



100 Global Champions: Resetting Canadian Business World Ambition

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Merci, Peter, pour cette présentation, et à vous tous pour cet accueil chaleureux.

J'ai eu l'occasion de regarder la liste des personnes présentes aujourd'hui et je peux vous dire qu'il y a plusieurs personnes exceptionnelles parmi nous. Avec, entre autres, des dirigeants de plusieurs entreprises chefs de file de leurs industries respectives – des entreprises telles SNC-Lavalin et BCE.

C'est reconnu que Montréal est une véritable plaque tournante regroupant les sièges sociaux de plusieurs grandes entreprises canadiennes, telles CAE, CGI, Bombardier, ou encore, notre partenaire Air Canada. Mais si on demandait au Canadien moyen de nommer à brûle-pourpoint des entreprises canadiennes qui sont des chefs de file mondiaux dans leur champ d'activités, la plupart des gens auraient de la difficulté à en nommer plus de sept ou huit. (Vous êtes chanceux, je vous ai déjà donné la moitié des réponses).

And certainly while the list of Canadian global leaders is more than 10, with leaders in financial services, natural resources and biotechnology, for example, building that list of companies that are the very best in the world at what they do takes a fair amount of effort.

Why is that?

We have so many advantages: exceptional education and health care systems, safe and secure communities, a diverse population, and abundant natural resources. With all of this, why isn't Canada taking the world by storm?

I'll give you a couple of sobering statistics:

Our proportion of the global economy is just 1.75% according to data collected by the IMF, and that proportion has been shrinking annually.ⁱ

A 2014 Deloitte report noted that global exports increased at an average annual rate of 9.1% between 2000 and 2012. Over that same period, Canadian export growth only averaged 4.2% annually.ⁱⁱ

For much of our collective history, Canada's economy has been driven by a significant manufacturing base serving the North American market, and strong natural resource companies that have succeeded globally, and I'm not predicting their demise. Nor am I denying the leadership that our financial services companies have shown, particularly evident during the financial crisis of 2008.

What I *am* saying is that it's not enough. We need more Canadian companies with that dream of being global. And becoming a global company doesn't just happen.

In fact, research I'm going to talk more about today tells us that almost 2/3 of mid-sized companies deliberately planned their international expansion. It takes not just planning, but resources, market knowledge, time and often a bit of serendipity. But it also requires something more. It requires ambition.

And the question that had been nagging at me was "Do we as a country have that ambition to be the best in the world, to lead on the global business stage?" Or are we commonly content to build strong domestic businesses that reach a certain size and maintain that size, or sell to an international partner, allowing the entrepreneurs to take an early retirement?

That's not a bad dream, one that many in the room long for, I'm sure.

But as Canada approaches its 150th birthday, and Montreal its 375th, if we are to maintain our standard of living, our competitiveness, and provide a future for our children brighter than the one that we have been given, we need to both inspire and support the next generation of global leaders – 100 Global Champions – companies that are the very best in the world at what they do.

Given our own experience on the global stage, and our interest in the common good, Aimia commissioned research of almost 350 companies that had a minimum of 50 employees – large enough, we ventured, that they would be exploring the idea of expanding internationally, if they hadn't done so already.

And through this research we specifically asked about expansion *beyond* the U.S. In 2014, Canada exported 73% of its goods to the U.S., a proportion that has barely budged in 20 years despite a much deeper interconnectedness globally.ⁱⁱⁱ Expanding overseas is a challenge on another scale – from the obvious implications of crossing more time zones, operating under different regulatory and legal regimes, language and cultural differences, and often narrower market knowledge. But in many ways, expanding beyond the U.S. first is a less risky prospect for a first foray into international business, given that the U.S. market is the most crowded and competitive in the world in many industries, creating greater pressures and putting more at stake.

Our findings were startling.

We talked to 106 companies from across the country that *were not even considering* going global. Of those, almost three quarters have *no desire* to expand beyond Canada and the U.S., and almost 2/3 of them did not identify with a single benefit to going global.

- 96% did not think being global would boost productivity
- 92% didn't think a global footprint would increase expertise
- Another 92% did not believe being global would insulate them from an economic slowdown in Canada;
- and 83% did not think that going global would expand their range of clients.

Some companies don't lend themselves well to global expansion, certainly, because they're harder to scale. Perhaps their product or service is uniquely meant for Canadians or Americans, or laws and regulation make international expansion too difficult.

But what interested me in this research was the finding that 80 per cent of the companies said their businesses are not well suited to for international business. Maybe. But I'm dubious. The companies in our survey are well established – with an average of more than 26 years in business. So to find that 63% didn't agree with *even one* of the suggested benefits to going global was quite a surprise to someone who spent their career in the global marketplace.

Because we also found that among the 119 already-global companies we surveyed, 90% of them considered their expansion beyond Canada and the U.S. a success. They expanded their range of clients, accessed new partners, insulated themselves from economic slowdowns in Canada and achieved higher returns on investment. You may have seen Export Development Canada's campaign illustrating such Canadian success stories.

We know, then, that if we can help more Canadian companies take that step of going global, they will quite likely be successful, which is good both for the company and the country.

So what about those companies on the cusp? These are the companies poised to be, in my estimation, the leaders of tomorrow, the ones that appreciate the value of what the global market has to offer.

We spoke to 123 companies that are now considering going global, and the challenges they are having today. Let me highlight just a few:

- Half don't know how to tell if their company is ready to make the leap
- 28% don't know how to source customers overseas
- 60% say they're far too busy to develop their expansion strategy
- Almost half are finding it difficult to figure out which country to expand into
- And a quarter of them don't even know where to start.

More broadly, our results paint a picture of a group of companies that have the ambition to expand globally, but are facing risk, and have gaps in resources, knowledge and talent.

Now, we are fortunate in Canada – especially here in Quebec – that there are many, many government and non-governmental agencies that exist specifically to help companies expand internationally. Strong organizations like the Business Development Bank of Canada, boards of trade, le Ministère de l'Économie, de la Science et de l'Innovation, the Federal Trade Commissioner service, and CORIM, right here in Montreal.

But here's an unfortunate truth. While awareness of most of these organizations is very high, few of the companies we surveyed had actually engaged with them. And when we asked about the value they saw in each organization, frankly, the results were tepid.

What should we make of that? Certainly these organizations are working very hard in their mandates. But there is probably a mix of two things underneath our finding – one, that business leaders don't really understand how these various agencies can support their international growth, and two, that in some cases these support services need to evolve their approach and their staffing to better support the companies of tomorrow. Add to that, the work needed to figure out which organization to even start with and you can understand why paralysis might set in.

Companies in services rate these agencies significantly lower than those that sell goods, suggesting some challenges in supporting companies with different business challenges, related, for example, to intellectual property protection or the knowledge economy in general.

In total, 59% of companies considering international expansion, don't feel they have adequate resources to help make the move outside Canada.

This challenge is one that Aimia experienced as it grew into a global business. The organizations we dealt with in Canada were created and staffed to support a different kind of Canadian company – one that exported, rather than expanded internationally; one that relied on selling something you dug out of the ground or rolled off an assembly line. Not only does Aimia not sell “stuff”, our services are somewhat niche and not well understood, as is the case with many knowledge economy companies.

The federal government has clearly signalled that it recognizes both the need for Canadian companies to lead on the international stage, and it is working to evolve how to help make those plans reality.

Minister of Environment and Climate Change Catherine McKenna told this room two months ago that the government is providing \$130 million over five years to further support clean tech research and development. Her words were telling. Not only was it good for the environment, the investment is directed towards the opportunity for “good new jobs. For successful, world-leading companies.”^{iv}

Global Affairs Canada has given clear indication that it's evolving to meet the changing needs of companies. Government agencies, though, are not the only, or even perhaps the primary way that business leaders navigate the international stage. Groups like Quebec Global 100 and le Chambre de commerce du Montreal Metropolitain, work with companies to help problem solve, and importantly, build relationships. Several organizations, including QG100 and the Toronto Board of Trade, have created mentorship-style groups, to help executives trouble shoot their specific barriers.

In past conversations with the government, we at Aimia have talked about the potential of creating a company concierge to help navigate the various government and related organizations that can help, so that you're not starting from zero with each phone call you make to a new part of government. The company concierge would be a government official who really understood the various services that already exist to help right across government, and get to know the company in a personal way.

And when trying to expand internationally, personal background and relationships matter. Almost three-quarters of companies considering global expansion have top leadership that worked for another global company, versus 44% of those not considering global expansion. Two-thirds have leaders who have lived abroad, versus 54% who are not trying to expand. Leaders of these two groups also differ in their education: 63% of those who want to expand have been educated somewhat outside North America, versus 45% among those who don't.

Clearly, having international exposure somewhere in your formative years takes away some of the fear factor and stimulates the dream big gene.

The research I've presented here today is of course not the only study to uncover impediments to Canadian business expansion, but one area you don't read a lot about is the personal element - why the background and the outlook of the people leading businesses matter.

My story and that of Aimia, in fact, is a good example of why the personal matters. Aimia, for those of you that don't know, grew out of Aeroplan, which started out as Air Canada's frequent flyer program. I worked at Air Canada in the late 1990s in several roles, including responsibility for international sales and operations and the integration of Air Canada with Canadian Airlines upon their merger. And when Air Canada was looking to shed some of its non-core assets following that merger, I had the opportunity to lead the spinoff of one of the businesses.

I focused on Aeroplan because I believed that the loyalty business model lent itself to replication on the global stage. While other airlines kept their frequent flyer programs in house and narrowly focused, Aeroplan grew into the company that it is today as Aimia, with operations in 17 countries and more than 3,000 employees.

That success of course, belongs to each and every employee that has worked for the company. But my background mattered. As a Brit – I know – you’re surprised – who had previously worked as a management consultant with clients around the world, I had a global mindset.

And as we built the company, we surrounded ourselves with more people who had that global mindset and actively engage in the world around them.

Aimia’s business of data-driven marketing and loyalty analytics makes business personal for members of our coalition loyalty programs, Aeroplan in Canada, Nectar in the U.K. and Air Miles Middle East, and we help our coalition partners and individual clients do they same for their customers. Personal relationships matter – whether it’s between a business and its customers or an executive and other business leaders. I would guess many of you here today came because you believe that very fact. You’re here to strengthen relationships with partners, clients or to meet new prospects.

Building those relationships on the global stage are equally important. And yet Canadian business leaders at global events such as the World Economic Forum’s annual meeting in Davos continues to be lacklustre. The speakers and formal conversations are certainly important – but equally important are the opportunities to meet other business leaders from around the world in formal and informal ways. Nurturing those relationships may be a slow burn. But they matter. That international outlook matters.

Canada has a competitive advantage in this regard. One in every five people in Canada was born somewhere else. 13 ethnic origins have more than a million people here.^v We have the opportunity to harness their personal relationships, and international knowledge and perspectives to create a generation of entrepreneurs that start with a global dream.

The Canada of tomorrow will look very different from today. We are moving towards a country increasingly based on intellectual capital, that is diversifying from its reliance on natural resources, that is being built by an ever-increasing proportion of first and second-generation Canadian with strong ties and knowledge from around the world.

We can’t just expect the transformation to happen by itself. Dominic Barton, the global managing director of consulting giant McKinsey & Co., who is chairing an advisory council for Federal Finance Minister Bill Morneau said in an interview last month that the situation is critical. He noted that Canada’s 18 million jobs are destined to look a lot different 10 years from now, and that – quote - “If we aren’t careful, I don’t think it’s going to be a very good story.”^{vi}

And certainly many people and organizations are paying attention.

Montreal Mayor Denis Coderre has himself been active in leading trade missions abroad, to China last year and most recently to Europe. He’s leading by example.

What can you in the room do?

- Number one. Make sure you and your companies are part of the debate. As we developed this research, many people asked why Aimia is doing this? The short answer is two-fold: any changes we can influence help Aimia as much as any other company, and two, I believe companies have

a responsibility in working with government to build public policy and support together. We can't expect the government and its agencies to magically solve all business challenges without contributing our experience, perspective and needs.

- Number two. Many of you in the room are consultants. Some of you are *our* consultants! Talk to your clients. Put the belief in possibility.
- Number three. If you're a business that has never considering expanding globally, do so. Take one step. Use the many resources that are in fact open to you.
- And number four. If you're running a business, take advantage of the wealth of international experience we have among our population today. You yourself may not know the first thing about Poland, for example. But it's really not hard to find someone who does. Often that's within your own company.

Mais peut-être que ce qui prime par-dessus tout, c'est l'ambition. Nous devons être ambitieux pour nos organisations, nos gens et pour notre pays. Bâtir notre futur via l'expansion internationale de nos entreprises, que ce soit par le commerce international, la croissance organique ou encore, par acquisitions est un élément-clé de cet ambition.

La Ministre de l'Économie, de la Science et de l'Innovation du Québec, Dominique Anglade a mentionné récemment que depuis 2010, 258 transactions de sociétés québécoises acquéreuses à l'extérieur du Québec ont eu lieu.^{vii} Donc peut-être que certains d'entre vous ici présents pourraient servir une leçon au reste du Canada en matière d'ambition.

L'agence mondiale de communication Edelman, qui publie son baromètre de la confiance annuellement, mentionne à quel point, année après année l'image de marque du Canada est forte et qu'ainsi nos entreprises ont un avantage concurrentiel, juste parce qu'elles sont canadiennes.^{viii}

Nous devons simplement saisir l'opportunité. La porte est vraiment ouverte.

Merci beaucoup pour votre présence et pour votre attention.

Je vous invite maintenant à me poser des questions, mais, en toute humilité et par souci de bien pouvoir articuler mes réponses, je vous invite à le faire en anglais, s'il vous plait.

ⁱ "IMF World Economic Outlook (WEO) Update: An Uneven Global Recovery Continues." International Monetary Fund. July 2014.

ⁱⁱ Deloitte Canada. The Future of Productivity: Smart Exporting for Canadian Companies. Future of Canada (2014): Print.

ⁱⁱⁱ "Imports, Exports and Trade Balance of Goods on a Balance-of-payments Basis, by Country or Country Grouping." Statistics Canada.

^{iv} McKenna, Catherine. "After COP21: Environment and Climate Change Priorities for Canada." Conseil Des Relations Internationales De Montréal (CORIM), Montreal. Speech.

^v Immigration and Ethnocultural Diversity in Canada National Household Survey 2011. Ottawa,; Statistics Canada, 2013. Print.

^{vi} Blatchford, Andy. "Economic Growth Expert Says Canada Needs to Act Aggressively — and Soon." Toronto Star 20 May 2016: Print.

^{vii} Richer, Jocelyne. Vente De St-Hubert: Québec Veut être plus Proactif à L'avenir. La Presse [Montreal] 31 Mar. 2016, Affaires sec. Print.

^{viii} What Business Leaders Can Learn From the Trudeau Effect. 2016 Edelman Trust Barometer: Canadian Results. Edelman Canada, 03 Feb. 2016.