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## The Canada-U.S.relationship: A strategy for teaching international business.

Martin Mittelstaedt

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## *The Institute for U.S.-Canada Business Studies*

Links with Canada constitute our nation's single most important economic and financial relationship. Moreover, as U.S.-Canada relations enter a new phase, the business communities of both countries face an increased need to understand the wide range of trade, investment and financial ties which link the two economies.

The Institute for U.S.-Canada Business Studies was created to facilitate access to resources — human and documentary — to enhance knowledge and understanding of this critical relationship. Our particular, though not exclusive, emphasis is on designing and providing materials

and services for business school programs.

Such materials and services include course modules, brief case studies using U.S.-Canada examples to illustrate generic business transactions, consultations with faculty to integrate U.S.-Canada examples into course content, availability of Institute staff as guest lecturers, and assistance to students working on Canada-related projects. New materials are constantly evolving as new contacts are made, custom-tailored services are made generic, and collaboration with students generates new case studies. - Stephen Blank, Director

# The Canada - U.S. Relationship: A Strategy for Teaching International Business

Why not use Canada as an example! There are good reasons for building segments on Canada and U.S.-Canada business relations into a wide range of courses on international business.

The first reason is the scale and importance of our economic and business ties with Canada. Ours is the largest bilateral trading relationship in the world, and Canada is the largest U.S. trading partner, U.S.-Canadian trade exceeding U.S.-Japanese trade by a third or more. The US sends about 20% of its exports to Canada -- far more than to any other nation. Indeed, Canada purchases more goods from the United States than West-

ern Europe. The Province of Ontario alone buys more goods from us than any other country.

Americans are more likely to do business in Canada than in any other country. Most of our students will eventually have some sort of business relationship with Canadians, whether as buyers, suppliers, partners or investors. In any MBA class, it is likely that one or two members will already have some experience in dealing with Canadian situations. Most of the others will know something of Canada through vacations, visits with relatives or high school exchange programs.

Moreover, the U.S.-Canada Free

Trade Agreement, which came into effect on January 1, 1989, will have a major impact not only on trade and investment patterns between the two nations, but also on the world economy. It is crucial that the next generation of Americans in business be fully informed as to the nature and importance of these emerging developments.

The second reason is that we can use Canada to illustrate or test general propositions about international management. Canada is a valuable example of a non-U.S. business environment. Yet, by language and history as well as distance, it is highly "accessible" to students. Many of the problems

that arise in doing business in Canada are typical of the day-to-day conduct of international business anywhere. Finally, U.S.-Canadian economic history contains valuable lessons about business behavior and about the nexus between commercial and public policy goals. Canada, in sum, provides an ideal starting point for a discussion of

business and problem-solving in the familiar context of a country next door -- which happens to be our largest trading partner.

The purpose of this paper is to introduce themes and ideas that show how Canada can be used effectively in courses on international business and to introduce teaching materials available from the Insti-

tute (see page 11). Additionally, it is to be hoped, this paper will help instructors without much background in or experience of Canada to build into Canadian or U.S.-Canadian cases or issues a sense of context that will deepen appreciation of the issues and make the evaluation of solutions more interesting.

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### The Institute for U.S.-Canada Business Studies

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# Canada in the Business Classroom

Let us begin a *tour d'horizon* of a complex relationship, by looking at some of the management problems associated with trade relations between the two countries. Then we will examine some themes associated with the idea of "Canadian management" and finally provide an overview of the reactions of the Canadian public towards foreign enterprise. Our intention here is not to add to an already extensive literature on these themes but, rather, to highlight the types of decisions or problems these themes can impose upon managers.

## The Free Trade Agreement

Given the close trading relationship between Canada and the United States, an instructor may well feel justified in asking the class, "Is Canada a good place for American companies to do business?"

Any answer to this question must certainly begin with an analysis of the Canada-U.S. Free Trade Agree-

ment which entered into force January 1, 1989. There is a set of modules devoted to an examination of the FTA. In a short essay such as this, one can only provide an overview.

From the perspective of U.S. trade negotiators (see module on how the FTA was negotiated), the primary aim was to eliminate the trade irritants that had emerged as a result of Canadian policies in the 1970s. Generally speaking, these policies amounted to additional controls and performance requirements on international business to "ensure greater benefits to Canada" and to "protect Canadian sovereignty".

*"Is Canada  
a good place  
to do business?"*

Although such requirements were also in place in the Canadian production safeguards and value added requirements associated with the Canada - U.S. Automotive Production Agreement (the Auto Pact), U.S. business only became uneasy with the establishment of the Foreign Investment Review Agency in 1975. This agency screened foreign direct investment above an established ceiling according to pre-set criteria designed to ensure the investment would mean "net benefits" for Canada. In practice, more than 90 per cent of all proposals it received were approved. But there can be no doubt it had a deterrent effect.

Moreover, the fact that a major trading country like Canada had such controls severely weakened the political case for avoiding them in other host countries. Before the FTA trade talks began, the newly elected Canadian government, under Prime Minister Brian Mulroney, totally revamped the agency, making it investment-

seeking, rather than investment discouraging, changed its name to Investment Canada, and raised the ceiling for non-scrutinized foreign investment. In return, during the talks, Canadians won the right to national treatment for their investment in the United States.

Another major irritant from the U.S. standpoint was the National Energy Program, implemented in 1980 to the detriment of U.S.-owned oil companies in Canada. Again, before the trade talks began, the newly elected Canadian government scrapped the remnants of the NEP. The resulting bargain under free trade was the recognition of a common market in energy. Under most conditions of emergency shortage, furthermore, Canadians agreed to share short supplies with U.S. customers in proportion to the amount taken before the emergency arose. Other provisions removed irritants on the Canadian side, facilitating the export of Canadian processed uranium and hydro-electricity from B.C. (See the Energy and/or the FTA module for a more detailed discussion of these points.)

Guarantees of Canadian production in the auto pact - essentially requiring that for every car sold in Canada a car had to be produced in Canada - were also troubling to the U.S. negotiators. In a complicated outcome, the trade negotiators succeeded in updating the auto pact to take account of the offshore competition that had arisen since 1965, essentially strengthening the pact. But the main disciplinarian of Canadian production - the transborder tariff - would phase out for auto pact companies over the 10 year transition period.

Whether this section of the pact

was truly trade liberalizing would be a useful discussion. In other elements of this section, Canadians agreed to eliminate their duty-waiver program under which non-pact auto company products for export to the U.S. entered Canada duty-free. The chief beneficiaries of the duty-waivers were Japanese and Korean manufacturers which, partly owing to these programs, located plants in Canada. Canadians also agreed to eliminate their barriers to used car imports over the 10 year transition.

By far the biggest gain under the FTA was the decision to wipe out all U.S.-Canada tariffs. This completed the trade-liberalizing programs each country had followed in the GATT since World War II. Which country benefits most from this? Canadian tariffs were generally higher than those of the U.S. From this standpoint, Canadians gave up more. The offset is Canadian access to the wider U.S. market. Thus U.S. manufacturers gain on average, say, a 5 per cent reduction of barriers to a relatively small market, perhaps 10 per cent of total sales. Canadians, by comparison, gain a 2.5 per cent concession in a market that is already about 30 per cent of total sales. Moreover, Canadians also gain from an ability to source more cheaply.

Substantial as the tariff gains are,

*Biggest  
FTA gain  
was elimination  
of tariffs*

this was not the main Canadian negotiating aim. More than anything else, Canadians wanted guaranteed access to the U.S. market. For in the eyes of Canadian analysts, the U.S. was becoming a protectionist power. Among signs pointing in this direction was an apparent loss of comparative advantage in traditional smokestack industries. While other factors - such as macroeconomic management - were important and could be corrected without protection, there remained unacceptable risk for Canada in U.S. protectionism.

For Canada alone among advanced industrial countries had no guaranteed access to populations of 100 million or more. The threat was not only to exports, but to the stock of investment in Canada: without guaranteed access to the U.S., Canadian officials feared, Canada would be subject to divestment. The foreign capital required to reconfigure the economy to meet the challenge of the global economy would not be forthcoming without free trade. Canada, a net capital exporter for 10 years, would not be able to replace the outflows.

Guaranteed access to the U.S. market was the key to Canadians overcoming the limitations of a small, relatively high cost open economy. Only with guaranteed access could Canadian companies achieve the economies of scale they needed to survive and prosper in a global economy. How good were the guarantees? The module on evaluating the FTA discusses this in some detail.

Another module looks in some detail at the FTA's dispute resolving mechanism which, Canadians hoped, would provide fairer treatment than the unfettered use of

American trade law.

Important and pathbreaking as the FTA is, it also failed to make much progress in a number of areas: government procurement was liberalized somewhat but still remains an area essentially closed to national treatment of foreign suppliers. Another partial success was free trade in services. The FTA successfully liberalized trade in services directly related to the sale of goods, including management of a business. That is, professional advisers, repairmen etc. can now follow up sales from their own domestic territories. But transportation - shipping by land, sea and air - remains protected. A conditional kind of free trade was also established between U.S. and Canadian financial services, based on the concept of national treatment, rather than reciprocity which often governs financial services. This is especially interesting because Canada and the U.S. have at the moment widely divergent approaches to regulation of this sector.

### Some Management Issues

Putting all this together raises and helps answer the question, "Is Canada a good place from which to meet offshore competition?" For, with the FTA, Canada now has privileged access to the U.S., substantially reduced barriers to the achievement of scale economies. It also has such "country specific advantages" as a well-educated population, strong work ethic and a social safety net that simplifies collective bargaining and reduces some operating costs.

Understanding and evaluating the Canada-U.S. free trade agreement is therefore critical to decision-making about North Ameri-

can and, indeed, global business in the decades ahead. But the FTA by no means exhausts the subject.

Another strategic concern is this: How much foreign exchange risk is acceptable in Canadian trade? Remarkably, the Canadian dollar traded at about U.S.\$1.08 in 1975; ten years later its trading value was approximately U.S.\$0.70. More recently, as a result of the FTA, as well as the Bank of Canada's interest rate policy, the C\$ trades in the U.S.\$0.83 cent range. A question to consider: at what point does the higher value of the C\$ erode some of the advantages to Canadian manufacturers of the FTA?

Another question: How much political risk is involved in Canada-U.S. trade and is that risk increasing or decreasing? In the last 15 years, Canadian policy went from wage and price controls and suspicion of foreign investment to grappling with Quebec independence to a national energy program that many observers felt discriminated against U.S.-owned oil companies. Failure of these policies led to public support for a rightward turn towards more market-oriented policies that culminated in the FTA. True, the FTA rules out a return to many of these previous policies. But the FTA is also cancellable at relatively short notice, as the PM reminded voters during

the 1988 election. Nor is it by any means clear that Canada has altogether worked out the rules for accommodating Quebec to confederation. So while it is true that, at the moment, Canada is probably the most pro-business country in the G-7, one must ask how stable that orientation is.

A third question: How to manage or coordinate the Canadian operation within a wider continental or global framework? Clearly, the FTA is designed to make the "branch plant" untenable. It is firmly in line with Canadian policy to encourage "world product mandating" - i.e. the production of products or components in Canada to serve a wider market. But how can this be achieved?

Question: Considering your company's business strategy, does Canada have or deserve a role? With regard to the structure of your company, what would be the best "architecture" for your Canadian operation and its relation to the rest of the organization? Finally, what decision-making process should be established to mesh your Canadian operations with the other parts of the organization?

### Financial Reform

There are also a great many issues of corporate financial management. Here again, Canada has recently undergone some exciting changes. As the FTA came closer to reality, Canadians also restructured their regulatory framework for financial services. As a result, banks can own investment dealers, U.S. banks have a much enhanced role in the Canadian financial system and the competitive rivalry of Toronto and New York for international business is greatly intensi-

*Strategic  
issues  
raised by  
free trade*

fied. This has implications for financial strategies and the use of local capital markets. (These regulatory changes are explored in the financial services modules.) Among the interesting questions: What is the role of a U.S. Foreign Bank in Canada now?

A number of modules and cases deal explicitly with financial services issues. There is a step-by step guide to floating debt (How to borrow a billion dollars) and a study of the debt policy of Hydro-Quebec, Canada's largest power exporter. There is a specific reading comparing U.S. and Canadian banking systems. There is also a module on

financial deregulation that charts the course the rule changes followed, ideal comparative material for discussions of banking or deregulation in general.

#### **Conclusion**

These are just some of the varied themes to be explored using Canada as an international example. One could begin with a functional problem and then probe for concerns that would lead managers to come up with "Canadian" solutions or North American solutions, as opposed to purely "U.S." solutions - or perhaps solutions that

would be the same irrespective of geography. Or one could lead with a country approach and see whether the insights lead to actionable management solutions. Throughout, the teaching objective is the same: developing a sensitivity to the requirements of institutional arrangements and different operating environments.

Because of its proximity and the great volume of trade and investment between the two countries, Canada-U.S. problems perhaps provide the best starting point for developing the skills needed to succeed in international business.p

# Using Canadian Materials

A Canadian journalist visits a class in international management

*Martin Mittelstaedt, New York correspondent for The Globe & Mail, Canada's Toronto-based national newspaper, wrote this article after taking part in a doctoral class in international management led by Professor Warren Keegan of Pace University's Lubin Schools of Business. Mr. Mittelstaedt participated in a class discussion of a case study, Edison Price, Inc.: Evaluating a Licensing Agreement, prepared by the Pace Institute for U.S.-Canada Business Studies.*

**By Martin Mittelstaedt  
Globe & Mail Correspondent**

NEW YORK -- Might Americans know more about Canada than many Canadians are willing to concede?

This question popped into my mind in a classroom of business students at Pace University, where I'd been presented as an expert to participate in a discussion about Canada.

The students, mostly execu-

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tives taking night classes to gain their business degrees, were working on a scholastic exercise common to business schools the world over: the case study.

In this class, we grappled with a seemingly mundane issue of exporting fancy U.S. lighting fixtures

to Canada. A company in New York planned to enlarge its factory, and the market in Canada looked alluring, particularly with the free-trade pact.

But a sense of hesitancy quickly emerged. Several students believed the information they'd been given lacked critical data on the Canadian market for upscale light fixtures, the kind bought mainly by museums and art galleries.

"What's the dragon I'm walking into?" asked Robert Meehan, an executive at the New York Power Authority. He fears the market will be overly competitive and new sales elusive, compared with the easy money available from the company's current licensing arrangement with a manufacturer in Guelph, Ont.

"I don't know the size of the Canadian market. I don't know the feeling of Canadian nationalists," added another student, an employee of International Business Machines Corp. who fears

*"What's  
the dragon  
I'm walking  
into?"*



## *Students tackle a New York firm's marketing plans for Canada*

Canadian cultural institutions, financed largely with government dollars, will shun a foreign supplier.

And so it went as the evening class debated the merits of light fixture sales to Canada.

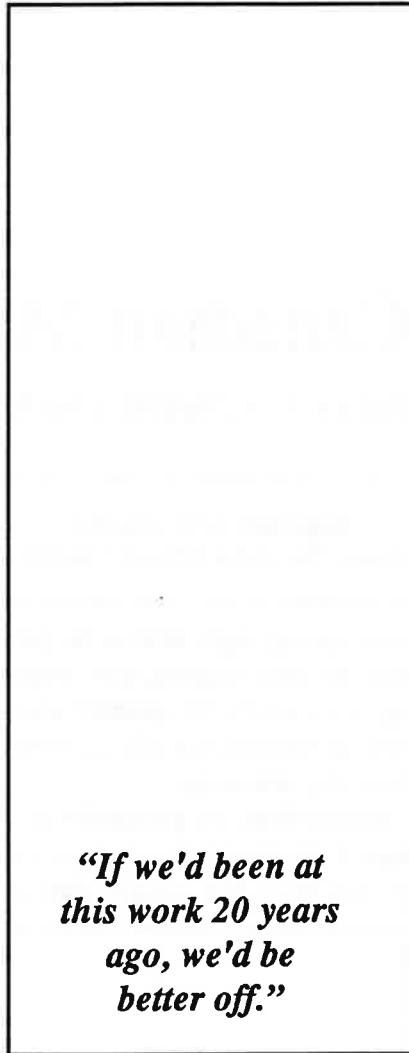
But surprisingly, a few students knew more about Canada than most Canadians would give them credit for. The power company's Mr. Meehan was an expert on hydroelectric deals between the two countries, even telling the class the number of Canadian and U.S. generators straddling the St. Lawrence River on a dam near Cornwall, Ont. (There are 16 on either side of the border.)

Another student had such a detailed knowledge of the free-trade pact that she questioned its impact on a U.S. maritime shipping law requiring U.S. crews on U.S. vessels.

Several student questions, such as the average current level of tariffs on U.S. exports to Canada, had this reporter stumped.

All of this bounding knowledge and questioning excites Stephen Blank, director of Pace's Institute for U.S.-Canada Business Studies. "We're addressing the perennial Canadian fear that Americans know nothing about Canada," he exclaimed.

Mr. Blank, an affable 48-year-old Harvard-educated professor, said the effort at Pace, a university based in an office tower a few



*"If we'd been at  
this work 20 years  
ago, we'd be  
better off."*

blocks from Wall Street, is designed to give some understanding about Canada to a wide group of U.S. students.

At one time, discussing a business problem related to Canada would have been rare at a U.S. university, even one training MBA and business doctoral students. But the classroom exercise at Pace had a further unusual twist.

It is partly underwritten by sev-

eral dozen large Canadian companies, eager to influence U.S. academics and students. The companies, through the Business Fund for Canadian Studies in the United States, made a \$320,000 (U.S.) grant three years ago as seed money for Pace's Canadian institute.

With the fourth-largest business school in the country, Pace is an ideal place for attacking misconceptions about Canada.

Knowledge of the country is generally lacking in the United States, even at elite levels. Few Americans, for example, realize that their largest international trading relationship is with Canada, rather than Japan. This point was regularly made in misstatements by U.S. politicians until knowledge of the free-trade pact became more widespread.

Other Americans lambaste Canada's seemingly huge trade surplus with the United States. That the favorable balance is the flip side of a massive deficit in services and interest payments that largely flows back across the border is virtually unknown.

The faulty impressions could eventually lead to hostility toward Canadian companies operating in the United States, or even trigger more protectionism. This would be particularly galling for many Canadian corporations that now view their market in a continentalist way.

But if Americans understood

## *Concentrating on general knowledge rather than creation of a few experts*

Canada better, maybe they wouldn't be so hasty about taking hostile economic actions. On this premise, executives from several Canadian companies, led by Walter Light, then chairman of Northern Telecom Ltd., decided to do something to remedy the situation.

They founded the business fund in 1980, gathered donations from companies with like-minded executives, and then began to disburse money to U.S. universities. The Pace grant is its largest single expenditure.

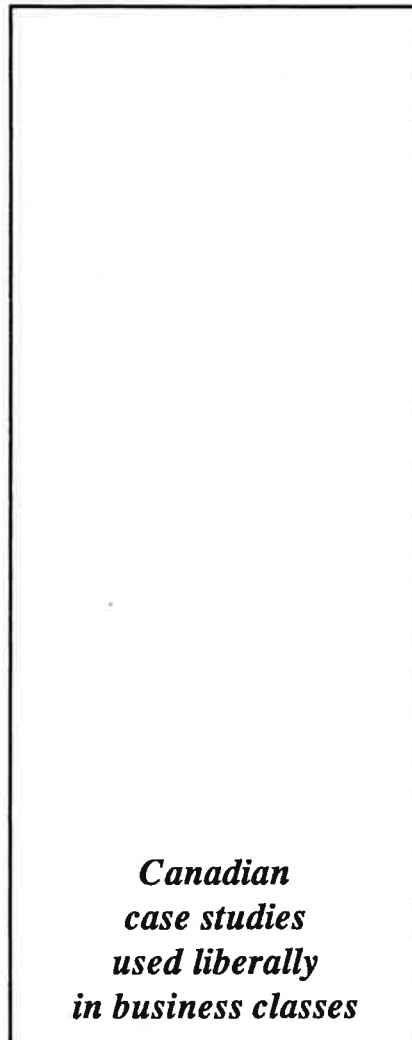
"Most Canadian companies find it easy to recognize the value of enlightened self-interest in having Americans understand our policies and programs," said Robert Gayner, the fund's executive director.

The fund has doled out grants of almost \$1-million (Canadian) since its inception.

Outside the federal Government and U.S. universities, it is probably the largest group bankrolling the study of Canada in the United States.

Ottawa has a budget of about \$1-million annually to finance U.S. academic research, a sum that largely goes to so-called Canadianists, the term for specialists whose major interest is the study of things Canadian.

(Canadianists is generally accepted as the word for these experts, rather than tongue twisters such as Canadianologists or Ca-



### *Canadian case studies used liberally in business classes*

nadianophiles.)

Pace's program has a slightly different twist from the standard academic program on Canada. It tries to give some understanding about Canada to as broad a group of students as possible, rather than creating a few experts.

To this end, Canadian case studies are used liberally in its business classes. Students are also encouraged to write research papers on

some aspect of business relations between the two countries.

And one professor even places a question about Canada on his final exam.

Several of the studies have been published. They're surprisingly good efforts, considering the paucity of knowledge in the United States about foreign countries.

A vice-president at Chase Manhattan Corp., for example, wrote about the recent "little bang" in Canada that opened the way for banks to invade the securities business.

Given the mediocre returns available so far to foreign banks in Canada, what should the bank's strategy be, she asked. Should the bank even remain in Canada? Should it diversify? Should it give up its charter and revert to a representative office?

The readers of the study become the bank's Canadian president and have two months to design a recommendation for the parent's board in New York.

The case study on the light manufacturer, Edison Price Inc., was written by the company's owner, and a student at Pace. The effort has been highly praised as a research paper.

Still, the notion persists that Canada can safely be ignored.

"Americans are forever insulting the Canadians by not just understanding" the country, said Mr. Blank of the Pace institute. However, he quickly added that

*Fighting the notion that "Canada can safely be ignored"*

Canadians "do not understand America as well as they think they do."

As the class at Pace winds down after two hours of thinking about light fixtures, nothing is resolved. The group leans to keeping its licencing arrangement, but won't rule out exports either.

One student reports the standard U.S. view on the free-trade pact, perhaps the single most important political and economic issue to confront Canadians in a generation. "As far as most Americans are concerned, this is almost a yawn," said Mr. Meehan, the power company executive. "The average American doesn't know ... what is

going on."

Mr. Gayner of the business fund said: "It's a long-term process" to spread knowledge about Canada. But he is hopeful that over the long haul, the U.S. effort will yield dividends.

"If we'd been at this work 20 years ago, we'd be better off," he said. p

Teaching Resources

# Publications of the Institute for U.S.-Canada Business Studies

*These materials have been produced by the Pace University Institute for U.S.-Canada Business Studies and are available for use in your classes. Where publications contain more than one element, each is available separately.*

## Financial Services Series

### **Financial Services: The Canadian Model**

A comparative overview of institutions and management issues in this sector in the wake of Canadian deregulation

### **Banking in the U.S. and Canada**

A reprint of a three-part series from *The Canadian Banker*.

### **Casting Down Pillars:**

#### **Canada's Financial Deregulation**

Background to and detailed examination of Canada's "Big Bang".

### **Chase Manhattan in Canada**

A company manager examines the Canadian branch following announced changes in financial services regulations. With introduction and overview.

### **Power Borrowing:**

#### **Hydro-Quebec's Financial Strategy**

An examination of developments leading to Hydro-Quebec's importance in world financial markets. Also includes **How to Borrow a Billion Dollars**

A Hydro-Quebec executive outlines the borrowing process in U.S. and European markets.

## Free Trade Agreement Series

### **Canada's Strategic Options:**

#### **A Small Country Faces its Economic Future**

An overview and series of readings showing how a major trading country decides to adopt free trade with its largest trading partner.

### **Evaluating Free Trade:**

#### **How the Experts Assess the Deal**

An overview and readings about the significance of the FTA, how business in Canada and the U.S. is likely to be affected.

### **Negotiating Free Trade: Contrasting Strategies on the U.S.-Canada Trade Agreement**

Designed for the negotiation element in international business courses. An insider discusses the arrangements and strategies of each side.

### **Dispute Settlement: Assessing a Trade Pact's Impact on Future Fiction**

A series of readings including opinions by legal experts evaluating the likely practical effect of one of the main pathbreaking elements of the Canada-U.S. Free Trade Agreement.

## **Industry Sector Series**

### **Cross-Border Energy Flows:**

#### **Canada-U.S. Energy Trade**

An overview and readings discuss aspects of energy policy. Cases consider electricity trade from an importer perspective (New York Power) and the financial strategy of a major exporter (Hydro-Quebec).

#### **Automotive Trade**

Discussion of auto trade issues prior to the FTA. (Being updated.)

#### **Telecommunications**

In preparation.

## **Institute Cases on**

### **U.S.-Canada Business Relations**

#### **Chase Manhattan Canada**

A company manager examines the Canadian branch following announced changes in financial services regulations.

Issues: International Banking, International Finance, Strategy and Policy, Services Management

Case Writer: Mary-Ann Cozzati

#### **Developing a Canadian Dollar**

##### **Purchasing Strategy**

A treasury manager at Inco poses the question of how much Canadian cash the company should hold.

Issues: International Finance

Case Writer: Melissa Stoehr Brown

#### **A Survey of Teachers**

##### **in Canadian Business Schools**

Results of a 1986 survey of professors in leading Canadian business schools about what cases they would recommend to U.S. professors for illustrating U.S.-Canada business.

Issues: Finance, General, Marketing, Strategy, Planning

Case Writer: Guy Stanley

#### **Administered Trade Protection and the Case of Wood Shakes and Shingles**

An examination of U.S. trade action.

Issues: International Business, Public Policy and Business, Strategy and Policy

Case Writer: Jeffrey S. North

#### **Canadian Patent Reform and a Generic Pharmaceutical Company**

A change in Canada's patent laws threatens the basis of the company's business strategy.

Issues: Public Policy and Business, Strategy, International Business

Case Writer: James Mulligan

#### **A Comparative Study of Canadian and Scandinavian Newsprint Industries**

A consultant's report comparing industry prospects and performance.

Issues: Strategy, Policy, International Business, Resource Firm Management

Case Writer: Erkki Keino

#### **Edison Price Inc.: Evaluating a Licensing Agreement**

A U.S. small business looks at its Canadian strategy following successful talks on a Free Trade Agreement.

Issues: Small Business, Strategy and Policy, International Marketing, International Business

Case Writer: Jeffrey Shaver

#### **Quick Messenger: A Small Canadian Courier Tries the Big U.S. Market**

A Canadian messenger service examines its U.S. strategy.

Issues: Small Business, Strategy and Policy

Case Writers: Roy Morrison and Kerry Perneti

#### **The Privatization of De Havilland Aircraft**

Canada sells a crown company to a U.S. aerospace multinational.

Issues: Strategy and Policy, Public Policy and Business, Industrial Policy

Case Writer: Christian Bellissen

**Safeguarding Innovation: Pfizer Inc. and Reform of the Canadian Patent Act**

A leading innovator evaluates patent reform in Canada. Forthcoming.

**Occasional Papers**

**Conference Proceedings: Canada's New Rules of the Game — The Impact on North America's Financial Services Industries**

Essay by Fred Harrison, former *Financial Post* (Canada) Washington editor, which describes the impact of Canadian financial deregulation on U.S. and Canadian financial institutions. Based on June 1987 conference sponsored by the Institute.

**The Canada-U.S. Relationship: A Strategy for Teaching International Business**

Surveys management issues arising from transborder

trade and how Canadian material can be used in internationalizing U.S. business education.

**Business Backgrounders**

**Canada: An Economic and Social Portrait**

Places Canada in an international economic framework, comparing the country with other OECD partners.

Writers: Stephen Blank, Fred Harrison and Julie Katzman

**The Invisible Border**

Describes in non-technical language the integrating economies of the U.S. and Canada.

Writer: Stephen Blank

**Absent Partner: The Japanese Response to U.S.-Canada Free Trade.**

Looks at the triangular trading relationship among Japan, Canada and the U.S. in the light of the Canada-U.S. Free Trade Agreement.

*To order any of the materials listed above,  
please call the Institute at (212)346-1865.*

*Or write to The Institute for  
U.S.-Canada Business Studies,  
Pace University, Pace Plaza,  
New York, N.Y. 10038*

Teaching Resources

# University of Western Ontario Cases

*The cases on this list were recommended for use in U.S. business schools by Canadian business school faculty surveyed by Pace University's Institute for U.S.-Canada Business Studies. (See Guy Stanley, A Survey of Teachers in Canadian Business Schools, Pace Institute, July 1987.) For prices and information, contact: Case & Text Administration, School of Business Administration, University of Western Ontario, London, Ontario, Canada N6A 3K7.*

**Bank of Montreal - Domestic Development Program (A)**

The (A) case requires students to recognize changes in the environment facing the bank and how the old structure was inappropriate and contributing to the bank's problems. The focus is the Branch Manager.

Industry: Banking

Issues: Management of Change, Human Resources Management, Career Development, Organizational Structure

Canada 1982 16 pages

**Bank of Montreal - Domestic Development Program (B)**

The (B) case provides students with the new structure and requires that they make decisions regarding necessary changes to the human resource systems. Two Branch Managers (one mobile, one not) and an Account Manager are the focus of the case.

Industry: Banking

Issues: Management of Change, Human Resources Management, Career Development, Organization Systems

Canada 1982 33 pages

**Bank of Montreal - Domestic Development Program (C)**

The (C) case introduces students to the process of change - how to make it all happen. The decision to be made is what role the Project Team ought to have, what expectations senior management has of it, and to what extent, if any, should others be involved.

Industry: Banking

Issues: Management of Change, Career Development  
Canada 1982 10 pages

**Blue Mountain Inn**

Blue Mountain Resorts Limited, a major Ontario ski area, had been growing rapidly in recent years by adding to and upgrading its facilities. Mr. Canning, President, was trying to decide whether to expand the company's small inn from 20 to about 100 rooms. He had to consider how an expanded inn would fit in with the current situation and long term development plans for the resort. If he decided to expand the inn, he would also have to decide what facilities the inn should contain and how it should be marketed.

Industry: Hotels

Issues: Services, Hotel Management, Expansion, Diversification

Ontario 1980 24 pages

**British Columbia Forest Industry**

This note profiles the B.C. forest industry— its major products and participants, its status and competitive po-

*Summaries are adapted from the Western Case Bibliography, published by the School of Business Administration, The University of Western Ontario, London, Ont., Canada.*

sition in world markets and the role and activities of the provincial government in "managing" the industry. It is intended as background for Doman Industries (q.v.) and for a more general discussion of the issues for private firms in seeking to balance their strategic commitments in scope, nature and timing.

Industry: Forestry

Issues: Industry Analysis, Forestry

British Columbia 33 pages

#### **Canadair Challenger Jet**

The Canadair Challenger Jet case is taken from the perspective of the most senior management as of July, 1976. The main issue is whether to proceed with the venture of designing, marketing and producing an aircraft to compete in the world market for large business jets. Canadair executives must decide the product positioning, price, advertising, selling program, and servicing arrangements before they can assess the feasibility of the venture.

Industry: Transportation Equipment

Issues: Demand Analysis, Marketing, Planning, New Products, Industrial Marketing

Canada 1976 39 pages

#### **Canadian Honda — See Casebooks, Kotler and Turner Canam Construction and Engineering Company Limited**

Nathan Jones, Chief Financial officer of Canam Construction and Engineering Co. Limited must decide which of six debt options given in the case provides the lowest cost for borrowing. Five of the six options require swaps (currency, interest, floor-ceiling or combinations). Making the relevant cash flows more difficult to determine than those associated with standard debt-financing techniques. The case is written in such a way that any or all of the six options can be isolated for study depending on the analysis time available.

Teaching Note

Industry: Building Construction

Issues: Debt Policy, Currency, Interest Rates, Internal Rate of Return

Canada 1984 21 pages

#### **Cantel Inc.**

In December, 1983, Cantel Inc. had just been granted a license from the Canadian department of Communications to provide a national air network for a new mass communications technology, cellular radio communications. In devising a marketing strategy, the management team questioned whether the company should be involved in the provision of a complete cellular package, including the promotion, sales, installation and maintenance of both cellular telephones and network subscriptions. In addition, they were considering alternative distribution channels for bringing cellular to potential end

users, and pricing and promotional programs were not yet finalized.

Industry: Communications

Issues: Marketing Strategy, Distribution, Services, Market Segmentation

Ontario 1983 26 pages

#### **C & C Yachts Limited**

The President of C & C Yachts is frustrated with his company's continuing losses in the European market. He has asked his Vice-President of Marketing to prepare a recommendation on whether or not the company should build a plant there. C&C is a well recognized leader in North American yachting circles and the President appears eager to use the company's skills to penetrate the European market more effectively.

Industry: Water Transportation

Issues: Customer Relations, Cost Control, Computer Applications

Europe 18 pages

#### **CN - Turnaround Service Centre (A)**

Canadian National must evaluate the performance of a locomotive turnaround centre given traffic patterns, resources used and operating policies. In addition, an approximate \$2 million proposal to change the track layout at the yard must be investigated. The case presents the general problem as a model building exercise.

Industry: Railroad Transportation

Issues: Capital Investment, Models, Simulation

Canada 1984 4 pages

#### **CN - Turnaround Service Centre (B)**

As in A (above) with additional information so that a simulation model can be constructed. 7 pages

#### **College Pro Painters Limited (A)**

Greig Clark, College Pro Chairman, is concerned about the management of quality at his summer painting business which awards franchises to students. The case requires students to define quality, assess company performance in controlling it, to wrestle with the trade-off between designing a quality control system and relying on good people and challenges students to make recommendations on managing quality.

Industry: Miscellaneous services

Issues: Quality Control, Franchising, Employee Selection, Control Systems

Canada 1983 21 pages

#### **Commodity Communications**

The case describes the dilemma facing an entrepreneur on whether to sell out his relatively new business to an American firm and return to the corporate world by managing it as the Canadian division. The firm currently sells real time commodity market quotation information and plans to cover stock and money markets worldwide. Industry: Security and Commodity Brokers, Dealers



Issues: Finance, Marketing, Planning, Policy Analysis, International Business

Ontario 1984 6 pages

#### **DeHavilland Aircraft of Canada Limited**

In the midst of a serious downturn in sales and a severe financial crisis the Canada development Investment Corporation (CDIC) must decide whether to continue funding the development of the Dash 8, de Havilland's entry into the 35 seat commuter aircraft market.

Industry: Air Transportation

Issues: Project Design/Development

Canada 1984 45 pages

#### **Dickenson Mines Limited**

In October, 1981, Peter Munro, the new President of Dickenson Mines (Dickenson) sat in the Toronto office of the gold mining company. He wondered what actions he could take to save Dickenson from bankruptcy. In 1979, a major expansion of mining and milling operations preceded climbing interest rates on the debt financing of the project. Gold prices had dropped. Compounded by cost overruns on the expansion, higher operating costs at the mine, these factors had combined to put a cash drain on the company, which was no longer able to service its growing debt.

Industry: Metal Mining

Issues: Crisis Management, Financial Analysis, Mining

Ontario 1981 19 pages

#### **Doman Industries**

Doman Industries is a very successful lumber producer that has achieved efficiency and stability well above industry norms. Much of this is due to the entrepreneurial skills of Mr. Herb Doman. An opportunity has come up to join with two other companies in the purchase and operation of a very large firm that has excellent timber resources but a poor operating record.

Industry: Forestry

Issues: Business Policy, Vertical Integration, Acquisitions

British Columbia 1980 20 pages

#### **Drug Distribution at Victoria Hospital(R)**

The decision-maker, John Hart, Director of Victoria Hospital Pharmacy, has been forced by a request from his superior to confront and consider the possibility that people could die because of weaknesses in his operating systems. The one time failure or lapse in the performance of the operating system(s) can have tragic consequences for all involved. Mr. Hart must decide if VHP is delivering the level of quality service expected of it by the public through its existing systems.

Industry: Health Services

Issues: Quality Control, Services, Health Administration, Operations Management

Ontario 1983 15 pages

#### **Golden Machinery Corporation of Canada**

A manufacturer of standard milling machines faces a diminishing order backlog and considers the possibility of developing offshore sales more aggressively. The firm currently sells about 35 per cent of its output to the U.S. and five per cent outside North America. The difficulties of dealing with offshore sales are illustrated by a recent experience with a distributor in Argentina. The export issues are tied to the firm's product policy alternatives.

Issues: Exports, Manufacturing, International Marketing

Canada 1975 9 pages

#### **Imasco Limited**

Imasco Limited of Montreal is a diversified corporation with major investments in the tobacco, fast food and retailing industries. The tobacco business has been the mainstay of the company and continues to grow and prosper. In their quest to diversify, Imasco has acquired Hardee's Food Systems in the United States and is now considering further investment to supplement the Hardee's operation. The fast foods business is investment intensive, competitive and U.S. based. Is it a good area for further commitment by Imasco?

Industry: Food and Kindred Products

Issues: Strategic Planning, Portfolio Management, Strategic Balance.

Canada/U.S. 1981 30 pages

#### **Marshall Steel Limited**

Early in September, 1981, Jeffrey Marshall, President and Chief Executive of Marshall Steel Limited knew he had to make a final decision about an offer to acquire control of Drummond McCull Inc., a firm about four times the size of Marshall. The offer price had not yet been determined. Marshall knew that with prime interest rates at 21 per cent, the additional financial cost and risk from such a large loan were significant. He had to make up his own mind on whether to go forward with an offer, and if so, at what price.

Teaching Note

Industry: Primary metals

Issues: Acquisitions, Financial Analysis, Present Value

Quebec 1981 26 pages

#### **Metalfab Inc.**

A banker is asked to extend a loan to a steel fabricator with poor sales and profit performance. A new president has recently been appointed and is planning to turn around the company's performance. The case allows a comprehensive size-up of the firm's strengths and weaknesses and requires the student to assess the risks facing the bank.

Industry: Fabricated Metal Products

Issues: Bank Lending

Ontario 1978 18 pages

**Parke-Davis Canada Inc.**

Parke-Davis Canada has been chosen as the first site within the Warner-Lambert organization where a recently purchased AMAPS MRP system will be installed. Some production problems are evident in Parke-Davis and management initiated the MRP purchase to try to solve them. Larry Zylstra, originator of the MRP purchase and now leader of the implementation project, must decide how to go about it. The case describes the manufacture of two representative products, the planning and acquisition processes, and the nature of the MRP system.

Industry: Chemicals and Allied Products

Issues: Materials, Resource Planning, Inventory Planning/Control, Computer System Implementation  
Ontario 1980 28 Pages

**Potter-Smith Chartered Accountants**

Bill Green, Director of Professional Standards at Potter-Smith, a growing 32-office chartered accounting firm, is preparing a report to the Managing Director. The report concerns a \$400,000 legal action launched by a bank charging Potter-Smith with damages for issuing a faulty audit.

Mr. Green must decide if the firm's quality control procedures are adequate.

Industry: Business Services.

Issues: Auditing, Quality Control, Services, Professional Firms  
Canada 1984 11 pages

**Case Books**

*In addition to individual cases, the following casebooks are recommended as containing interesting Canadian examples:*

**Marketing**

Abell, D. and J. Hammond, *Strategic Market Planning*, 1979, Prentice-Hall

Bell, M.L. and J. Vincze, *Marketing Management*, 1987, Elsevier Publishing

Hardy, K., M. Pearce and A. Ryans, *Canadian Marketing: Cases and Concepts*, 1985, Allyn and Bacon

Darmon, R., M.LaRoche, J.V. Petrof, *Canadian Marketing: Principles and Applications*, 1985, McGraw-Hill Ryerson

Jain, S., *International Marketing*, 2nd ed., 1987, Kent Publishing,

Kotler, P. and R. Turner, *Marketing Management: Analysis, Planning and Control*, 1985, Prentice Hall

Reeder, R., E. Reeder and E. Brierty, *Industrial Marketing: Analysis, Planning and Control*, 1986, Prentice-Hall

**International Business**

Litvak, Isaiah A., *Canadian Cases in International Business*, 1984, McGraw-Hill Ryerson,

**Strategic Management**

Beamish P., and M. Baetz, *Strategic Management: Text and Canadian Cases*, 1987, Irwin

Boseman, G., A. Phatak and R. Schellenberger, *Strategic Management: Text and Cases*, 1985, Wiley

**Business Policy**

Barnett, J., *Business Policy*, 1987, Prentice-Hall

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Pace University is an independent, coeducational university offering programs in the liberal arts and sciences, business administration, computer science and information systems, nursing, law and education for an enrollment of some 27,000 men and women at campuses in New York City, Pleasantville/Briarcliff, and White Plains in Westchester County. Courses in more than 100 fields of study lead to bachelor's, master's and doctoral degrees.

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Pace's Lubin Schools of Business have made a commitment to expand the international dimension of educational programs. The Center for International Business Programs was created in 1982 to reinforce the University's commitment to this end. A primary objective of the Center is to assist Lubin faculty and students in increasing their awareness, understanding and interest in the international environment and its impact on contemporary business. Programs and institutes administered under Center auspices include an international case writing program, the French Exchange Program, an exchange program with Anahuac University, Mexico, the Pakistani Program, an international marketing program, the Pace-Fundacao Getulio Vargas - Sao Paulo Program, the Institute of International Banking, the Brazilian-American Institute, the German-American Institute, and the Institute for U.S.-Canada Business Studies.

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The Institute for U.S.-Canada Business Studies draws

upon the resources of the New York metropolitan area and one of the largest schools of business in that area to:

**Educate** new generations of students about Canada and about U.S.-Canada business relations;

**Facilitate** a greater understanding of the trade, investment and financial ties among the business, financial and academic communities which link the United States and Canada; and to

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