

Research and Library Services



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# **NOVA SCOTIA BUSINESS INC**

**Research and Library Service**

This paper provides an outline of NSBI's strategy and performance, as well as outlining a brief snapshot of the Nova Scotian economy.

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

## EXECUTIVE SUMMARY

Nova Scotia Business Inc (NSBI) was established in 2001 and operates as a private-sector led agency responsible for attracting business into the region, creating long-term employment and helping business growth in the area.

The Nova Scotian economy, between 1996 and 2006 experienced steady growth, with rising levels of GDP and increases in the labour force, coupled with falling unemployment.

**Strategy;** NSBI's strategic plans, for the next five years are found in the document *Now is the Time*, published in 2007. As a result of this document NSBI operates under five strategic areas:

**Regional Growth;** Key to NSBI's regional strategy is the recognition that *competition for investment occurs on an international scale*. The strategy is chiefly concerned with utilising available resources to attract new investment to the region. The agency employs experts working out of regional offices across the province.

**Competitiveness;** NSBI forms its strategy for increasing competitiveness around the notion that *global competitiveness is about technology and talent*. To achieve global competitiveness NSBI operates in three areas; promoting innovation, maximising growth and increasing the wealth and prosperity of the province.

**Talent;** Exploiting Nova Scotia's talent pool, according to NSBI, demands *providing the right job opportunities*. A regional 'Brain Drain' is common to both NSBI and Invest NI. To retain talented people within the region NSBI's key action is to assist businesses in the creation of high-value jobs.

**Leadership;** NSBI recognises changing global conditions require *leaders in regional economies* to ensure successful economic growth. Leaders are defined as individuals who develop strategies and move them forward, assemble strong collaborative teams working towards common goals, affect change and make things happen.

**Collaboration;** NSBI attributes the successful operations of its first five years to its *strengthening of collaboration between many partners*. Collaboration is deemed to be paramount to the region's future underpinning the four other strategic areas outlined.

**Performance;** NSBI's performance is measured across six key areas, namely; new and existing business *growth*, attracting *investment* into the region, providing capital to aid the *high-value growth* of new and existing businesses, increasing the *visibility* of the region, and overall *performance*.

Details of NSBI's performance are outlined in tables 2-7. Overall, the agency appears to be successfully meeting its own targets.

The only figures enabling comparison between NSBI and Invest NI are those provided for job creation (Table 7). It is evident that while Invest NI's activities created 0.002 jobs per capita, NSBI's activities resulted in 0.004 jobs per capita.

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## 1 INTRODUCTION

Nova Scotia's current economic development strategy was first outlined in the 2006 document *Opportunities for Prosperity*, a follow-up to a similarly titled document published in 2000, which was compiled after a consultation process. The document's stated vision is:

*...of a thriving Nova Scotia that by 2010 is the best place in Canada to live, work, do business, and raise families.<sup>1</sup>*

The statement continues:

*... we will know we have arrived when our economic activity, carried out in a socially and environmentally sustainable manner, generates the necessary public revenues to maintain the strong health, education, and social systems that Nova Scotians expect.<sup>2</sup>*

Key to the delivery of this strategy is Nova Scotia Business Inc (NSBI), a group formed as a result of the 2001 draft of the *Opportunities for Prosperity*. NSBI is a private sector-led agency, working to attract new companies to locate in Nova Scotia, to provide long-term employment opportunities for Nova Scotians, and help those already in Nova Scotia expand through services such as export development and financing.<sup>3</sup> This paper provides an outline of NSBI's strategy and performance, as well as outlining a brief snapshot of the Nova Scotian economy.

## 2 NOVA SCOTIA – REGIONAL INDICATORS

Table 1 presents key economic and demographic indicators for the Nova Scotia region. The figures suggest growth in areas where growth is desirable, in GDP (up 39% over a nine year period) and in the Labour Force (up, just over 10% over a ten year period). The region's population has also experienced growth over the ten year period. Unemployment has fallen as the Labour force has risen, suggesting a culture of job creation over the ten years. The unemployment rate has also fallen. Given, the time-span covered by the table it is impossible to determine the extent to which NSBI is responsible for this growth, as the base line figure predates NSBI's conception by five years.

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<sup>1</sup> [http://www.gov.ns.ca/econ/ofsp/docs/Opportunities\\_For\\_Sustainable\\_Prosperty\\_2006.pdf](http://www.gov.ns.ca/econ/ofsp/docs/Opportunities_For_Sustainable_Prosperty_2006.pdf) (retrieved 11/06/08)

<sup>2</sup> [http://www.gov.ns.ca/econ/ofsp/docs/Opportunities\\_For\\_Sustainable\\_Prosperty\\_2006.pdf](http://www.gov.ns.ca/econ/ofsp/docs/Opportunities_For_Sustainable_Prosperty_2006.pdf) (retrieved 11/06/08)

<sup>3</sup> <http://www.novascotiabusiness.com/en/home/aboutus/default.aspx> (retrieved 11/06/08)

TABLE 1; NOVA SCOTIA – REGIONAL INDICATORS<sup>4</sup>

	1996	2006	% Change
Population	931,413	934,405	0.32%
GDP	C\$19m	C\$31m*	39%
Labour Force	430,100	480,000	10.40%
Employed	376,900	441,800	14.68%
Unemployed	53,200	38,100	-28%
Unemployment Rate	12.40%	7.90%	-

\*2005

### 3 NOVA SCOTIA BUSINESS INC – STRATEGY AND PERFORMANCE

NSBI was established in 2001, as a result of the provincial government's growth strategy; *Opportunities for Prosperity*. Working with other provincial bodies, such as the Department for Economic Development, NSBI's key role is to bring new business to the region and aid the growth of existing businesses.<sup>5</sup> The agency's aim is to:

*...to harness the multiple strengths of our talented labour force, powerful academic engine and world-class infrastructure.*<sup>6</sup>

#### 3.1 Strategy

NSBI's strategic plans, for the next five years are found in the document *Now is the Time*, published in 2007. The document sets out the agency's strategy across five strategic areas; regional growth, competitiveness, talent, leadership and collaboration. Each of these will now be examined to provide an overview of the body's activities and approach.

**Regional Growth;**<sup>7</sup> NSBI's employs business development professionals, working out offices across the region, who work closely with local businesses building partnerships and providing a number of services. Key to NSBI's regional strategy is the recognition that *competition for investment occurs on an international scale*. The strategy is chiefly concerned with utilising available resources to attract new investment to the region. As an organisation NSBI uses its expertise to assist regions across the province to sell themselves internationally, by exploiting each region's unique-selling-points and tailoring a specific business case to that region.

<sup>4</sup> <http://www.novascotiabusiness.com/en/home/aboutus/boardmembers.aspx>

<sup>5</sup> <http://www.novascotiabusiness.com/en/home/aboutus/default.aspx> (retrieved 11/06/08)

<sup>6</sup> <http://www.novascotiabusiness.com/en/home/aboutus/default.aspx> (retrieved 11/06/08)

<sup>7</sup> <http://www.novascotiabusiness.com/site-nsbi/media/NovaScotiaBusinessInc/StrategicPlan.pdf> (retrieved 11/06/08)

**Competitiveness;**<sup>8</sup> In assisting Nova Scotian businesses to become more competitive NSBI bases its actions around the notion that *global competitiveness is about technology and talent*. To achieve global competitiveness, NSBI operates in three areas; promoting innovation, maximising growth and increasing the wealth and prosperity of the province. Key to all three strategic areas is attracting international companies to the region, companies that offer competitive salaries, create high-value jobs and create spin-off opportunities, which will instigate growth in other industries. Running concurrently to this FDI strategy is a strategy for indigenous businesses. NSBI role in this strategy is to assist companies in identifying how they can use innovation and technology to improve day-to-day operations and how they can compete globally by entering into new markets.

**Talent;**<sup>9</sup> Exploiting Nova Scotia's talent pool, according to NSBI, demands *providing the right job opportunities*. The challenge for NSBI, like Invest NI, is to retain talented people within the region. NSBI's key action in this area is assisting businesses to create high-value jobs, which will attract talent to the province, including expatriates and skilled immigrants, and retain workers and graduates already within the area. To achieve this NSBI proposes a close working relationship with local businesses to determine what is required from the talent pool and the setting up of structures which will allow the agency to pass these findings on to education facilities to enable these facilities to tailor their curricula to the demands of the market.

**Leadership;**<sup>10</sup> NSBI recognises changing global conditions require leaders in regional economies to ensure successful economic growth. Through consultations with the business community, government and industry leaders, leadership has been identified as a competitive advantage, both globally and locally. Leaders are defined as individuals who develop strategies and move them forward, assemble strong collaborative teams working towards common goals, and who affect change and make things happen. NSBI sees its role in developing strong leadership as one which enables dialogue between its clients and partners on issues which impede economic growth. The agency also works globally to gain useful insights into the challenges and opportunities available in international jurisdictions.

**Collaboration;**<sup>11</sup> NSBI attributes the successful operations of its first five years to its strengthening of collaboration between many partners. In 2005 *Team Nova Scotia*, a body consisting of representatives from the education community, government and industry, was assembled. The initiative was designed to attract significant investment into the region, formulating a major part of the province's research strategy. Collaboration is deemed to be key to the region's future and a chief component of strategies aimed at raising the province's status as a global competitor, putting forward a collective business case for the region, attracting and retaining talent individuals, strengthening leadership capabilities and encouraging business growth. In other words, collaboration underpins the four other strategic areas outlined above.

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<sup>8</sup> <http://www.novascotiabusiness.com/site-nsbi/media/NovaScotiaBusinessInc/StrategicPlan.pdf>  
(retrieved 11/06/08)

<sup>9</sup> <http://www.novascotiabusiness.com/site-nsbi/media/NovaScotiaBusinessInc/StrategicPlan.pdf>  
(retrieved 11/06/08)

<sup>10</sup> <http://www.novascotiabusiness.com/site-nsbi/media/NovaScotiaBusinessInc/StrategicPlan.pdf>  
(retrieved 11/06/08)

<sup>11</sup> <http://www.novascotiabusiness.com/site-nsbi/media/NovaScotiaBusinessInc/StrategicPlan.pdf>  
(retrieved 11/06/08)

The combination of these five strategic areas forms the basis of NSBI's plans to *seize opportunities* over the next five years. The agency places a significant emphasis on delivering results:

- Through its frontline business units;
- By assisting regions to attract the right type of investment;
- By encouraging the region to become an aggressive global competitor;
- By assisting clients to create opportunities for highly-skilled workers;
- Through effective leadership;
- By encouraging a collaborative business environment.

A key measure of how well the body is achieving its aims is outlined in the following target;

*C\$800m in total client payroll created and retained over the next five years.*

Leading to a total of C\$1bn in total payroll by 2013.

### **3.2 Performance**

Like equivalent bodies globally NSBI's performance is outlined in its Annual Report and Accounts, the most recent of which assess performance for the financial year 2006/07. Performance is measured across six key areas, namely; new and existing business growth, attracting investment into the region, providing capital to aid the high-value growth of new and existing businesses, increasing the visibility of the region, and overall performance.

#### **3.2.1 Promote the Growth of New and Existing Businesses in Nova Scotia<sup>12</sup>**

Table 2 outlines NSBI's performance in growing new and existing businesses. It is evident that the target for the number of qualified referrals for export development and investment of financing has not been reached for the year. However, the agency has been more successful in the other two areas, particularly in increasing the volume and diversity of exports where the agency has more than doubled its target.

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<sup>12</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

**TABLE 2; PROMOTING THE GROWTH OF NEW AND EXISTING BUSINESSES IN NOVA SCOTIA – TARGETS AND RESULTS<sup>13</sup>**

Indicator	Measure	Target 2006-07	Actual 2006-07
Nova Scotia companies expand business within Nova Scotia	Number of qualified referrals for export development, investment of financing	120	99
	Number of qualified referrals to external partner agencies	180	264
Volume and diversity of exports	Number of companies introduced to new markets/further advanced in existing markets	110 clients	247 clients

### 3.2.2 ATTRACTING LEADING EDGE, SUSTAINABLE BUSINESS INVESTMENT IN NOVA SCOTIA<sup>14</sup>

Table 3 presents NSBI's inward investment targets for the year 2006/07 against actual performance. It is evident that each specific target for the year was exceeded, in some areas substantially, such as the average salary of jobs created through business attraction, which was exceeded by 37%. Similarly, the average portfolio return on investment utilizing Strategic Investment Funds was exceeded by 12.4%.

<sup>13</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>14</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)



**TABLE 3; ATTRACTING LEADING EDGE, SUSTAINABLE BUSINESS INVESTMENT IN NOVA SCOTIA – TARGETS AND RESULTS<sup>15</sup>**

Indicator	Measure	Target 2006-07	Actual 2006-07
FDI in Nova Scotia	Number of companies that relocate part or all of their operations in Nova Scotia	12	14
Economic Benefit to Nova Scotia	Average gross salary of new jobs created through business attraction and reinvestment	C\$34,500	C\$47,328
Fiscally prudent financing	Average portfolio return on investment utilizing Strategic Investment Funds	40-50%	62.40%

### **3.2.3 Provide Access to Capital For New/Existing Business in Nova Scotia, With the Intent of Enhancing Value-Added Growth For the Province's Economy<sup>16</sup>**

As is the case with the above strategic development area, all of the targets relating to providing capital to businesses (Table 4) have been met exceeded (excluding total return to the province, which remained unpublished at the time of writing). Leverage ratio indicates the extent to which the business relies on debt financing, typically upper limit deemed acceptable is, for a business, is 2.1. Calculated by dividing total debt by equity the ratio enables a comparison of funding derived from debt against funding derived through equity.<sup>17</sup> The ratio figure presented below suggests a healthy debt to equity relationship.

<sup>15</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>16</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>17</sup> [http://www.bizwiz.ca/leverage\\_ratio\\_calculation\\_formulas/debt\\_equity\\_ratio.html](http://www.bizwiz.ca/leverage_ratio_calculation_formulas/debt_equity_ratio.html) (retrieved 12/06/08)

**TABLE 4; PROVIDE ACCESS TO CAPITAL FOR NEW/EXISTING BUSINESS IN NOVA SCOTIA, WITH THE INTENT OF ENHANCING VALUE-ADDED GROWTH FOR THE PROVINCE'S ECONOMY – TARGETS AND RESULTS<sup>18</sup>**

Indicator	Measure	Target 2006-07	Actual 2006-07
Incremental number of investment projects	Number of financings with new/existing companies utilising Nova Scotia Business fund	15	17
Quality portfolio management	Impaired loan ratio	5% or less	1.10%
	Annual client review completed	100% of clients reviewed	100% of clients reviewed
Partner for financing solutions	Leverage ratio or Partner: NSBI	Ratio of 1:1	0.4:1
Total return to the province	Total financial return on investment from NSBI financing	TBD	-

### 3.2.4 Increase the Visibility and Recognition of Nova Scotia - Its Business Climate, Advantages and Capabilities<sup>19</sup>

Table 5 should present targets and results concerning NSBI's marketing performance. Regrettably, at the time of writing these were not finalised.

**TABLE 5; INCREASE THE VISIBILITY AND RECOGNITION OF NOVA SCOTIA - ITS BUSINESS CLIMATE, ADVANTAGES AND CAPABILITIES – TARGETS AND RESULTS**

Indicator	Measure	Target 2006-07	Actual 2006-07
Awareness of NSBI's role in Nova Scotia	% point increase over base measure of awareness of NSBI	8% point increase over benchmark	-

### 3.2.5 Develop an Action-Oriented, Client-Focused Organisational Culture that Encourages, Empowers and Supports High-Performance, Entrepreneurial Thinking and Professionalism

The figures in Table 6, concerning NSBI's actions designed to promote a pro-growth business, show demonstrate mixed success. While targets concerning employee

<sup>18</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>19</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

training and development have been exceeded, it is evident that NSBI has not met its budgetary targets, resulting in an overspend of C\$48K

**TABLE 6 DEVELOP AN ACTION-ORIENTED, CLIENT-FOCUSED ORGANISATIONAL CULTURE THAT ENCOURAGES, EMPOWERS AND SUPPORTS HIGH-PERFORMANCE, ENTREPRENEURIAL THINKING AND PROFESSIONALISM – TARGETS AND MEASURES <sup>20</sup>**

Indicator	Measure	Target 2006-07	Actual 2006-07
Employee training and development	% of employees participation in training and development programmes	80%	91%
Business culture - deliver results within cost management structure	Operate within annual operating budget	C\$10.231 million (recurring and non-recurring)	C\$10.279 million (recurring and non-recurring)

### 3.2.6 Overall Performance<sup>21</sup>

The figures presented for job creation in Table 7 are the only ones open to comparison with Invest NI's performance. Comparing figures for job creation is problematic, as NSBI do not give a single figure. However, we take an average of the two figures presented, 3226, an indication of actual performance may be achieved. In the same year Invest NI created 3,037<sup>22</sup>, which is broadly equivalent to NSBI's performance. Taken as per capita figure it is evident that Invest NI created 0.002 jobs per person, while NSBI created approximately 0.004 jobs person (based upon a population figure of approximately 0.9m).

With regard to NSBI's other year-end performance measures, it is evident that the agency has exceeded all targets established at the beginning of the year. It is evident that the agency has performed particularly well in the area of increasing incremental export sales of client companies, achieving an end of year result over three-times the target set at the beginning of the year.

<sup>20</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>21</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)

<sup>22</sup> [http://www.investni.com/ini\\_annual\\_report\\_06-07.pdf](http://www.investni.com/ini_annual_report_06-07.pdf) (retrieved 12/06/08)

**TABLE 7: OVERALL PERFORMANCE – TARGETS AND MEASURES<sup>23</sup>**

<b>Indicator</b>	<b>Measure</b>	<b>Target 2006-07</b>	<b>Actual 2006-07</b>
Jobs within Nova Scotia	Number of jobs retained and created by clients	3,200	Min: 2,555 Max: 3,897
Export Sales	Incremental exports sales of NSBI clients	C\$28m	C\$86.2
Total payroll	Total payroll impact of NSBI	C\$110m	C\$161.6m
Total return to the province	Total financial return on investment from NSBI activity	TBD	

<sup>23</sup> <http://www.novascotiabusiness.com/annualreport/en/home/annualreportpdf.aspx> (retrieved 12/06/08)