A great crew, but the ship’s sinking

At the root of our decline in prosperity is an economy that replicates rather than innovates, argues business specialist Roger Martin

Incomer ability to innovate and improve. Further, Canada sought to keep together an uneasy coalition of provinces by encouraging regional diversification, subdividing the sprawling industries across the country. This created an environment that did little to encourage the growth of reinforcing clusters of firms supported by specialized infrastructure and institutions. Isolated in their own world, firms such as Algonina Steel and Cape Breton Steel lacked a supportive environment in which to upgrade and innovate.

Paradoxically, Canada made choices in other areas that enabled us to create the exemplary culture from which so many exceptional and globally successful individuals have sprung. Like the United States, Canada opened itself to a wave of settlers who brought with them the entrepreneurial spirit and people committed to creating a better life. They left their home countries behind. Throughout the 20th century, Canada was a leader in educational spending, giving its citizens the thinking tools required to succeed. Canada also pursued policies aimed at creating a tolerant and multicultural environment.

On the cusp of a new millennium, Canada is in an intriguing position. We are valued internationally as an exemplary global citizen. Our people are succeeding abroad in foreign firms and in a variety of fields outside business. But too few of our firms are succeeding globally, and it’s starting to show.

Lalonde’s prediction didn’t take into account the impact that globalization would have on the Canadian model. Late in the 20th century, globalizations began to pose long-developing weaknesses in Canadian foundations of prosperity, and laid out a challenge for us all.

In 1991, after more than 20 years of standing third in the world in gross domestic product per capita (the best overall measure of relative prosperity), Canada slipped to fifth, and has vacillated between fifth and seventh ever since. Had we simply maintained our standing at third, every Canadian family of four would have had $33,000 more, or about $600 a month after tax in 1990. This represents a 27% drop in standard of living relative to 1995.

At the root of our decline in relative prosperity is a Canadian economy that to a greater extent than other leading economies replicates rather than innovates. Producers across a wide range of industries and segments of the economy, particularly those in information and knowledge-intensive industries, are the future of this economy. Governments must promote the attractiveness of the micro-economic environment for businesses through a combination of policies that will help firms to compete, increase the number of high-wage, high-tech jobs, and slow the brain drain.

Finally, and perhaps most important, our firms must become obsession with innovation rather than replication, and with global success rather than Canadian success. Belatedly, innovation and upgrading of productivity are the keys to international competitiveness in the modern economy. Nutril and IOS Uniphale in telecommunication sectors, or Four Seasons Hotels and Butlerfield & Robinson in travel and hospitality show it certainly can be done. They compete globally and on the basis of unique products and processes. Not one of them would say it is easy — but the rewards will be many.

Only when both businesses and governments choose to challenge our way of doing business competing with us will we fulfill the hopes of Sir Wilfred Laurier, and the vision of a prosperous Canada. As long as we remain complacent, we will continue to be a low-income, high-wage country. And if we want to compete on an equal footing with firms around the world, we have to be prepared to give up our complacency and our complacency and our complacency.