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Time for Ottawa to Learn Business Hardball

'Canadian boy scouts." With a shake of his head, the Manhattan-born son of a Madison Avenue ad executive summed up his Canadian client. It was the mid-1980s, at the head office of strategy consulting firm Monitor Company in Cambridge, Mass. This American partner had just returned from a couple of days with his major Canadian client, one of Canada's half-dozen most important and legendary global giants (which, by the way, is no longer in Canadian hands). He felt compelled to talk to his only Canadian partner - me - to figure out what to make of these "Canadian boy scouts." He didn't say it derisively; it was half-reverential and half-befuddled.

On the one hand, he loved his client because the company couldn't have been nicer or more considerate to him, to customers, to communities, to investors, to host country governments - in short, to everybody. On the other hand, "everybody" included competitors. My partner was trying to figure out how to get his Canadian client to be a bit less considerate to its competitors - to take their share, to woo away their customers, to put pressure on their profitability. He was making progress, but still was flabbergasted that such competitiveness wasn't second nature up in Canada.

It is one of the challenges for Canadian business in the global economy: We are good scouts and everyone knows it. And while we are respected for being so upstanding, our trusty-scout nature is exploited by opponents out in that tough competitive world.

In many respects, this Canadian scout attitude worked and was stable in the pre-Canada-U.S. free-trade agreement (FTA) and pre-North American free-trade agreement (NAFTA) world. The vast majority of Canadian companies didn't have much if anything to do with the global economy, so being taken advantage of by non-boy scouts internationally wasn't a big problem. Canadian executives grew up to be boy scouts.

Things changed with free trade; the Canadian scout thing had greater downsides in a vigorously competitive global economy. Many Canadian executives who were used to the pre-free trade world had difficulties adjusting. Fortunately, a new breed of executives has risen up in Canada whose entire experience has been post-free trade: They know how to compete in a rough-and-tumble world.

So it is with Mike Lazaridis and Jim Balsillie of Research In Motion, who were barely out of college when the ink dried on the 1989 FTA. They have built RIM into Canada's most important global company, amid a vicious world full of patent trolls and gigantic incumbents who are certainly not boy scouts. (Full disclosure: I am a member of the RIM board of directors.)

Fortunately for Canada, the RIM executives are up to the task of this global competition. But they can't succeed if other important players in the economic system in which they operate don't get beyond the Canadian scout mentality - and there is an incredibly crucial test on right now.

Bankrupt Nortel Networks Corp. is auctioning off its assets to pay what it can to creditors. A key component of those assets is valuable intellectual property related to the next-generation wireless standard, known as long-term evolution, or LTE. Those intellectual property assets were created by Nortel with millions of dollars of support from Canadian taxpayers through the Scientific Research Tax Credit program.

Sophisticated participants in the global wireless market who identified desirable intellectual property in Canadian hands came bidding for those assets with their chequebooks wide open. As a strategist, I absolutely would have encouraged them to do what they did. In the end, Swedish telecom giant Ericsson was the winner of the court-sponsored auction, gaining licensing rights to Nortel's 125 LTE patents, though not ownership of the patents.

However, had crucial Swedish telecom intellectual property been up for sale instead, there would be no chance that any foreign company would have even have had a sniff at it, let alone get $300-million in financing for it (as Export Development Canada offered to Nokia Siemens Systems in its failed bid for the Nortel assets). And that's because the Swedish economic policy leaders aren't boy scouts.

The time is now - right now - for the Canadian government to step up to the plate and use the Investment Canada Act review provisions to demonstrate that, like the leaders of Canada's great global companies, it has graduated from scout status to being a full partner in global competitiveness.

It is a crying shame that dreadful management has destroyed a great Canadian company in Nortel. But that doesn't mean that as some kind of bizarre penance we have to help a major global competitor of RIM acquire important Canadian-made intellectual property assets that it can, and will, use against Canadian interests.

I am used to working on complicated policy issues that have many legitimate points of view. This one isn't complicated. It is simple. The Canadian people who financed the R&D behind the intellectual property won by Ericsson must be assured that it will not be used to the detriment of their own Canadian companies. The Swedish government would not dream of allowing that to happen if the shoe were on the other foot. Maybe they don't have scout troops over there?

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