



Canadian Economic **Trends**

Which Way Forward? An Interview with Jim Carroll



Futurist Trends & Innovation Expert Jim Carroll



“Volatility is the **new normal**”

Jim Carroll is frequently approached by global news organizations to comment on economic issues. He was recently interviewed by the CBC (Canadian Broadcasting Corporation) for his perspective on how the Canadian economy will be impacted by recent global events. This document summarizes key components of the interview.

Jim Carroll

Jim Carroll often speaks on global and national economic trends, and has spoken to audiences in Zurich, New York, the Cayman Islands, Palm Springs, London, Los Angeles, Budapest, Miami, San Francisco, Nassau and Stockholm.

Jim’s clients include some of the world’s largest organizations, including Nestle, Motorola, the World Congress on Quality, Caterpillar, Verizon, the BBC, Blue Cross Blue Shield, the Property and Casualty Insurance Association of America, and the Swiss Innovation Forum, to name but a few.

His insight has been covered by *CNBC*, *ABC News*, *Business Week*, *INC*, *Fast Company*, the *South China Morning Post* (Hong Kong), *The Age* (Sydney, Australia), *CAPITAL Magazine* (Dubai/United Arab Emirates) *CEO Magazine Hungary*, *Credit Suisse Bulletin*, *Association LEADERSHIP*, *Policy Options*, the *National Post* and *PROFIT*.

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JIM CARROLL



Business Transformation

How can an economic region discover opportunity? From Jim's perspective, it's through skills transformation. He recently key-noted a community economic development summit in an auto-industry dependent city. He comments about the challenges that exist in the manufacturing sector: and how some regions are turning challenge into opportunity.

Question: National economic projections may be misleading for many considering that boom areas can shift data sets. What differences do you see in the economic health of the various regions in 2008?

Jim Carroll: I just spoke at an economic development event in Windsor yesterday; there was a lot of press there. A young lady from CBC Radio-Canada, transferred to Windsor from Quebec City, noted that "people tend to talk a lot about the economy here." Yup! Folks in Windsor are inside the automotive-challenge-bubble, and all they see is downside.

My message focused on how other manufacturing centers worldwide are transitioning up the skills ladder, taking existing skills, layering capabilities on top of them, and attacking new markets.

"The world of manufacturing has changed. Anything to do with non-sophisticated, value-added manufacturing has moved offshore to cheaper labour markets. The companies that survive will be those dealing with intellectual property or knowledge." Carlos Broen, CEO, Broen Industries



In Sydney, Australia, one metals company has transitioned previous auto workers into a new role, manufacturing parts for aerospace companies, AND manufacturing car parts destined to Chinese car companies. Manufacturing's share of the economy has gone from 21% to 19%, but has grown in value from \$14.4 to \$15.5 billion (I think the \$\$\$ are A\$). They've moved up the skills ladder. We need to do that too.

I see a lot of potential for skills transfer. Georgian College is establishing a marine navigation/engineering school, aimed at training global students from

China, the Philippines and India on the latest marine navigation technologies, methodologies etc. Moncton's flight school has about 250 Chinese students — they're taking a 48 week course, and then going back to the fast growing east-Asian airline industry

We can do more of that. Why not do that in Windsor? Why not have people who are transiting to white-hot career opportunities in the oil-patch settle into Windsor training on welding, pipefitting, assembly and all the other specialized skills that exist in Windsor, and then move to the oil patch?



Question: Dollar parity: What do you think the performance of the Canadian \$ to the US \$ will be for 2008 ?

Jim Carroll: I don't think anyone quite knows. I think the key thing is that Canadian industry has to be much more prepared for continued volatility, and in the early stages of parity, they showed signs they weren't. Publishers were making traditional excuses that "this will take time to sort out" and distributors made the same plea.

What the world has shown us in the last five years is that business organizations and countries must be prepared and able to cope with rapid

volatility. Take the issue of 'quality' — I keynoted the World Congress on Quality in Orlando in May last year. I suggested to the audience — 3,000 quality professionals in manufacturing, construction, health care, etc — from around the world — that we might soon see the issue of "quality" and "China" become linked. This was based on the pet food issue then arising in Canada.

Just a few months later, the issue had exploded, and companies were scrambling to deal with quality from every perspective. That's an example where volatility is the new normal, and that's what we need to prepare for.



What about the recession?

Question: How will growing economic problems, e.g recessionary trends, growing debt, in the US affect Canada in 2008

Jim Carroll: I think we tend to believe in Canada that we are immune. We aren't. We've got a gangbuster economy because of high oil/commodity prices. That's protected us, but it won't forever.

Oil could drop as quick as it rose. There's a lot of froth in the markets. I think we all know that.

The key is continuing to ensure that we diversify the economy beyond economic reliance on the US and commodities, and from that perspective, on the global stage, Canada is an economic pipsqueak.



The Impact of Asia

Question: I'm interested in investing in Asia. If the American economy slows, I expect global markets will be impacted. Can Asian economies decouple and recover faster?

Jim Carroll: The most important thing about China is this : there's what, something like 500 million people under the age of 25? A good chunk of them are aggressively collaborative; they're moving into a higher economic status; and they're smart.

The disparity in science education in North America vs. Asia is simply staggering. And what is happening now is that we're rapidly moving from the "MADE IN CHINA" phase to the "CREATED IN CHINA" or "DESIGNED IN CHINA" stage.

As China gets more aggressive on innovation, they're gonna rock and roll our world. Smart companies and investors will jump on that trend; other companies will whine about protectionism.





Job **Growth** and Agility

Question: The latest unemployment figures show that almost all the employment growth over the past year has come from the public sector. What needs to happen to increase the competitiveness of the Canadian private sector and jump-start job creation?

Jim Carroll: I don't think we "create" jobs. That's from the 20th century, and it didn't quite work then. It won't work now.

I spend a lot of time with US and global organizations. I've met a lot of senior leaders who are focused on innovating within the business in terms of structure, skills access, ability to respond to rapid market change, spot new opportunities, and move on them quickly. I've seen a lot of smart CIO's who have focused their energies on ensuring that the company has an infrastructure that can get them into a solid growth pattern.

I spent time with Under Armour, the global sporting goods company. The attitude of the CEO and CIO was : "if

we're going to go from being a \$200 million to a \$1 billion dollar company, then we're going to have to ensure we've got an infrastructure to take us there. We're going to be able to roll out smart retail capabilities; we're going to be work intelligently by linking into our customers information systems; we're going to be on top of our inventory everywhere minute by minute; we're going to ensure our sales team has deep insight into what's moving and what's not." They grew fast.

Compare that to Lululemon. There was an article some months back in regards to an earnings conference call; the company was whining that it was suffering stock outs and inventory problems, because of computer teething problems. Well, d'uh. Of course you will. You can't be a growth oriented company and do it with a half-baked IT infrastructure.

My money is on the UnderArmours of the world. If you have a smart CEO and CIO who understand scalability, and how to really grow in a high speed economy, you've got it nailed.



Energy prices?

Question: Given that gas prices are set to rise substantially by this summer, what effects do you foresee happening to the automotive industry?

Jim Carroll: I don't know — are they set to rise substantially? I don't think we can be certain of that. I think we do know they will be volatile (see previous answer.)

Two years ago, I participated in a two-day strategy session with senior executives in a global company. One point of discussion was the price of oil ten years out.

Their assumptions, business plans, modeling, etc. was based on \$55 oil in 2015

Two weeks later, Katrina came in.

Wham! You can't run a business on such forecasts; you should run a business (and hence, an economy) with the agility and flexibility to respond to rapid change, whether it be economic inputs, business models, consumer choice, technological developments, whatever.



Where's the **Opportunity?**

Question: Regarding the pending/current economic conditions, would you recommend moving retirement investments to the most stable of investment funds

Jim Carroll: Have you looked at the performance of some of the money market funds? Didn't part of the sign on the CIBC tower in Toronto fall to the street yesterday? Are the two linked?

I think we all know that we won't see quite the ride in the market in 08 that we saw in 07; again I hate to overuse the phrase but its all about volatility.

On the other hand, there are areas of continued, significant growth. Health care (boomers, sick, hospitals.) Global food production will double in the next 40 years with little new arable land, and so existing producers with smart operations have huge potential. Analytics is the next billion dollar market; see the trends page on my site for an example.

Pervasive connectivity is huge — I have an internet-connected thermostat in my chalet, which I head up to shortly —

there's some powerfully transformative stuff happening there.

Bio-connectivity is not on anyone's radar but is one of the biggest trends to come in health care. For that matter, in health care, 20 years back, we'll look at the transition which happened towards personalized medicine, and say, "WOW! THAT WAS BIG!" And I think one of the biggest changes to come has to do with simple demographics.

Baby boomers — many still change adverse — are letting go of the levers of power. As Gen-X, Y and Gen-Connect take over, things change faster. These folks inhale change. They'll crash open new markets, destroy business model complacency, and generally shake the hell out of everything. I'm 48, and they're younger than me and I'm really excited for the revolution they are bringing to business.

Look, the future has huge potential. That's why I focus on it!

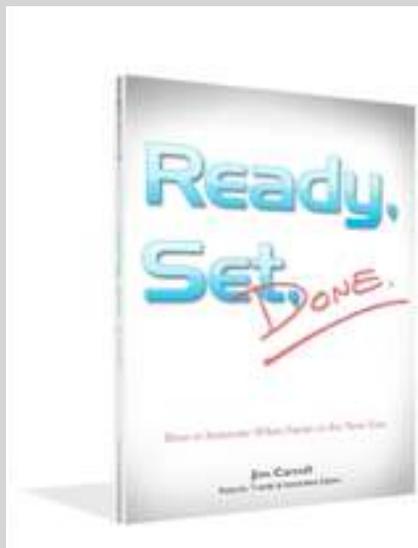


About **Jim Carroll**

Jim Carroll is the author of *Ready, Set, Done: How to Innovate When Faster is the New Fast*, and *What I Learned From Frogs in Texas: Saving Your Skin with Forward Thinking Innovation*.

Jim was recently named by *Business Week* as one of four leading sources for insight on innovation and creativity, and was a featured expert on the prime time *CNBC* series, "*The Business of Innovation*."

Jim's clients include Nestle, Motorola, Caterpillar, Verizon, the British Broadcasting Corporation, the Sporting Goods Manufacturers Association, Blue Cross Blue Shield, the World Congress on Quality, and the Swiss Innovation Forum.



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