

**CANADA'S CULTURE OF COMMERCE  
- OUR WEAKNESS?**

**By  
H. Douglas Barber, Ph.D., P.Eng.**

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In the world of commerce it is easy to engage in discourse on finance and intellectual property. I'm going to consider people, human currency, and the effectiveness of our investments in human development. Customers, researchers, innovators, designers, marketers, commercializers, managers are **all** people!

Jeff Crelinsten and I interviewed thirty-one of the CEO's of Canada's 120 most research intensive, commercial enterprises. We have since found, with complete data, that there are 228 companies in this group; doing about 60% of the private sector R&D in Canada, with sales of \$75B, and growing on every significant performance indicator.

We interviewed thirty-one CEO's in this group of global players. They indicated that Canada's Culture of Commerce is the weakest in the developed world. Now I know that kind of statement puts me and many of you immediately on the defensive. But let's take a deep breath and give these important and successful commercial players enough respect to examine ourselves with some confidence that the truth, whatever it is, will benefit us. Indeed, success in free commerce requires us above all to get real.

I've been trying to examine myself and us realistically over the last six months. I first had to be clear about what we mean when we use the word "culture". It's a word that is often used glibly, either because it is possessed by an interest group, or just because it seems a good motherhood word.

I've come to the conclusion that culture is based principally on what we believe is important, coupled with what we believe is true. It is about our deep beliefs – beliefs that govern our actions and reactions in life.

The fact that I believe something is important makes it important to me but not necessarily important to anyone else. In commerce two parties have to agree on significant importance or the deal dies. To be really successful I need to understand my values and try to understand the values of the party that I want to engage in a value exchange. Even the desire to understand facilitates commerce. Commerce is the value exchange.

This evaluation is improved or encumbered by my beliefs about what's true. The fact that I am confident I know what is true does not mean that it is true or that anyone else would agree. The examination of priorities and values leads to higher confidence about the **true** priorities that I hold and that the exchange party holds. The examination may move us closer to the truth if we can risk being open and honest but we still have to be humble and considerate to increase the probability of successful free commerce.

In reality, our beliefs are not easily changed and dollars don't do it. You can buy people's time and bodies but it is much harder to buy their hearts and their energy. Effective policies need to address the heart as well as the pocket book.

Next I had to be clear about commerce. Commerce is the acts of exchange that occur between free parties who see appropriate value in what they receive in exchange for what they give.

When power, force, manipulation, fear or fraud is a factor in the exchange, freedom is taken away. We do not generally consider forced exchange as legitimate commerce. In North America there are laws prohibiting these kinds of factors in commerce. However, commerce often contains elements of these in varying degrees.

Because the parties are free there has to be a true value exchange where the issue of price is often the last hurdle on the way to a deal. Commerce is one of the most difficult things humans do. It is a human act even when it occurs between organizations. It flourishes when there is confidence and goodwill between the parties, coupled with a sense of rightness, excellence and caring in the exchange. It is at once both objective and subjective.

The **culture of commerce** is therefore the set of values and beliefs or the attitudes we have towards commerce. The thirty-one CEO's said our attitudes, our values and beliefs disadvantage us in global commerce.

I am now going to suggest a number of beliefs and values that I think we hold that cause difficulties for us in commerce:

1. **Maintain excellent research and prosperity will follow**

In Canada, we seem to believe that free research, unencumbered by relevance, is the base for commerce. We spend significant sums on independent academic research and wring our hands about how to commercialize the outcomes. At the same time we are not real about how little we contribute to the world's new knowledge. It is less than 0.8%. We also need to understand that people make commerce happen and that in the knowledge-economy they do that from their knowledge base. For many, part of that knowledge base is acquired in their post-graduate, academic research. However because of the beliefs and attitudes inculcated with that learning they generally have significant cultural unlearning to do before they can become effective commercial players. Research and discovery are important and necessary elements in creating value for commerce but we need a more balanced and honest view of their place in the context of all the other essential scientific, technological and human elements in the value exchange.

2. **Commerce begins with innovative ideas**

Coupled to the research emphasis is a belief that commerce is about getting good ideas to market. We are now beginning to get factual measures that indicate the most successful route to commerce is to understand the customers and their needs and to use the knowledge we have, with some discovery attached, to develop the products or services that address those needs competitively. The probability of success in **technology push** is estimated to be less than 0.3% of the probability of success in **market pull**. A strong belief in technology and good ideas keeps us in high failure mode. A market pull, customer orientation puts you into conflict and disfavor even if you achieve successful commerce. That is partly why we focus a great deal on new and evolving technologies and little on present and evolving commerce.

3. **We're a big country and model ourselves on the USA**

Canada with 6.2% of the world's land mass is the number two country on the globe. With the associated natural resources Canada has been, and still is, a big player in the hunting and gathering economies of minerals, wood, oil, gas and fishing. It has also

been a big player in the cultivated economy of agriculture and aquaculture. We have won 2.0% of the world's economy with 6.2% of its resources. Not exactly a stellar performance. However that economy is decreasingly able to support our desired standard of life and living. We are looking to the knowledge-based economy where we have 0.5% of the world's resources, namely, our 32 million people. Maintaining a 2.0% share in the world's economy with 0.5% of its resources is a very different challenge. Here we are a very small player placing number 35 in the world with the top countries all 4 to 40 times our size. However, we have a good base of developed people on which to build. But we will have to learn to be a small player and to excel and grow at that. Our attempts to play in the big world in big ways will fail. We need to get real. I'm happy to note that our new Minister at Industry Canada seems to sense this.

4. **Any Economic Activity will do**

In the difficulty of big trade in a big world we grasp desperately for success, and we pride ourselves in the successes we achieve in **the untraded economy**. That is the commerce we do amongst ourselves. We are not understanding that a small country prospers on trade outside its borders – **the traded economy**. Indeed in the knowledge-based economy our internal market is typically less than 2% of the world market. Success is about doing what we do best for the whole world. That's a belief we have to resurrect.

Let me come now to some cultural beliefs and values that impact startups and early stage companies in Canada.

5. **A dollar is a dollar**

Most startup entrepreneurs do not recognize that sustainable commerce is based on all the dollars coming from customers. Dollars coming from investors, lenders or governments do not continue and they place heavy demands on the company's time and attention. That often conflicts with commerce. We have a lot of companies in Canada with no sales. They are conscious of their burn rate and they put much of their vital energy and innovation into financing.

6. **We believe in failure**

Nine out of ten commercial ventures will fail. How often have you heard this? It's a law that can't be changed. A consequence of this belief is that if success happens both the financial supporters and the entrepreneurs plan to cash in and get out. We not only believe in failure – we abandon success.

7. **We are all experts**

Even though most of us have never had to meet a free customer's needs and never had to juggle or sweat to meet payroll every two weeks, we are still arrogant enough to believe we understand commerce and are as expert as anyone else. This is far from the truth and it is a source of ongoing misunderstanding of commerce.

8. **Commercial people are less ethical**

This is one that is felt at all levels of commerce. We aren't trusted. Ethics (doing good for all – including ourselves) is a continuing challenge for every human being. It is true that it becomes more challenging if you gain any power over others. The issue of ethics is not greater in commerce. We are freer and less conflicted in identifying the evils in commerce than we are in health, education, social services and government. The

question of whether they are ethical – doing good for all – remains. However the sense of Canada’s successful innovative enterprises, who trade globally and have active presences in other countries, is that the distrust and associated alienation is higher in Canada.

The topic of Canada’s culture of commerce is not exhausted but these thoughts do raise the question – what can we do to strengthen it? Here are some suggestions.

1. Take time to get in touch with your culture of commerce (your beliefs about what is important and what is true).
2. Take time to examine your culture of commerce. Could these beliefs be poorly founded?
3. Discuss your beliefs and values with others, and particularly with those directly involved in commerce. Open your beliefs and values up to the challenges and the reinforcement of others.

These three steps are especially important in the learning environments where the “culture” of the next generation is shaped.

I hope this will stimulate your thoughts and lead you to constructive actions that will strengthen our culture of commerce.