,” says Gilles Rhéaume, Vice-President, Policy, Business and Society. “Governments, however, have key roles in supporting the building blocks of knowledge and skills, and in providing a regulatory environment that allows innovation and creativity to flow.”

While precise definitions of clusters are contested, some common characteristics include a geographic concentration of interrelated firms sharing knowledge

and using a given technology to produce new goods for export outside the region. Public and not-for-profit institutions—government laboratories, post-secondary institutions, industry associations and business development organizations—are usually part of the mix.

Knowledge is the glue that unites firms and institutions in a cluster. It is the source of its growth. It is also the first major risk. Clusters depend on knowledge flowing within the region and from elsewhere in the world—both local buzz and a global pipeline of ideas. If the local buzz dwindles, the bonds that hold a cluster together risk dissolving. If clusters fail to maintain a global pipeline to leading-edge knowledge, they risk becoming insular and unwilling or unable to access new ideas. For example, Detroit’s automakers continued their attachment to gas-guzzling automobiles in the 1970s even as the market changed around them.

Second, the technology platform of a cluster can mature or become obsolete, thereby leading to a decline in capacity to produce new goods and services that meet market demands. If the limitation in the technology platform coincides with a decline in knowledge flows and a general economic slump, regions will experience a major downturn. Ottawa’s information and communications technology cluster averaged double-digit growth annually throughout the late 1990s. But declining demand for its products, combined with stagnating knowledge flows and an inability of the base technology platform to support the generation of new goods, resulted in outright declines in output and employment from 2001 to 2003.

Finally, a region’s economic dependence on a single cluster creates a situation akin to that of a “modern mining town.” In many ways, a cluster is analogous to a mine. Companies can extract as much value out of a mine as possible until it is tapped out, at which time the community slumps in the absence of other industries to generate wealth and provide jobs. Similarly, a single-cluster region is exposed to great economic risk. If the cluster can no longer extract new goods and services from its knowledge base or technology platform to meet market needs, it will stagnate.

A region that is dependent on a single cluster has risks that can be compared to those of a modern mining town.

Canada’s Innovation Strategy, introduced by the federal government in February 2002, set the target of developing at least 10 internationally recognized technology clusters by 2010. Canada is not the only country to pursue this course. For example, more than 50 regions around the world are building biotechnology clusters alone, and governments are investing billions of dollars establishing and supporting clusters.

If Canada intends to pursue its innovation strategy objectives, it must understand the dynamics of clusters. Two factors influence clusters most significantly—their capacity to innovate and their life cycle—and both are interrelated. Innovation enables organizations to achieve superior performance through the creation, diffusion, transformation and use of knowledge to produce new goods and services. The relative importance of

these different activities changes depending on the maturity of a cluster. An inability to innovate may limit the cluster's rate of growth and its contribution to regional economic development.

A cluster's life cycle affects both its knowledge performance and its economic performance. Although the time frames vary, four stages exist in this life cycle—early stage, growth stage, mature stage and renewal or decline stage. In the first and last stage, knowledge is the most valuable component, while economic growth is more pronounced in the growth and mature stages.

Early stage—In this stage, clusters are focused more on the development of knowledge than revenue. As a result, they are often made up of research and knowledge-based organizations—both public and private sector—brought together informally around a shared interest in a particular field or subject. They often remain “below the radar” and do not yet generate substantial commercial results.

Growth stage—Transformation of knowledge into products and processes is the focus of organizations. An influx of companies, employees and investment, growing international recognition and the entry of competing firms into the region characterize the growth stage. Labour mobility among firms begins to accelerate. A skilled labour force, while significant throughout the life cycle, is particularly vital at this stage. A Conference Board survey found that almost two-thirds of firms considered the pool of technical workers very important in deciding where to locate.

Mature stage—Commercial sales are more of a priority than R&D investment. The rate at which new firms arrive and employees are hired begins to subside. Nonetheless, leading firms are often seen as “cash cows,” supply chains are well established and firms are consolidated.

Renewal or decline stage—Clusters, at this stage, hang in the balance—they either reinvent themselves or enter a long-term decline. For example, Silicon Valley has successfully renewed itself four times over the past 50 years. From defence to integrated circuits, and from personal computers to the Internet, Silicon Valley has responded to boom–bust waves by capitalizing on the evolution of technology and infrastructure, innovating to produce new goods and moving into new markets. Silicon Valley is betting on the convergence of IT, biotechnology and nanotechnology for its next stage of renewal.

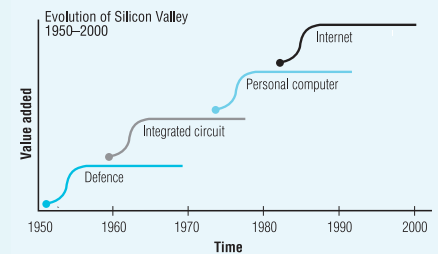
The Government's Enabling Role

What is the appropriate role for governments? While there are examples of successful government-initiated clusters, these often take a very long time to mature and are extremely expensive—Taiwan invested more than \$1 billion U.S. in the Hsinchu high-technology cluster between 1980 and 2002. Nor is success a sure bet.

According to Conference Board research, governments should:

- Review the market framework to support clusters, assessing competition policy, corporate and personal taxes, and regulatory frameworks and administrative procedures;
- Support the development of skilled labour by building a highly educated workforce;
- Invest in knowledge infrastructure to attract talent and ideas;
- Invest in physical infrastructure, such as adequate road systems and good international airports;
- Use procurement strategies to drive firms in clusters to the next stage of development;

Silicon Valley Renewal



Source: Silicon Valley Edge.

- Market Canadian clusters to raise their international profile;
- Catalyze networking and research, pulling together local business and academic leaders; and
- Gather performance data on clusters, ensuring that policy-makers have the most up-to-date information on how Canada's clusters are evolving.

Governments are best suited to play an enabling role for clusters based on the same priorities—education and skills, infrastructure, a favourable taxation and regulatory environment—that support the overall economy as much as they benefit clusters.

Publication: Clusters of Opportunity, Clusters of Risk

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<www.conferenceboard.ca/boardwise>



Gilles Rhéaume
Vice-President
Policy, Business
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Opening the Door to Foreign Investment

Canada has been losing its attractiveness as a destination for foreign direct investment (FDI) for more than two decades. In 1980, Canada attracted 7.7 per cent of global investment inflows. In 2002, it obtained only 3.1 per cent. The traditional advantages that drew FDI to Canada, access to Canadian markets and to abundant natural resources, are fading. Moreover, three-quarters of international executives surveyed by the Conference Board for the report *Open for Business? Canada's Foreign Direct Investment Challenge* believe that the Canadian business environment is unfavourable to investment.

"International executives consider Canada, on the whole, an 'average' place to invest. They're not overwhelmingly negative, but neither are they enthusiastic," says Gilles Rhéaume, Vice-President, Policy, Business and Society. "Foreign investment is a basic building block of economic success, and average will not be good enough to attract foreign investment to Canada in a global economy with more competitors than ever.

Foreign investment is a basic building block of economic success.

"Businesses need to invest in machinery and equipment to improve labour productivity. Governments must streamline the regulatory environment and rebuild our physical infrastructure. And our labour force needs a better mix of skilled individuals, including more engineers, scientists and technicians, to attract investment in research and development."

Canada cannot blame its performance in attracting FDI on increasing investment flows to developing countries. Investment in developing countries actually fell as a share of the global total, from 44 per

cent in 1980 to 33 per cent in 2002. A majority of investment continues to flow to the United States and Western Europe. Between 1980 and 2002, FDI stock rose by 69 per cent annually on average into the United States and by 50 per cent in Western Europe. Canada's growth in inward FDI averaged 14 per cent annually. Even Canadians are investing elsewhere. In 1997, Canadian investment elsewhere in the world surpassed FDI entering Canada, and this trend has intensified.

Canada has acquired an international reputation as inhospitable to foreign direct investment.

FDI decisions are based on three factors—access to markets, access to resources and opportunities to improve operating efficiencies. Canada is losing its advantages in the first two categories. The Canadian market is relatively small, and trade liberalization allows firms to serve the market without investing in Canada. Natural resources, still a Canadian staple for investment, are also waning as a competitive advantage. The proportion of global investment in the primary sector has fallen in the past couple of decades, in favour of services (tertiary) investment. The costs of exploiting Canada's remaining resources are also an issue.

Canada has both advantages and disadvantages when it comes to attracting investment that seeks improvements in operating efficiencies. Lower labour costs and the Canada–U.S. exchange rate offer advantages for investors serving the North American marketplace. But Canada's chronically lower labour productivity compared to the U.S. can offset these advantages. The productivity gap reflects mainly lower investment in machinery

and equipment by Canadian companies and the smaller size of Canadian plants, rather than the work effort of the labour force. Although Canada has a highly educated population, so do many other countries. This is one area in which Canada can effectively compete by ensuring that it builds on its strengths.

Canada has acquired an international reputation as inhospitable to foreign direct investment, and the Conference Board's survey of 100 international executives does not dispel it. The quality of local suppliers and employees, the business infrastructure, and the tax and regulatory environment are the three main factors that harm Canada's business environment.

Canada cannot compete on costs compared to countries like Mexico, China and India, and it does not have the advantages of large-scale production that the United States has to offer. It must, therefore, search for niches, such as specialized products with small production runs using highly skilled labour and the latest technology. No matter the sector, attracting FDI to Canada will require investment in infrastructure, skills and technology, targeted regulatory reform and promotion of these strengths around the world.

Publication: *Open for Business? Canada's Foreign Direct Investment Challenge*

Contact: Gilles Rhéaume, at ext. 325 or e-mail <rheaume@conferenceboard.ca>

To obtain: visit

<www.conferenceboard.ca/boardwise>



Gilles Rhéaume
Vice-President
Policy, Business
and Society

International Health Care Systems— Will We Learn?

There is no single equation that gives the optimal balance between low-cost and high-quality health care. Switzerland's system gives the private sector a prominent role and is expensive. Sweden's system is mostly publicly funded and runs with a high level of co-ordination, regulation and communication. Despite these differences, both countries surpass Canada in health performance. They finished one-two in the Conference Board's recent benchmarking analysis of health indicators, while Canada ranked 13th among 24 developed countries.¹

The best-performing systems invest in the broader determinants of health, including health promotion, prevention and wellness strategies.

A new Conference Board report, *Challenging Health Care System Sustainability: Understanding Health System Performance of Leading Countries*, examines the systems of Switzerland and Sweden, as well as those of Spain, France, Australia and New Zealand. The report, prepared for Alberta Health and Wellness, looks at practices in other countries that could advance the health care debate in Canada.

While no country has all the answers, the common characteristics of the best performing systems are strong and dedicated leadership, a clear focus on critical issues, a willingness to make and accept tough decisions, and a dedicated and flexible workforce. The best-performing systems also invest in the broader determinants of health, including health promotion, prevention and wellness strategies.

Switzerland—Large and Expensive

The Swiss want a good health care system, one that guarantees them timely access to care, and they are prepared to pay for it. Health care takes up 11 per cent of GDP, only 57 per cent of which is publicly funded. Co-payments have had limited effect on the control of price and supply. The Swiss health system has a high concentration of hospitals, technology equipment and physicians. The system also focuses on health promotion and prevention strategies.

Sweden—Care before Profits

Through their national health insurance program, Swedes have subsidized access to health services, and national pharmacare and homecare. However, the Organisation for Economic Co-operation and Development has identified wait times as a concern. Although patients are required to pay a small fee for services, 85 per cent of total health care costs are publicly paid. Sweden is controlling costs successfully, and, as a result, health care currently represents only 8.7 per cent of GDP. (Canada spends 9.7 per cent.) Drug costs are being controlled through different measures, including assessment of physician prescription patterns and use of generic pharmaceuticals. It is significant that Sweden invests 4 per cent of its acute care institutional budget in information and communications technology (ICT). The use of electronic health records provides patients with faster referrals, reduces duplication of testing procedures and improves information management. By comparison, Canadian hospitals spend between 1.8 per cent and 2.5 per cent of their budgets on ICT. The majority of

health care workers in Sweden are paid fixed salaries. Reasonable work hours, flexible arrangements and supportive work environments have created a satisfied workforce, despite lower wages than in Canada.

Systems in Other Countries

Spain's health care system has a mix of public (71 per cent) and private (29 per cent) expenditures and focuses on acute care. Unlike populations in many developed countries, Spaniards are increasingly satisfied with their health care system because it is reducing wait times through controlling service demand.

The public system in France faces many challenges familiar to the Canadian system, despite a first-place ranking in a 2000 World Health Organization report. The French system faces chronic deficits. Pharmaceutical costs are rising and the costs of labour are high because of mandatory 35-hour workweeks, restrictions on layoffs and pension reform.

Australia's system, which ranked eighth in overall health outcomes in the Conference Board's benchmarking, is a mix of public and private mechanisms. The system is based on the premise that Australians should contribute to the cost of health care according to their ability to pay.

(Continued on page 18.)

¹ The benchmarking of 24 Organisation for Economic Co-operation and Development countries was part of the Conference Board report *Understanding Health Care Cost Drivers and Escalators*.



Glen Roberts
Director
Health Programs
Policy, Business and
Society

Managing Canada's Transportation Infrastructure: What Needs to Change

Improving Canada's transportation infrastructure requires reforms to the current funding and governance practices. A forthcoming Conference Board report, entitled *Managing and Funding Canada's Transportation Infrastructure Investment Needs*, proposes new models for both funding and governance. First, a mix of financing options is necessary to provide adequate investment. Second, a new land transportation governance regime is recommended—one that includes agencies for each province and territory, transportation authorities in the larger urban centres, and a federal agency to focus on areas of national interest. These reforms aim to increase long-term investment planning and promote more integrated decision-making and delivery in the transportation sector.

Of the five major modes of transportation—roads, transit, marine, aviation and rail—major reforms have already occurred in those under federal jurisdiction. Railways experienced the privatization of CN Rail and legislative changes in 1996 that allowed the major railways to close or sell part of their networks for economic reasons. Airports were transferred to locally controlled, private non-profit corporations, and air traffic control was privatized. Major marine ports have also been devolved to independent, commercially oriented local authorities. These moves toward more commercial decision-making and user-pay financing have resulted in improved infrastructure management, financing and decision-making in these modes.

Roads and public transit have generally remained under traditional public sector funding and governance arrangements. Financing infrastructure investment from general government revenues fails to guarantee reliable funding for roads and public

transit. It establishes only a tenuous direct link between transportation revenue and expenditure. As a result, funding is inadequate for much-needed capital expenditures. Stakeholders contend that in the face of other priorities, governance and funding practices for roads and transit cannot meet current infrastructure demands.

Governance reforms are needed to de-politicize decision-making, improve allocation of resources within and across modes of transportation, and promote the optimal use of existing infrastructure.

The Conference Board analysis of funding options finds that no single alternative is both 100 per cent effective and practical for meeting the funding needs of transportation infrastructure. The most effective instruments—such as charging users the full cost—are also the most difficult to implement because there is a lack of understanding of what constitutes the full costs, as well as political and user resistance. More practical options—including sharing revenues among governments and reforming fees and charges—are not as economically effective. In the end, a mix of funding mechanisms will be required, including user fees and dedicated tax revenue.

A Model for Improved Governance

Governance reforms are needed to de-politicize decision-making, improve allocation of resources within and across modes of transportation, and promote the optimal use of existing infrastructure. New provincial and territorial agencies, similar to the Transfund New Zealand model, would evaluate and fund (but not build or operate) all transportation projects under

their jurisdictions, provide support for projects in smaller municipalities and help fund linkages between transportation modes.

In larger metropolitan areas, new transportation agencies would operate similar to the Greater Vancouver Regional District's TransLink agency, which plans, funds, co-ordinates and delivers infrastructure and services across modes in the region. The proposed governance arrangements would differ, however. Instead of elected officials, the board and its members would be at arms-length from government, and the board would include representation from all stakeholders.

The Canada Land Transportation Agency is a proposed new federal Crown corporation. It would include strong representation from provinces, territories and stakeholders on its board. This agency would provide leadership in areas of border infrastructure and trade corridors, land transportation data, research, intermodal transportation links, highways and urban transit. It would also make credit available through a Canada Land Transportation Fund for small or rural municipalities.

Publication: *Managing and Funding Canada's Transportation Infrastructure Investment Needs*

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Two Cheers for China

Everybody's talking about China these days. Business executives see both opportunities in the rapidly expanding Chinese market and threats from efficient low-cost Chinese manufacturers. Analysts worry that the yuan's fixed exchange rate of 8.3 to the dollar distorts competition. Labour union leaders decry the loss of jobs overseas, while U.S. presidential candidates debate the need for increased protection.

The truth is that China is critical to the future success of the global economy, in particular in its role as a consumer. With the U.S. current account deficit at 5 per cent of GDP, savings and investment flows are out of balance. East Asian investors, particularly from China, have been buying U.S. assets and financing American consumption and investment. To restore equilibrium without a further precipitous drop in the dollar while sustaining growth, foreign spending must increase. Demand from abroad won't come from Europe or Japan, because of aging populations and structural rigidities. Rather, it has been coming from China and must continue to do so.

China is critical to the future success of the global economy.

Between 1995 and 2002, the United States accounted for 20 per cent of global economic growth, almost the same as its weight in global output. China represented 13 per cent of global GDP, but accounted for 25 per cent of global growth, double its share and a higher proportion than the United States. Both Europe and Japan contributed less to growth than their weight in the world economy.

Moreover, China's capacity to produce manufactured goods at low prices has kept global inflation at bay, benefiting consumers in North America. But the Chinese economy is becoming overheated and is putting upward pressure on commodity prices. This is welcome news for Canadian producers of natural resources, albeit a potential new source of global instability.

It is unclear how to reconcile the basic paradox of China's political economy, namely economic liberalization combined with an ongoing rigid political regime.

In the short run, the Chinese authorities need to cool off their overheated economy. They are taking steps to do so, having curtailed the extension of credit by domestic banks. But in the long run, China must continue to grow at real rates of 8 per cent per year to transform its economy and raise real living standards. While the coastal regions and major cities have been fundamentally altered during the quarter century since economic liberalization began, there are still vast regions in Western China where the predominantly rural populations remain in poverty. Conversely, the presence of a rural population of 800 million persons creates a potential supply of low-cost industrial workers for years to come, which will ensure that China maintains its place as the 21st century's "workshop of the world."

As Canada's Ambassador Joseph Caron points out in the feature interview in this edition of *InsideEdge*, despite China's remarkable progress since 1979, fundamental economic, political and social



problems remain. These will take a long time to resolve; indeed, it is unclear how to reconcile the basic paradox of China's political economy, namely economic liberalization combined with an ongoing rigid political regime. The Chinese way of business, based on relationships, is at odds with Anglo-Saxon notions of commercial law and transparency. China's accession to the World Trade Organization in 2001, following years of negotiations, will transform both China and the world trading system itself. But at a practical level, large gaps remain between China's commitments and the on-the-ground reality, for example, in intellectual property.

Nevertheless, the world has a major stake in China's success. As Ambassador Caron points out, every business in Canada needs a China strategy, regardless of whether it is active there or not.

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Joseph Caron
Canada's Ambassador
to the People's Republic
of China

EVERY ORGANIZATION NEEDS A CHINA STRATEGY

Canadian organizations need a China strategy because China's impact on the Canadian economy will rival that of the Free Trade Agreement or the Auto Pact, according to Joseph Caron, Canada's Ambassador to the People's Republic of China. Along with representing the Canadian government to China, Ambassador Caron considers it just as important to understand Canadians' perceptions of China. In April, Ambassador Caron visited the Conference Board for a Round Table Discussion with more than 30 Canadian business leaders.

Ambassador Caron graduated from the University of Ottawa in 1970 with a degree in political science and joined the Trade Commissioner Service in 1972. He began Japanese language studies in 1975 and was subsequently posted three times to the Canadian Embassy in Tokyo. In Ottawa, he occupied several positions with responsibility for Asian and international economic affairs. From 1998 to 2001, he served as Assistant Deputy Minister for Asia-Pacific and Africa in the Department of Foreign Affairs and International Trade and as Canada's Senior Official for Asia-Pacific Economic Co-operation (APEC). He was appointed Ambassador to China in 2001.

China has generated enormous economic growth since the late 1970s. How much of an economic powerhouse is China?

The Chinese economy—at \$1.4 trillion U.S. this year—will surpass Italy in size this year. China's economy will grow to \$1.7 trillion U.S. in two years, equal in size to the economies of France and the United Kingdom, respectively. It will exceed Germany's economy by the end of the decade. China joined the World Trade Organization in 2001, and this has the potential to fundamentally restructure production in the global economy. China is a big economy and there's no place to hide.



(left to right) Anne Golden, President and CEO of The Conference Board of Canada, talks with the Hon. Roger Simmons of WCG International Consultants Limited and Canada's Ambassador to The People's Republic of China, Joseph Caron, at the Conference Board's Round Table Discussion with Ambassador Caron in Ottawa in April.

Income per capita, however, is just \$1,090, in comparison to Malaysia at \$3,600 per capita. It will take 15 years for even half of the Chinese population to reach the current income level of Malaysia. About 50 to 100 million Chinese have lifestyles similar to ours—they have everything we have on about \$8,000 a year. But in the rural areas, 850 million people still rely on agriculture and small business to support themselves.

It is still a developing economy in areas such as intellectual property, rule of law, management capacity and quality control in production.

China is really several economies. The industrial and services sectors, concentrated on the coast and in the cities, are of greatest interest to us. A China strategy is really a Beijing or Shanghai strategy because of the immense differences between regions.

The United States now depends on China for 11 per cent of its merchandise exports, up from 3 per cent in 1990. Japan's dependence is 8 per cent, an increase from 2 per cent. This trend will continue despite the risks of inflation. By and large, the Chinese have demonstrated tremendous capacity to deal with risks.

They have the tools—macroeconomic and administrative—to maintain economic growth. They face immense risks, but I would not bet on collapse.

What are China's strengths?

China's leadership is very focused on its interests. They don't chase too many rabbits and they chase the right ones. China has 14 land neighbours and has strategic relationships with all of them. China's short-term vision takes the country to 2020!

We buy what they sell, but we don't sell much of what they buy.

What are its weaknesses?

There are two major weaknesses. First, the market economy is only 20 years old, so it is still a developing economy in areas such as intellectual property, rule of law, management capacity and quality control in production. Small and medium enterprises have little access to capital because most of the capital goes to state-owned enterprises, which dominate the economy. The stock market does not function well, and the bond and venture capital markets are all but non-existent.

Second, the absence of representative institutions is a major weakness. We may look at democracy from a values and human rights perspective, but their absence is hurting China's ability to develop a market economy. There are no democratic "market signals."

What is the nature of our economic relationship with China?

Canada's imports from China have soared 78 per cent between 2000 and 2003, but our exports to China trail those of other countries. We buy what they sell, but we don't sell a good deal of what they buy.

This situation could improve because of their rising demand for commodities—20 per cent of global commodities are consumed in China.

Canadian companies provide key skills in areas such as transportation, information and communications technology, mining, banking and insurance. We have niches that are essential to China and they know it.

China's most important relationship is with the United States. China's neighbours are next in importance, followed by seven or eight trading partners—such as Canada, the European Union, the United Kingdom and Australia—and then everybody else.

What is the Chinese view of Canada?

The Chinese value individual Canadians—Norman Bethune, Pierre Trudeau, Alvin Hamilton, Paul Desmarais and Jean Chrétien. Former Prime Minister Chrétien visited China six times—that's worth solid gold. It shows that the political leaders have to be in China.

It's irresponsible for companies that have an international presence not to have a China strategy.

They respect our governance models, such as the banking system, judiciary, and agricultural and environmental policies. They view us as a well-run country. They look to us as a destination for tourism and education, and for us to continue to welcome Chinese immigrants.

Should we be afraid of China?

I'm not afraid of China. There are immense challenges in many sectors, and the impact on us will be comparable to that of the Auto Pact and the Free Trade Agreement.



Joseph Caron, Canadian Ambassador to China, and Anne Golden, President and CEO of the Conference Board.

Canadian companies can't compete on wage rates, but we have numerous advantages over the vast majority of Chinese competitors—better products, quality control, research and development, internal auditing—to name just a few. Those are the strengths, and we have to play to them. I am convinced that we have the tools to compete.

I tell all groups I speak to that they have to have a China strategy. Not every Canadian company should be in China, but you have to make that decision and know if China is your market or your competitor. It's irresponsible for companies that have an international presence not to have a China strategy. The Chinese are coming to you, even if you are not going to China. You could not rest on your laurels when it came to free trade, and you can't rest on your laurels when it comes to China.

Creating Inclusive Organizations: Advice from Visible Minorities

Canada will increasingly rely on immigrants, a majority of whom are visible minorities, to fuel its population and economy over the decades ahead. Yet, too many visible minorities (new-comers and Canadian born) report experiencing barriers to their full inclusion and advancement in organizations.

As part of its program of research and education to maximize the talents of visible minorities, the Conference Board brought professional and managerial visible minorities into focus groups across the country to discuss:

- The issues and challenges they experienced in achieving career success;
- The organizational practices that helped them along the way; and
- The personal strategies they used to achieve their goals.

The outcomes are summarized in the briefing *The Voices of Visible Minorities—Speaking Out on Breaking Down Barriers*.

Issues and Challenges

While a recent Statistics Canada study found that most visible minorities in Canada have not encountered discrimination or unfair treatment, a significant minority have—one in five, a rate four times higher than Canadians as a whole. Many focus group participants concurred. Some felt that employers have pre-screened them out of job interviews based on telephone conversations in which their foreign accents were evident. Others believed that discrimination and racism hide in the selection processes for new hires or promotions under the rubric of “fit.” In their view, organizations look for a “fit” between the individual and the job. Too often this means sameness and status quo—not diversity. Many spoke about a “sticky floor” that

limits their opportunities for advancement and a glass ceiling that prevents them from reaching top positions in organizations.

Immigrant visible minorities noted that becoming proficient in at least one of Canada’s official languages was a hurdle to their finding employment when coming to Canada. A second obstacle to achieving their career goals was the difficulty that some had experienced in having their past work experience and credentials recognized by Canadian employers. For example, Chin, an engineer from China, had advanced to a managerial level in a large U.S.-owned firm in China. Despite her qualifications, Chin had great difficulty finding meaningful work in Canada. But after returning to university to complete her MBA, Chin found employment in a large Canadian firm.

Advice to Organizations

What do visible minorities look for when selecting or staying with employers? First and foremost, they look for demonstrable leadership and commitment. For focus group participants, this translates into having visible minorities throughout the organization, especially in senior positions. It translates into statements by leaders—both public and internal—about the importance of creating inclusive work environments for visible minorities. And it translates into holding people accountable for change. In the view of participants, organizations need to set quantifiable goals and hold managers accountable for meeting them.

For focus group participants, the key to their success in organizations lies in supportive management. Managers played a critical role in the career success of the majority of focus group participants. Many spoke about how their supervisors/managers

ensured that they had appropriate developmental opportunities and encouraged them to take on new responsibilities.

Visible minorities who perceived that their managers were supportive and “fair” were less likely than others to point to other barriers in the workplace.

Levelling the playing field—through mentoring and other career development opportunities—was important to participants. Some felt that such programs should be designed specifically for visible minorities.

The Role of Individuals in Creating Opportunities

While leadership, commitment and accountability were seen as keys to organizational success in breaking down barriers, visible minorities also need to actively seek opportunities to demonstrate their capabilities, participants said. And these individuals took charge of their careers. They worked hard to achieve their goals; sought out career advancement opportunities; honed their professional skills through mentoring and other developmental means; and actively participated in networks at work and in their communities.

Publication: *The Voices of Visible Minorities—Speaking Out on Breaking Down Barriers*

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The “Invisible” Minority Dilemma

State Street Trust Company Canada’s Trinidad-born black Chief Operating Officer, Doreen Rigby, when asked during a job interview at a different Toronto-based institution whether she spoke English, felt humiliated and concluded that the question revealed stereotyping, if not outright racism. She opted out of the interview. Nelson Mandela, on his first plane trip out of South Africa after nearly three decades of incarceration at Robben Island, felt unease at the sight of two black pilots in the cockpit and wondered about the safety of the plane. He had only seen white pilots before.

“Visible minorities face not just a glass ceiling but, worse, a cement ceiling.”

These two examples reveal how complex mindset change can be. The Toronto-based institution interviewing Doreen Rigby has arguably one of the most avant-garde human resource policies in Canada. And Nelson Mandela? Well, he dedicated his whole life to bringing down Hendrik Verwoerd’s institutionalized apartheid regime. Yet both were still subject to the effects of long-term conditioning on behaviour.

Many Canadians still view immigrants and refugees as people in various stages of desperation needing help. The new wave of immigrants is anything but that. They are, in the main, highly talented individuals. For many Canadians, understanding and accepting this change requires a paradigm shift. But mindset change does not come easily.

This may explain, in part, the slow progress visible minorities are making in Canadian organizations. The representation of visible minorities at higher echelons of organizations remains low. According to Statistics Canada’s 2002 Ethnic Diversity

Study, one in five visible minorities reported experiencing discrimination or unfair treatment in the five years prior to the study. Senator Donald Oliver, a black senator from Nova Scotia, is concerned that “visible minorities face not just a glass ceiling but, worse, a cement ceiling.”

This perspective is supported by data. Executive search firm Spencer Stuart reports that only 19 per cent of organizations have at least one visible minority on their corporate boards. Nine in 10 organizations in a Conference Board survey indicated that they did not have any plan to recruit and select visible minorities to their boards. As long as this attitude prevails, visible minorities will continue to remain invisible on our boards.

The latest Employment Equity Act Report on federally legislated organizations showed that only 46 per cent of visible minorities with the skills and competencies for senior manager positions were, in fact, in such positions.

Success depends on the degree to which valuing diversity is embedded into organizational culture.

The stereotype of engineers and doctors driving taxicabs after immigration to Canada is not far from the truth. Statistics Canada’s Longitudinal Survey of Immigrants is tracking a sample of immigrants who arrived in Canada between October 2000 and September 2001. The survey reveals that while 68 per cent of immigrants from Australia were employed in their own professions within six months of arriving in Canada, the rate plummeted to 33 per cent for those born in Asia and the Middle East.

Canada cannot afford this brain waste.

This leads to one conclusion that is as potent as it is simple: The Conference Board’s Leaders’ Summit on Visible Minorities, held in May, argued that a focus on creating an inclusive workforce and an inclusive society in Canada is imperative. Rajesh Subramaniam, President of Federal Express Canada Ltd., stressed that success in this area depends on the degree to which valuing diversity is embedded into organizational culture.

Canada has much to gain by embracing the FedEx example. Visible minorities can be powerful connectors with their source countries and enhance Canada’s business opportunities created by globalization. Canada could brand itself as highly welcoming of immigrants and could emerge as a winner in the growing competition for visible minority talent. Finally, we would have a more cohesive society. A society can be cohesive only if it is inclusive.

Five key messages were identified at this summit to bring about mindset change in our organizations:

- Leadership matters—If a leader stops caring, the momentum will stop.
- Accountability is key—If it isn’t measured, it won’t get attention.
- Integration is essential—Diversity must be embedded in the cultural DNA of organizations.
- Strategic messages should drive change—Diversity makes business sense in a global economy.
- Aggressive steps are needed—Success will be measured by results.

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Bringing Municipal Leaders to the Table on Immigration

For the first time in Canada, the federal government and a provincial counterpart sat down together with municipalities to discuss vital immigration issues. Attracting and integrating newcomers successfully into both large and small communities across Ontario affects all levels of government—requiring trilateral solutions. The Ministers' Immigration Roundtable with Ontario Municipal Leaders in February brought 14 municipal leaders from across the province together with Judy Sgro, Minister of Citizenship and Immigration Canada, and Marie Bountrogianni, Ontario Minister of Citizenship and Immigration. Anne Golden, President and Chief Executive Officer of the Conference Board, facilitated the session. The Conference Board briefing, *Towards an Immigration Agreement: Ministers' Immigration Roundtable with Ontario Municipal Leaders*, summarizes the discussions and the proposals for future actions.

Ontario is the only province without an immigration agreement with the federal government. Leaders from all three levels of government recognize that any agreement must become a three-way partnership for immigration policies to benefit both newcomers and the communities in which they settle.

Municipal leaders unanimously recognize the vital importance of immigration and the benefits it brings to their communities. By 2011, an aging population and low birth rate mean Canada will depend entirely on immigration for labour force growth. In addition, municipal representatives describe diversity as an advantage that cities can use to attract talented people from around the world.

Improving the recognition of foreign qualifications and credentials is the most pressing policy challenge, because it offers the greatest potential for economic and community growth. Many newcomers enter the country classed as skilled immigrants based on their education and qualifications, only to find that Canada's licensing and professional associations do not recognize their skills. As a result, many immigrants are unemployed or underemployed. Meanwhile, communities facing shortages of skilled professionals, like doctors, remain under-served. Solving the credentials conundrum will require negotiations between governments and provincial regulatory bodies that oversee the professions. The Ontario government is giving the licensing bodies a year to work with Queen's Park—otherwise the government will consider other options to achieve change.

Solving the credentials conundrum will require negotiations between governments and provincial regulatory bodies that oversee the professions.

The challenges posed by immigration issues are different for Ontario's large centres than for smaller cities. Big cities face shortages of affordable housing, unstable funding for services that benefit immigrants (such as public transportation) and reduced funding for English as a Second Language programs. Stable and sufficient funding is required to deliver the appropriate level of services.

Smaller and northern cities struggle to attract newcomers who bring valuable skills and replenish their populations. Proposed solutions focus on attracting

immigrants to small and northern communities for education and business opportunities. People tend to stay where they are trained or established, so some options are: providing tuition incentives for foreign students to attend northern colleges and universities; strengthening higher education programs; and expediting the process for immigrants to go into business in northern Ontario.

The key components of a tripartite agreement among the levels of government should:

- Establish a formal ongoing process of consultation and collaboration among political leaders, government officials and community and stakeholder groups;
- Introduce a new funding model based on financial and policy reviews;
- Provide links to social policy and labour market programs;
- Address credentialing and other key issues; and
- Have the flexibility to take the differences between large and small communities into account.

Publication: *Towards an Immigration Agreement: Ministers' Immigration Roundtable with Ontario Municipal Leaders*

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Canada Second in Connectedness, but Slipping

Canada remains one of the world's most connected countries through its information and communications technology (ICT), as indicated by its fourth consecutive second-place ranking in the Conference Board's annual Connectedness Index. But there's a looming cloud over this performance—Canada again trails the United States and now shares second place with Sweden. Other developed countries, such as Finland, the United Kingdom, Australia and Germany, are also closing the connectedness gap.

Canadian ICT infrastructure is among the world's best, but simply being well-connected is no longer sufficient when compared to other leading countries. ICT connectedness spreads knowledge more widely, enhances our innovation potential and can boost our productivity. The challenge is to go beyond posting information to producing content that allows current users to make more transactions and interactions on-line and, in turn, drives more Canadians to become connected. Improved on-line content with greater applications creates value for organizations by improving their efficiency and increasing their market penetration.

The results of the Index are published in the briefing *Cashing in on Canadian Connectedness: The Move to Demonstrating Value*. The Index assesses Canada's progress against nine other developed countries on 55 indicators in four weighted components of ICTs—*availability, price, reach and use*. Canada is a strong performer in all categories, but ranks first only in price, the category given the least weight of the four.

- *Availability* (20 per cent of overall score) is the market-ready infrastructure, or supply of ICT products and services that allow connectedness to occur. Canada places second to the United States, and the country's ICT infrastructure remains strong.

Canadian ICT infrastructure is among the world's best, but simply being well-connected is no longer sufficient.

- *Price* (5 per cent) is a combination of charges for ICT services, such as the Internet and telecommunications. Canada ranks best in price indicators because a brisk, competitive market produces affordable prices for services using satellites, wireless networks, digital subscriber lines (DSL) and leased lines, and broadband technology. This pricing structure creates a favourable future for broadband, the key technology to expand penetration and use. The diverse selection of accessible technologies also contributes to increased reach for business and personal users.
- *Reach* (25 per cent) is the demand for ICT products and services, such as number of subscribers to a network. In this category, Canada now trails Sweden and is tied for second with the United States. Sweden has pulled ahead through greater wireless penetration and more businesses with websites.
- *Use* (50 per cent) is the amount of time spent, transactions made and revenue generated on-line. Canada is second to the United States. The United States retains significant advantages in e-commerce. Canada's traditional

strengths in e-learning and e-government services continue, but other countries are closing the gap.

There are opportunities for greater connectivity in health care. The Canadian health care system leads the United States in use of ICTs for processes internal to an organization, like inventory management, but it lags in external communications and transactions with other health institutions such as laboratories and pharmacies.

Canada's performance on Internet access indicators has dropped relative to other countries, and a digital divide persists—younger, better educated and urban Canadians are more likely to use ICTs. Seventy-two per cent of Canadian communities, mostly in rural and remote regions, do not have access to broadband (high-speed transmission). This represents one-quarter of Canada's population. To bridge the digital divide, community-driven initiatives have been the most successful, such as in the Ontario communities of Kemptville and Brantford. Acting locally to develop connectivity globally can bring ideas and innovation to more Canadian communities.

Publication: *Cashing in on Canadian Connectedness: The Move to Demonstrating Value*

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A NEW GUIDE TO REPORTING RISKS

With the changing governance landscape, reporting risks has become more critical than ever. Organizations need to do more than identify and manage risks at an enterprise level¹—they must also communicate these risks in a detailed and understandable format to their senior executives, corporate directors and key stakeholders.

The Conference Board has developed a guide to help risk executives prepare consistent and forward-looking reports. The guide, *Risk-based Reporting: Delivering Results in a New World of Reporting*, highlights the fundamentals of risk-based reporting and provides a report template that can be used in part or in its entirety, based on the type of report(s) needed—monthly, quarterly, customized or yearly.

Risk-based reporting is not a new practice. Before the corporate scandals of recent years, reports were generally prepared on an ad hoc basis. These reports focused on the financial impact of risks on business objectives and strategic goals. The Conference Board's new report template helps risk executives scrutinize five key elements of risk-based reporting:

- the finer details of an organization's principal risks
- the risk management process
- the performance of risk controls
- the organization's strategic risk process
- human capital and cultural issues

This guide is a complement to the Conference Board's *Corporate Governance and Risk Management: The Integrated Tool*.



Publication: Risk-based Reporting: Delivering Results in a New World of Reporting

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

¹ Enterprise-level risks are organization-wide, cutting across business units in all geographic locations and head office. These risks are prioritized and treated as principal risks of the organization, overseen by senior executives of the organization and managed by the owner of the risk.

(Continued from page 9.)

New Zealand's system is one of the few with user fees for primary care. As a result, a large percentage of patients obtain their treatment in public hospitals—often after their conditions worsen. New Zealand is on the verge of a crisis in its health care workforce, and the system has clear inequalities and safety concerns.

Decision-makers have to make choices about the level of health care that Canadians are willing to pay for and the delivery methods they will accept. The examples cited demonstrate that there are many possible approaches and that international experience provides Canada both

with examples of good practice to consider and examples of practices to avoid. Canada can learn from practices in other countries, if leaders are willing to look beyond the current self-imposed constraints on the debate.

Publication: Challenging Health Care System Sustainability: Understanding Health System Performance of Leading Countries

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

Performance and Potential 2004–05

Our ninth annual report provides an overall assessment of Canada's social and economic performance.

Performance and Potential will be available in October.

For more information, visit <www.conferenceboard.ca>

Building Skills and Supporting Inclusiveness

Three community-based learning programs have been chosen as winners of the Conference Board's inaugural 2004 Community Learning Awards, which recognize partnerships that enhance learning through the use of technology. The winners not only improve the skills and training of participants, but also help make Canadian society more inclusive. The winners in each category are:

- **Community-based learning opportunities for Aboriginals—iSisters Technology Mentoring Inc.** <www.isisters.org> of Ottawa. This program, founded by a group of teachers, provides unemployed and underemployed Inuit women with technology training, which gives the participants career skills that help them obtain jobs.
- **Community-based learning opportunities for persons with disabilities—Internet Business Development for Entrepreneurs with Disabilities (IBDE) program** <www.ibde.ca>, by Community Futures of Central Kootenay and Selkirk College in Nelson, B.C. Adults with physical disabilities take a web design course and gain practical experience operating a web store in an on-line virtual mall at <www.virtualmall.ca>.
- **Community-based learning opportunities—Skills for Change** <www.skillsforchange.org> of Toronto. Skills for Change has partnerships with a broad range of groups in the Greater Toronto Area to help immigrants and refugees find employment.

The winners were recognized at the Partners 2004 Symposium: Finding the Power of Partnerships in Montréal in April.

ACHIEVING GLOBAL BEST RESULTS

Achieving a significant rise in grade point average for participating students through offering workforce skills, education and guidance made the East San Gabriel Valley Partnership of California the winner of the Global Best Awards for Partnerships for the Americas. The Americas winner is one of four Global Best winners to be honoured this fall at a conference in London, England.

For more information, contact Linda Scott at ext. 277 or e-mail <scott@conferenceboard.ca> or visit <www.conferenceboard.ca/education/awards>



Winners of the 2004 Community Learning Awards pose after being recognized at the Partners 2004 Symposium: Finding the Power of Partnerships in Montréal in April.

Workplace Literacy Innovations Honoured

Two Nova Scotia companies and one of Canada's industrial giants have won the Conference Board's 2004 Awards for Excellence in Workplace Literacy. These awards recognize small, medium and large businesses whose innovative programs have enhanced basic employee reading, writing and numeracy skills. The 2004 winners are:

Small business—Elmsdale Lumber Co. (ELCO), Elmsdale, Nova Scotia. ELCO has operated eight Workplace Education programs in the past four years. Personnel at all levels of the company have participated in programs such as academic upgrading, communications classes and basic computer literacy.

Medium business—Minas Basin Pulp and Power Company Limited, Hantsport, Nova Scotia. The company, which produces linerboard and coreboard using 100 per cent-recycled material, recognized the need

to raise the standard education level and improve basic literacy and work skills. Since 1999, employees have participated in five Workplace Education programs, including preparation for high-school equivalency diplomas, oral communications and math skills upgrading.

Large business—Dofasco Inc., Hamilton, Ontario. Dofasco, one of Canada's largest steel producers, launched the Essential Skills Program in 1997. This voluntary and confidential program gives employees opportunities to learn essential literacy and basic computer skills. More than 400 employees have participated in the program, which builds their confidence and enhances their sense of independence.

The winners will be recognized at the 2004 Workplace Education and Learning Conference: Investing in People, Nov. 29 and 30, 2004, in Toronto.

Coaching Makes a Difference

Coaching benefits organizations—research on 100 executives from Fortune 1000 companies revealed that every \$1 invested in coaching programs created \$5.70 in improved benefits. The Niagara Institute offers a selection of programs to meet the needs of executives and organizations. Both public and customized programs are available.

ONE-ON-ONE EXECUTIVE COACHING FOR INDIVIDUALS

This program is designed to help executives grow, learn and change. Participants are individually assessed through questionnaires and interviews to help develop a career plan. After the assessment, a coaching package will be tailored to the needs of the individual and can be delivered face-to-face and by telephone.

COACHING FOR PEAK PERFORMANCE

Leaders are expected to help their staff grow and develop. This three-day program helps leaders understand the behaviours, interests and commitment of others so they can help them perform to their maximum.

The program is intended for supervisors or middle managers with coaching roles or responsibility for performance reviews. Participants practise a coaching model, and the sessions are videotaped.

**The next program is Nov. 10–12 at Niagara-on-the-Lake.
Cost is \$2,600.**

LEADERS COACHING LEADERS

A joint initiative of the Niagara Institute and The Coaching Project, this program consists of three modules. Module I is a five-day session to develop skills for coaching individuals, Module II is a workplace practicum where the skills are applied, and Module III is four-day residential session to develop team coaching skills and build coaching cultures.

The fall program includes:

- Module I, Oct. 18–22, 2004, at Niagara-on-the-Lake
- Module II workplace practicum, Oct. 25–Dec. 3, 2004
- Module III, Dec. 6–9, 2004, at Niagara-on-the-Lake

Cost: \$12,000 per company pair (two participants are recommended per organization)

ONE-DAY COACHING CLINIC

This program helps managers have candid and constructive conversations with employees, conversations that are not always easy to conduct. It takes participants through practice situations with the support of Niagara facilitators.

Contact Client Services

at 1-800-663-7305, e-mail <info@niagarainstitute.com>
or <www.niagarainstitute.com>

Eric Newell— 2004 Honorary Associate



Join us in October when we recognize our 2004 Honorary Associate, Eric P. Newell, O.C., for his stellar history of corporate leadership and exemplary record of service to industry and community, which includes:

- Chairman and CEO of Syncrude Canada Ltd., (1989–2003)
- Chancellor, University of Alberta, (2004–)
- Officer, Order of Canada
- Chair, *Careers: The Next Generation* Foundation
- Director: Nexen Inc., Canfor Corporation, Terasen Inc.
- Policy Adviser, The Learning Partnership
- Chair, The Conference Board of Canada (2000–2002)

**The 2004 Honorary Associate Award Dinner
Thurs., Oct. 7, 2004
The Westin Calgary**

For information, contact Sylvie Binet at 613-526-3090, ext. 387, e-mail <sbinet@conferenceboard.ca> or visit <www.conferenceboard.ca>



Bruce Boyd
Senior Policy Advisor,
Diamonds
Natural Resources Canada

HOW THE NIAGARA INSTITUTE CHANGED MY LIFE

Bruce Boyd credits his participation in the Leadership Development Program® at the Niagara Institute in November 2000 with giving him the confidence to accept difficult tasks and the leadership skills to complete them. Mr. Boyd, Senior Policy Advisor, Diamonds, Natural Resources Canada, was a key member of the project team that drafted the legislation and regulations for Canada's participation in the Kimberley Process Certification Scheme. This international protocol seeks to stop the international trade of diamonds whose proceeds are used to support armed conflicts in many African countries. The Kimberley Process Certification Scheme requires a certificate to accompany diamonds that are being traded legitimately. Since coming into effect in 2003, 46 countries have signed on, and the Kimberley Process now covers 98 per cent of the global rough diamond trade. In 2004, Canada took over as chair of the Kimberley Process. Mr. Boyd is now taking the lessons from the Leadership Development Program in a new direction. He is retiring from the public service this year to go into business as a consultant.

Q How did you apply your learning from the Niagara Institute while you were involved in drafting Canadian legislation to implement the Kimberley Process Certification Scheme?

Something I learned at Niagara was to get involved in a project that I would be responsible for, and keenly interested in, and could put my soul into. This project came up and I leapt at it. In six months, we had to draft a memo to Cabinet, prepare the legislation and regulations, and obtain Royal Assent for it to come into effect on Jan. 1, 2003. Skeptics said it couldn't be done. But I wanted to try, and my experience at Niagara gave me a push in that direction.

Q Before taking the Leadership Development Program at Niagara, what was your mindset about leadership? How did that change?

Before I attended the Leadership Development Program I associated leadership with management. I learned at Niagara that leadership is related to power—having the power to achieve things. Leadership isn't management or administration; leadership is the means to utilize people's ability.

Leadership is about managing a situation so that you have the ability to achieve things. That's a very powerful tool. It's power to achieve, rather than power over people. That was one of the changes that took place in my perception. Anyone can be a leader at any given time.

During the implementation process, the Leadership Development Program really paid off in dealing with diverse people. The power part is tapping into the diversity of personalities and work styles. Niagara did a very important thing in pointing out the differences in people and how to get the maximum advantage from these differences.

Q What impact did the Leadership Development Program have on your professional career and personal outlook?

It made me realize that I had to take responsibility for my own career and my own future and not always take the path of least resistance.

I think a lot of what Niagara does is holding up a mirror to people and saying: this is how other people see you, and how you see yourself. It points out the weaknesses as well as the strengths. It helps people get that rare look at how they're viewed by the outside world.

AUTUMN CONFERENCE HIGHLIGHTS

Join senior decision-makers and gain a competitive advantage

Our **2004 Compensation and Human Resources Outlook Conference** delivers an in-depth guide to today's changing circumstances, including new research: our 2005 economic forecast and Compensation Planning Outlook 2005. Hear from a stellar speaker lineup of experts with case studies based on the practices of the most successful Canadian businesses.

A thoughtful, revealing look at the direction of the global, U.S. and Canadian economies draws senior leaders to our **Business Outlook Conference** year after year. Gain a new perspective from authoritative economists and business leaders who will examine Canada's recovery, U.S. economic growth, interest rates, the strength of the Canadian dollar, the role of the public sector and the prospects for select industries.

Conference Board events tackle emerging issues. The **2004 Business Process Outsourcing Conference: Realizing Business Value in Canada and Offshore** is a stepping stone to success in outsourcing and offshoring ventures. It is based on new research and the experiences of the Canadian and international businesses that are leading the way.

In-depth, real-life case studies and the guidance of leading risk management practitioners are two good reasons to attend the **2004 Intergovernmental Forum on Risk Management: From Planning to Implementation**. This conference blends principles and techniques, delivering the new risk management strategies and tactics employed in governments in Canada and the United States.

Turn to the next page for times and locations—and then register today.

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Innovation is a priority for organizations, but measuring both innovation capabilities and performance is difficult.

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- Organizational processes and structure
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- Innovative performance

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Contact **Natalie Gagnon** at ext. 295 or e-mail [<gagnon@conferenceboard.ca>](mailto:gagnon@conferenceboard.ca)

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The three winners will be recognized at a black-tie awards dinner on Jan. 26, 2005, at the Four Seasons Hotel in Toronto. An overall winner will be announced at the dinner.

Founding partner:

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For more information, visit [<www.conferenceboard.ca/GCSR/awards/default.htm>](http://www.conferenceboard.ca/GCSR/awards/default.htm)

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Oct. 13
Sutton Place Hotel
Toronto

2004 Human Resources Conference

Oct. 14–15
The Westin Prince Toronto

2004 Intergovernmental Forum on Risk Management: From Planning to Implementation

Oct. 19–20
Fairmont Château Laurier Hotel
Ottawa

2004 Compensation and Human Resources Outlook Conference

Nov. 1
Delta Chelsea
Toronto

2004 Oil and Gas Disclosure: Experiences in Complying with the New Rules

Nov. 1–2
Hyatt Regency Calgary

Nouvelles perspectives en matière de rémunération et de ressources humaines 2004

le 3 novembre
Hilton Montréal Bonaventure

2004 Risk Management Strategies for Oil and Gas Operations

Nov. 3–4
Telus Convention Centre
Calgary

2004 Organizational Culture: Inspiring Leaders and Inspired Organizations

Nov. 8–9
The Fairmont Royal York
Toronto

2004 Western Compensation and Human Resources Outlook Conference

Nov. 9
The Westin Calgary

2004 Innovation and Commercialization Conference

Nov. 15–16
Sheraton Centre
Toronto Hotel

2004 International Forum on China

Nov. 17–18
Palais des congrès de Montréal

Workplace Education and Learning Conference: Investing in People

Nov. 29–30
Toronto Marriott Bloor Yorkville Hotel

2004 International Risk Management Conference

Dec. 2–3
Sheraton Centre
Toronto Hotel

2004 Strategic Project Management Conference

Dec. 6–7
Delta Chelsea
Toronto

2004 Exploration Management Forum

Dec. 6–7
Hyatt Regency Calgary

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