

EXPORT DEVELOPMENT

It is not the strongest that survive, nor the most intelligent, but
the ones most responsive to change.

— Charles Darwin

CONTEXT

The Province of Nova Scotia is at crossroads on many issues that will have a decided impact on our future economic well-being. Trade is no exception. Indeed, it could be argued that it is **the** most significant of the strategic directions being examined in “Toward Prosperity”, for several reasons:

- C now, at just over \$5 *Billion* annually, exports are an economic lynchpin, responsible for an estimated 75,000 jobs in our workforce;
- C although lagging in per capita terms in comparison with most other Provinces, Nova Scotia’s international trade has exhibited steady, significant growth over the past three years;
- C our export base has also become much more diversified, and continues to demonstrate a successful transition from primary resources to knowledge-based industries and other growth sectors;
- C our businesses have historically been accomplished traders, and Nova Scotia is ideally positioned — with its geographic location, industrial infrastructure, labour force and product/service offering — to compete in the new world economy;
- C trade, from a government perspective, is an area in which we have considerable competence, experience in effecting positive change, and are generally well-regarded for our efforts by the business community;
- C trade promotion **must** continue to be emphasized, or we risk foregoing the global opportunities before us and ultimately falling behind the pack;
- C we cannot grow our economy or even maintain the status quo by recirculating the same dollars within Nova Scotia — to grow, we **must** increase exports

This discussion document proposes a basic framework for renewing the leadership role of the Nova Scotia Department of Economic Development as a facilitator of international trade in the Province. It also touches on the broader, but closely related, question of how we can better support our businesses’ — and our governments’ — efforts in export development, as a specialty practice and critical economic component under the collective realm of Marketing.

BACKGROUND

The Department of Economic Development has undergone considerable change over the past few decades but, in its various forms, has always acted as a form of “Central Agency” in coordinating the delivery of programs and services to Nova Scotia exporters. With decentralization, reduced budgets and the arrival of new participants in trade promotion that have occurred in recent years, the operations of the Division responsible for trade have become fractured. Nevertheless, it’s management and staff have proven to be remarkably adaptive, redirecting focus through successive administrations to perform effectively and maintain a leadership role.

Over the past three years the Investment and Trade Division has been guided by a strategy of delivering a high volume of result-driven activities — primarily an aggressive program of trade

missions — in selected markets, especially New England. An innovative, distinguishing feature of the Missions has been their full slate of pre-arranged selling opportunities with pre-qualified prospects, which eliminated the “cold call” step from the companies’ marketing process (an apparent difficulty for many) and inserted them directly into selling situations.

The Mission participants responded well. Such a focus has generated remarkable outcomes in sales, projected sales and establishment of new alliances and distribution channels for the companies. It has also proven to be relatively cost-effective. One difficulty which has begun to emerge, however, is the shortage of emerging exporters to feed the process. Nonetheless, the success of the past three years cannot be denied; it has been widely recognized across Canada as a highly effective model in export development and the Division is known — indeed branded — as the “trade mission experts”.

At the same time, and aside from its Investment Development activities, the Division enjoyed considerable success in a number of other projects in addition to its Trade Mission program, including:

- C Export Achievement Awards
- C Export Rallies
- C Community Data Project
- C Team Atlantic Missions
- C Training and Client Counseling
- C Trade Policy Coordination
- C WIN Exports Database expansion
- C Numerous initiatives under the Canada/Atlantic Provinces Cooperation Agreement on International Business Development (IBDA).

CURRENT SITUATION

Like the Province, the Investment and Trade Division is at a crossroads for several reasons:

- C the imminent restructuring of the Department which will offer an opportunity to rebuild the foundation for trade;
- C the departure in May 2000 of Francis MacKenzie who, as Executive Director, established a very clear direction for the past three years;
- C the 1999 re-establishment of a separate Department of Tourism and suspension of the operations of the Nova Scotia Marketing Agency, leaving a void with respect to the discipline of “Marketing” in general (a close relative of the “Trade” function);
- C the de-emphasis of a proactive Investment Promotion function in Government;
- C the necessity, under the present fiscal environment, to seek partnerships and form cooperative relationships to fund and implement activities;
- C the forthcoming development and adoption of an integrated trade plan among the principal trade partners in Nova Scotia.

As such, it is a time of change — and also a golden opportunity to exploit the potential of export development in the vision of propelling Nova Scotia “Toward Prosperity”.

TRADE PARTNERS

The Nova Scotia trade development landscape includes a rather large number of government agencies and organizations with a mandate for, or interest in, international trade. The principal

coordinating mechanism is “Trade Team Nova Scotia” (TTNS), an umbrella body of Federal origin formed in 1995 of over 20 such organizations. Nova Scotia Economic Development, the International Trade Centre (ITC) of Industry Canada and ACOA were signatories to the founding Memorandum of Understanding and are recognized as the three “core” members of the Trade Team.

TTNS has served as a useful forum for information exchange, activity coordination and the undertaking of joint initiatives; for example, it proved instrumental in implementing our Export Rally Program. It also functions as a central telephone referral point for trade inquiries and maintains a popular website. TTNS has not operated as a formally funded body, but from time-to-time has relied on the benevolence of its members to support its activities, of which Economic Development has been a principal contributor.

Economic Development enjoys good working relationships with its TTNS colleagues and works most closely with the ITC and ACOA. The ITC is co-located on the 5th floor of the World Trade and Convention Centre and provides a window into the Federal Department of Foreign Affairs and International Trade, including their network of Commercial Officers in Canadian Embassies, Consulates and High Commissions around the World. ACOA has been a major supporter of trade initiatives through its Cooperation Agreements (especially Economic Diversification and the IBD Agreements) and, on its own, has been actively involved in areas such as Community Outreach, Academic Partnering and promoting trade opportunities with Sweden.

Aside from Provincial Government Departments, a number of key Federal Departments and other organizations are represented on TTNS, including:

- C Agriculture and Agri-Food Canada
- C Canada/Nova Scotia Business Service Centre
- C Business Development Bank of Canada
- C Export Development Corporation
- C Canada Mortgage and Housing Corporation
- C Canada Customs Revenue Agency
- C Enterprise Cape Breton Corporation
- C Canadian Commercial Corporation
- C Alliance of Manufacturers and Exporters Canada

The key Provincial Partners (with combined budgets and staff several times that of Economic Development) are:

- C Environment (merging with Labour)
- C Education (moving to Economic Development)
- C Fisheries and Agriculture (merging)
- C Tourism and Culture (Culture only)
- C Natural Resources (Trade position vacant)
- C Petroleum Directorate
- C InNOVAcorp (Life Sciences)

THE PROVINCIAL PERSPECTIVE

Almost all of the trade partners share similar goals and focus on helping companies export, although a few are driven by a revenue-producing mandate. Nevertheless, there is significant variety in service offerings as well as philosophies as to how the goals are best achieved.

Most notably, the Provincial perspective differs from our Federal partners in that our definition of “trade” includes sales within Canada, but outside of Nova Scotia. This often represents a substantial share of many firms’ overall sales, but is not deemed eligible for support through any Federal Department of Agency.

There is another marked contrast. Consistent with the Federal thesis that companies proceed through a series of clearly-defined export-readiness stages, they emphasize the provision of various forms of export information and one-on-one counseling. More in line with the approach advocated by studies estimating that over 70% of Canadian firms begin exporting by simply getting an order, we have tended more to more to enabling activities such as Trade Missions, networking events and WIN Exports. Despite the differences, the two approaches have, in practice, complemented each other very well, to the ultimate benefit of our mutual clients.

Finally, some Federal business support programs remain (but usually on a repayable or conditionally-repayable basis), such as Industry Canada’s Program for Export Market Development (PEMD) and ACOA’s Marketing Assistance Program, while Nova Scotia some years ago adopted a policy of no direct financial assistance to business.

FUNDAMENTAL QUESTIONS

Not unlike any organization facing change, Nova Scotia Economic Development may benefit by going back to some basic questions in setting a direction for its future role in advancing Export Development. They are: What are our goals? Who are our clients? What do they need? What services should this Department offer them? How do we reach them? and, How can we measure our progress? It’s all not an easy task, but taken collectively, the answers should help us not only establish a plan and set benchmarks, but also resolve major surrounding issues such as organizational structure, budgets and how we work with our partners. A glimpse at the questions and some of the underlying issues:

What are our goals?

Broadly speaking, our goals are clear. They include:

- C continued increases in the value of exports from Nova Scotia;
- C greater diversify in the types of products and services that are exported;
- C more companies successfully starting to export;
- C more existing exporters penetrating new markets;
- C achieving recognition and competitive advantage in the global marketplace.

A far more difficult task will be to quantify these objectives and to set out a realistic plan for their realization. At the same time, these external goals must be set against our own internal imperative to most efficiently use the limited human and financial resources available to us, while continuing to fulfil our leadership role in coordinating Provincial Trade.

Who are our clients?

At first glance, this question seems to lead to a straightforward response that our client base is merely comprised of those in the relatively small exporting subset of all businesses in the Province. For the most part this is true and, furthermore, these companies are catalogued in our well-maintained WIN Exports Database which identified 808 such “active exporters” in Nova Scotia as of June 1, 2000. But, there is a wrinkle.

The active exporters are responsible for our entire existing base of export sales, and are tremendous economic assets, both in what they contribute at present as well as their potential to help us reach our growth and diversification goals. The wrinkle is that they are only part of the equation; it can be argued that the 639 other companies listed in WIN as “export-ready”, as well as all of the other unknown, or unlisted, companies are really where much of our export growth potential is hidden. As well, these are the firms that can — and hopefully, will — ultimately contribute to our goal of spawning new exporters.

It can also be said that a third client segment exists among other Provincial Government Departments, Trade Team partners, Development Agencies, Universities, Financial Institutions, Consultants and private sector trade facilitators, who regularly seek the advice and assistance of the Investment and Trade Division in connection with our specific expertise and functional responsibilities.

What do our clients need?

Going to the clients and asking them directly is perhaps the best way to answer this, and is an approach that should be seriously considered, but in the absence of primary research, we can, however, fall back on our experience. First, (and consistent to some extent with the federal viewpoint) we find there are degrees of exporting experience within the business population, each characterized by some basic needs:

Potential Exporter

awareness of exporting as a growth alternative
encouragement to overcome the “fear factor” associated with exporting
a support network

The Developing Exporter

market contacts
financing
management/specialist expertise

The Large, Established Exporter

market diversification
recognition
expansion

Second, we find that all of our business and non-business clients need information and expertise — “commodities” that have clearly replaced financial support as our principal *raison d’être*.

And thirdly, the Department meets the need for a coordinating function of Provincial government trade development activities, including:

- C negotiating, administering and implementing federal/provincial Agreements;
- C liaison with Municipal, Regional, Provincial and Federal governments;
- C executing generic trade programs, multi-sector projects and regional events;
- C overseeing trade policy; and
- C acting on behalf of industry sectors with inadequate line Department trade support.

What services should we offer?

A very full menu of services is offered by governments here, and around the world, in promoting trade and the business level. It frequently includes:

- C Trade Awareness
- C Training Programs, Courses, Seminars
- C Market Information and Intelligence
- C Foreign Market Support
- C Export Clubs
- C Financing Programs
- C Logistics/Distribution Assistance
- C Trade Missions
- C Trade Shows and Events
- C Country Information/Cultural Sensitivity/Language Training
- C Mentoring/Counseling
- C Export Awards/Recognition
- C "How to" Information - Written and Electronic
- C Strategic Alliances/Partnerships Facilitation
- C Management Development
- C Exporter Databases
- C Trade Statistics
- C Trade Policy Coordination
- C Sourcing (eg WIN Exports)
- C Business Retention and Expansion Support
- C Foreign Buyer Visits
- C Matchmaking/Lead Generation
- C Websites/Bulletin Boards
- C Industrial Offsets
- C Import Replacement Programs
- C Branding Programs
- C e-Commerce Initiatives
- C Employment Assistance
- C Academic Partnering/Student Interns

Although daunting in its scope, the full menu is largely available in Nova Scotia, offered by the various Trade Partners who have either carved a single niche (such as Financing), or offer some combination of those above. Many of the Partners function only within specific sectors, such as the various Provincial Departments with trade responsibilities:

For governments, the challenge is to make order out of this seeming chaos and match clients' diverse needs with the proper providers. In practice, it is not really as complex as this plethora of service possibilities would indicate, and TTNS is proving to be a very worthwhile coordinating mechanism.

Amidst all of this, the challenge for Economic Development is to establish its position and select its own core business service offering that will:

- C best meet our clients' needs
- C be supported by the competencies of our staff

- C be complementary to our partners' offerings
- C fall within budgetary constraints
- C achieve our stated goals

To get to specifics, we need to ask a lot more questions, starting along the lines of: Should we change from our focus on Trade Missions? Why? Why not? If so, to what? If not, then how can we continue the momentum? How many Missions? Where? How often? What participants? Where will they come from? What about New England? Other markets? Where do other activities fit? Export Rallies? Export Achievement Awards? WIN?

The list goes on, but to assemble a workable plan and change to meet the needs of clients, these sorts of questions have to be systematically addressed.

How can we reach our clients?

For the most part, this isn't a difficult task. Our key asset is the WIN database which is essentially an inventory of the Provinces' active exporters and a great many potential exporters. The list is of manageable size and contains detailed contact information, descriptions of products, services and markets of interest for each client. As such, it is an ideal starting point for deploying the techniques of Relationship Marketing to reach them individually. With this client base already in place, we can follow up with those we know, have interacted with in the past, or who have been participants on trade missions or attended other events.

Similarly there is a tremendous (but largely untapped) resource in the major corporations in the province who could act as mentors, intelligence "agents", or links to global business networks. They merit more attention, but such an initiative has been curtailed by a scarcity of the human and financial resources to systematically implement it.

The most vexing question is how to ferret out those we don't know — especially the new entrepreneurs, the potential exporters and those with domestic-only markets. But, we are also fortunate to have extensive networks among our Partners, Regional Agencies and others who can help find them. We also have had success reaching this segment with our Export Rally Program.

Finally, we should consider the benefits that awareness programs and communications can provide for us, by announcing our activities and events through the media, the Internet and other means. And, perhaps we should try harder to encourage our clients to trumpet their own successes...

How can we measure our progress?

The big measures, of course are those set out in the goals — growth in exports, numbers of exporters, and so on. These are worthy indicators, but the difficulty is one of attribution. Export Development is more of a cooperative endeavour than possibly any other development activity in government, and like any team sport, it is very difficult (if not impossible) to credit any individual member with overall success.

Perhaps then, it would be inappropriate to focus entirely on individual goals based on broad economic measures and concentrate instead on becoming the "star" team player. If so, our focus should really be on the micro achievements gained with each component of our plan,

looking towards the progress of each of our clients as the real gauge of our success. This underlines the necessities of engaging our clients in a continuing consultative relationship and maintaining accurate tracking information – both worthy goals in themselves.

ONE APPROACH

The old saw, “If it ain’t broke, don’t fix it.”, can often be a practical approach. At this time, with respect to the role of Investment and Trade within Nova Scotia Economic Development, it’s probably good advice as well; it simply makes good, intuitive sense to build our “business” around what we do best and around what is consistent with our mandate. Staying this course means that a strong case can be made for re-adopting a set of core activities that would, at least, include the following:

- C Central Trade Agency
- C Trade Missions
- C New England Office
- C Federal-Provincial Trade Coordination
- C Export Achievement Awards
- C Trade Policy
- C Trade Database Maintenance

The exercise then becomes one of using these fundamental responsibilities as a foundation, and determining what else should be added, changed or deleted to improve their quality, delivery or effectiveness. The following set of new initiatives is offered for discussion as some possible supporting elements to the core activities:

- C Research conducted informally by Trade Officers amongst their client bases, or more formally in focus group settings, to drill down on the needs of our clients and help adjust our service offerings;
- C A renewed focus on export-ready companies, particularly those in the WIN list, as future candidates for Trade Missions and other events;
- C Pre-mission training sessions for all neophyte participants;
- C A structured post-mission follow-up program to track companies’ progress and provide one-on-one consultation to assist in order fulfillment;
- C Continuation of the popular Export Rally Program, especially in rural areas of the Province, to generate awareness and help identify new exporters;
- C Follow-up to the pilot of smaller-scale “Trade Express” information sessions, in partnership with RDA’s and others;

- C Active promotion of the newly-extended Canada-Atlantic Provinces International Business Development Agreement amongst Trade Team members and others to help maximize benefits to Nova Scotia;
- C Coordinating and liaising with RDA’s, UBDC’s, CED and other groups working on the front lines with the business community
- C A proactive campaign to stimulate WIN registration, especially in Cape Breton (in partnership with ECBC);
- C Investigating other means (such as media advertising) of advising the public of upcoming trade missions and events;
- C Compiling an inventory of qualified, professionals who can be contracted as

- “matchmakers” for trade missions in selected markets;
- C Returning to a more active role in client counseling;
- C Working with Trade Team Nova Scotia, especially ACOA and Industry Canada, to agree on a common Trade Strategy for the Province;
- C Establishing a closer working relationship with other provincial trade partners, including cooperation on joint activities, events and information provision.

CONCLUSION

The questions are endless, as are the alternatives, and beg a thorough review, wide consultation and the ultimate deployment of the Strategic Plan for Trade for the Department of Economic Development, and a determination of how we can best play a significant supporting role with our Partners in Export Development in Nova Scotia.