Brock University

GOODMAN SCHOOL OF BUSINESS AT BROCK UNIVERSITY

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MBAB 5P04 Group Project

**Executive Summary**

Initially, when our clients told us that they wanted a way to change the situation in Niagara to make it more business friendly, we felt that it was mainly due to the location of Niagara and the lack of business friendly policies. However, with further discussion it was brought to our attention that the actual problem in the region starts even before the business is set up. The process to start a business takes far too much time and may require entrepreneurs to meet with each of the 12 municipalities in order to find a suitable location for their business. The region has 2 levels of government; the lower tier consists of the 12 municipal councils, joined together by an upper-tier municipality, the Niagara Region, that provides services for all residents.

There is great difficulty dealing with a region composed of 12 municipalities, each with their own sets of rules and regulations. Each municipality has an economic development department and a public works department of their own as well. Niagara’s attempts to implement any business strategy will be speaking to a broken structure of politics and economic development, both at a Regional and Municipal level. Without fixing the root of the problem there will continue to be a lack of significant economic development in the region. Considering all these factors, our team feels that very few businesses would be interested in setting up shop in the Niagara region.

This report suggests implementing a change in the political structure of the region in such a way that it becomes easier for an entrepreneur or existing business to start a new venture. This change could be brought about with the formation of a public-private partnership named the Greater Niagara Marketing Alliance (GNMA) which has been modelled after a similar entity that currently exists in the Greater Toronto Area, the Greater Toronto Marketing Alliance (GTMA). It would consist of municipal mayors along with public and private sector representatives. The GNMA seeks remove economic development control from the municipalities. The idea is that the GNMA will lower the amount of government control, but use government support when appropriate such that the decision making process would be faster, leading to quicker responses to potential entrepreneurs seeking to set up shop in the Niagara area.

**Moving Niagara Forward Analysis**

After meeting with Ms. Lisa Benger, Mr. George Darte and Mr. Barry Wright of ‘Moving Niagara Forward’, it is clear that the current state of economic development in the Niagara Region has become stagnant. Employment in the Niagara region has traditionally been dominated by a relative small number of large manufacturing firms. Between 1999 and 2009, the number of employees in the manufacturing sector decreased by approximately 13,000**.** The only growth has been due to the creation of small and medium-sized enterprises. 97% of all businesses in Niagara have fewer than 50 employees. Almost half of them are owner-operated.1

Mr. Darte outlined the need for more owner/entrepreneurial businesses of 15-20 employees to spark growth within the Region. This is in line with the Region’s goal to grow Niagara to a population of 750,000 by 2030. However, the youth of Niagara are finding no reason to stay and Niagara is becoming a community built on retirees. The average population growth in the Niagara Region equalled 0.05% between 2006 and 2011. In contrast, Canada’s population increased by 5.90% during the same period.2

Both George and Lisa mentioned the complexity of dealing with a Region composed of 12 municipalities, each with their own sets of rules and regulations. The many levels of bureaucracy make for too much red tape and there is a lack of cohesiveness within the Region. The process to start a business takes far too much time and may require entrepreneurs to meet with each municipality in order to find a suitable location for their business. All three representatives touched on the time it takes for decisions to be made, let alone approved. They also hinted at the duplication of resources. For example, each municipality has an economic development department and a public works department.

Niagara regional councillors come to office through a combination of direct and indirect election. The mayors of the 12 municipalities are indirectly elected while the other 18 councillors are directly elected. They run for the office in their municipality and serve only on regional council.3 David Barrick, the regional councillor from Port Colborne said “Twelve mayors make up almost half of regional council, so historically we’re not all rowing in the same direction when it comes to what’s best for the region versus what’s best for my corner of the region”.

Another criticism is that the area is ‘over-governed’. The region has a tall structure with 2 levels of government. The lower tier consists of the 12 municipal councils, each providing services for their own residents. These municipalities are joined together by an upper-tier municipality, the Niagara Region, that provides services for all residents. Niagara currently has the largest total number of councillors serving on both upper and lower tiers compared with the other two-tier municipalities in Ontario. One of the consequences is that Niagara also has one of the lowest ratios of population to councillors at 3419.3

The Economic Development department of the Niagara Region has a mandate to promote Niagara on a global scale, encourage investment and attract, maintain and increase jobs in the region. They partner up with the local area municipalities to make effective decisions. This results in a wide span of control and requires a lot of communication. The need to follow municipal policies can lead to a delay in the decision making. Above that, the Economic Development department has no actual power. Every action such as land acquisition or conducting real estate transactions requires approval from the Regional Council.

**The Problem**

 While there are several business sectors/strategies that Niagara can focus on to attract new business and entrepreneurs (i.e. tourism, healthcare, wine, fishing, canal industry, etc.), this team feels that regardless of the business strategy Niagara attempts to implement, that strategy will be speaking to a broken structure of politics and economic development, both at a Regional and Municipal level.

 What can the Niagara Region do to become more business friendly and in turn attract both entrepreneurs and multinational corporations to choose Niagara?

**Relevant Course Theories**

While analyzing the situation, we will consider the following theories (please note the following theories and explanations have been taken from ‘Management Third Canadian Edition’4):

Organizational effectiveness - This refers to a sustainable high performance in using resources to accomplish a mission. It means that the region can do everything under its power to achieve a certain objective, thereby leading to value creation.

Scientific management - According to Frederick W. Taylor’s approach to improve the productivity of a worker, several steps have to be followed. These steps include developing a ‘science’ to do work according to fixed standards and rules, selecting the employees with the right skill set, providing them with the proper training and incentives to follow the ‘science’, as well as planning and tweaking the work so that work could be performed smoothly.

Benchmarking - A process of comparing the organization with other organizations or within the same organization, among different sections, so that they can achieve superior performance. Niagara Region can compare its own practices with other governments having similar structures.

Renewal and Restructuring Strategy - Organizations can adapt to new business conditions by renewing as well as restructuring. Renewing involves cutting sizes and rearranging operations to improve performance. Retrenchment in order to reorganize and re-develop an efficient system has been done for decades. Restructuring tries to correct weaknesses by changing the mix or reducing the scale of operations. It can be done through turnaround, downsizing or divestitures.

Formal Structure - It is the official structure of the organization, inclusive of division of work, supervisory relationships, communication channels, major subunits and levels of management.

Matrix Structure - It combines a functional and a divisional structure, accomplished by using permanent teams that cut across functions to support specific projects. It has been applied across many companies as well as municipal, provincial and federal agencies. Matrix structures include cross-functional teams which are composed of members from different areas of responsibility. It leads to effective lateral relations.

Transformational Change- For a municipal agency, transformational change is a radical change that helps the organization to get a major and comprehensible redirection. There needs to be fundamental shifts in strategy, culture, structure and even the mission. It is led from the top and changes the basic character of the organization.

Organizational Wide Intervention- While transformational change involves major overall changes, organizational wide intervention works on the premise that any change in one part of the system will also affect the functioning and decision making of other parts. Culture has a huge impact on member attitudes and morale. It is focused on overall organizational effectiveness which includes survey feedbacks, confrontation meetings, structural redesign and management by objectives.

Recruiting Techniques - People with the right skill sets and experience must be employed using both external and internal recruiting techniques. At first the jobs have to be advertised and the applicants have to be screened to find the best candidate, later on when the employees with great potential should be promoted within the organisation.

**Alternative Solutions**

The first alternative solution to solve the Niagara Region’s business development problem is the simplest and does not require any restructuring. The Region, composed of the 12 Municipalities, would set forth a new strategic management plan to target change and development of their current structure. This advancement would consist of developing or reinforcing an identity for the Region that speaks to the culture and people that live in the area. Executing new technology to bring the Niagara area closer to today’s generation and their work environment by showcasing what Niagara has to offer to create a new sustainable business initiative.

The Niagara Region can meet their mandates by employing a scientific management approach to their problem. Niagara would institute guiding principles to select and train personnel that optimize the capabilities of the region. New recruiting techniques would be employed in the selection process to attract qualified applicants through the job analysis and descriptions laid out by the human resource plan.

The second alternative solution to solve Niagara’s issue is the most stringent; amalgamating the twelve cities into one, “The Greater Niagara Area”. This major restructuring strategy would target the changes needed in the region by having one mayor instead of twelve, which streamlines of all the subsectors into one. This organizational wide intervention would benefit the Region's culture by providing feedback, structural redesign to restore the Region's efforts and new managerial objectives to focus their aims. This renewal and restructuring strategy would create a sustainable growth initiative in the Region due to the concentrated effort. It would also reduce costs by eliminating duplicated resources in the lower tier and other development plans. It would be able to guide the Region with one voice.

The new matrix structure would create value in the region by streaming business development to generate employment, growth, and opportunities in the area. This value creation method would allow the region to have a united identity. The matrix structure is an effective and efficient approach to complete their business objectives without interfering with the day-to-day business operations. Also, a cross-functional team can provide additional depth and knowledge to solve complex problems or potential business dealing. The development of a new human resource plan is crucial to attract personnel through new recruitment techniques to select and attract the most qualified individuals for the region.

The third alternative solution to solve Niagara’s issue is a hybrid approach to restructuring the Niagara region. This alternative focuses on value creation through a renewal strategy that realigns the business and economic development efforts in the region. The purpose of this strategy is to create a new public-private partnership called the Greater Niagara Marketing Alliance (GNMA) to centralize Niagara’s aims, which reduces the bureaucracy for the decision-making in the region. The GNMA will be able to benchmark its efforts based on that of the Greater Toronto Area that inspired this new innovated change. This change will revive the Niagara Region by stimulating the economy and targeting changes that will create a new social and cultural atmosphere, which will drive their business development aims and growth in the area.

The new hybrid model creates a syndicate that benefits from a matrix structure and a cross-functional team by having private partners that work together with the Niagara Regional board. The dynamic hybrid model allows the region to successfully attract new business development to the area. Human resource planning is essential to the restructuring of the GNMA through their recruitment techniques to attract highly qualified individuals and experts. This requirement is vital to the transformational change in the area that would lead the revival of business development in the Niagara Region.

**Best Course of Action**:

 This team is suggesting the formation of a public-private partnership, to be named the Greater Niagara Marketing Alliance (GNMA). This alliance is to be staffed with 3-4 top level executives with an extensive background in urban planning, economic development, and leadership. The governing body will be formed of current municipal mayors along with public and private sector representatives. It is the vision of this team that the GNMA will act as the primary and focussed voice to attract business and international investment in Niagara. The current state of affairs in Niagara, coupled with the vast amount of duplicated resources, has prompted the need for change. The attraction of business needs to flow through one office to shorten the amount of time it takes to make important decisions that affect all of Niagara. International companies need to be addressed in a professional manner that makes them and their business feel wanted.

 In order to properly outline the reasoning behind this team’s suggestion to form the GNMA, this section of the report will be arranged in the following order;

1. The purpose of the GNMA
2. The formation of the GNMA
3. The structure of the GNMA (staff and board of directors)

**The Purpose of the GNMA**

While the second structural reformation option outlined in the previous section focussed more heavily on a complete restructuring of municipal and regional governments, this option draws more from a renewal strategy that will see the Niagara Region reposition itself to solve the economic development issues it is currently dealing with. By creating a new public-private partnership (GNMA), the Region will be able to reduce the resource duplicity it is currently suffering from, while at the same time, reduce the levels of government and red tape that organizations currently face when attempting to enter into the Niagara markets. The creation of the GNMA is modelled after the similar entity that currently exists in the Greater Toronto Area, the Greater Toronto Marketing Alliance (GTMA). The city of Brampton also operates under a similar structure.

A study conducted in July 2013 by the City Solicitor of Mississauga, Mary Ellen Bench, explored options that Mississauga could take to move itself in a similar direction to that of Toronto and Brampton5. At the time, Mississauga operated in the same way that Niagara currently does in terms of economic development. As it stands, each municipality has its own division or department that is tasked with heading up economic development. This division or department is then linked to regional council through another division, in this case, the Niagara Economic Development Department (NED). Due to the overabundance of political levels and involvement, it can be seen that political intervention is far too prevalent and the decision making process takes far too long when it comes to economic development and business attraction for the region. The GNMA seeks to solve these issues by removing economic development control from the municipalities. The idea is that the GNMA will lower the amount of government control, but use government support when appropriate. In this shift, it is perceived as less-political, it reduces the levels of governmental hoops that prospective organizations must jump through, it allows for private sector involvement (both financially and through area expertise) and it is able to act on issues in a more timely manner, leading to a faster decision making process.

**The Formation of the GNMA**

The difficulty in the creation and implementation of the GNMA lies in the formation of it. This team is proposing that the new structure be formed in a way that it acts as a hybrid model between the current regional council and the private sector through hired professionals. In order for this transformational change to occur, the leader of the GNMA needs to be someone who can inspire change. This individual needs to be highly qualified in the area of economic development, with experience in city management (planning) and finance an asset. This individual also needs to have strong experience in leadership roles and proven leadership abilities. The goal in the creation of the GNMA is not simply to target one specific business or cultural sector of Niagara, but address multiple targets of change. These include most obviously the structure of municipal and regional government, daily economic development tasks and the speed at which they move, the people and citizens of the region and all 12 municipalities, and the culture in each of the 12 municipalities. The creation of this leadership position, temporarily labelled as the CEO of the GNMA, will need to be carefully crafted by senior human resource executives within the Niagara Region. This team also suggests the additional hiring of 2-3 administrative professionals to act as Vice Presidents for the respective fields of Corporate/Investor relations, Finance/Real Estate, and Business Development/Attraction. This newly formed team will operate the day-to-day business of the GNMA and will also work alongside regional council to attract and establish new business in Niagara.

**The Structure of the GNMA**

The GNMA will be overseen by a newly formed Board of Directors. The Board of Directors will be composed of the CEO of the GNMA, the Regional Chair and 4 of the 12 municipal Mayors as appointed by Regional Council. The remaining 7 seats on the 13 member board will include a variety of private/public sector leaders. These may include members from the community, corporate partners (once established), or individuals from the post-secondary institutions that operate within the Region. In creating this board that will work with Regional Council, a new structural design is being created that resembles a hybrid model between a cross-functional team and a matrix structure design. The logic behind this restructuring is to bring qualified experts from various fields together, under the leadership of a visionary CEO. In doing so it will revitalize the economic development in Niagara, seek to establish new corporate partnerships (both internal and external to the Region) while strengthening existing partnerships, and speed up the overall decision making process to create a more fluid process by which businesses can start and grow with the Niagara Region.

*Potential Structure of GNMA*

**Action plan:**

This team recognizes that the establishment of a new public private partnership in the Niagara Region will be a huge challenge. The current structure is familiar and provides a clear direction towards the future. The creation of the Greater Niagara Marketing Alliance (GNMA) implies an organizational change. The municipalities will lose their economic development authority, resulting into a more narrow span of control. This change might evoke uncertainty and anxiety. It takes flexibility and a lot of confidence to cope well with unpredictability. The action plan suggested by this team will provide a detailed overview of how the GNMA can be grounded into the current structure.

The initial step that the Region should take is assigning a change agent. This person will take leadership responsibility for the establishment of the GNMA in the Niagara Region. The change agent should be confident, willing to take risks and able to make things happen. When a suitable person is selected, he should manage the planned change according to three steps, recommended by psychologist Kurt Lewin:

1. Unfreezing: preparing the system for change
2. Changing: making actual changes in the system
3. Refreezing: stabilizing the system after change

**Unfreezing: First 60 days**

 In order to prepare the Niagara Region for an organizational change, everybody should be aware of the problem and have the feeling that things needs to be done. It is essential for the change agent to provide evidence that the Region is having some issues, because otherwise there will be no incentive to improve. The current state of economic development in the Niagara Region is a first indicator that change is necessary. Our team recommends to perform additional analysis to show how the different business sectors (tourism, wine industry, manufacturing industry, small business sector,..) have evolved/suffered over time. The Niagara Region should also survey business leaders to identify the strengths and weaknesses of the current economic development policies. Recently, the Region conducted a survey to gain insights about how to attract and retain emerging talent6. The results of this survey will definitely help the change agent to prepare for an organizational change. When enough knowledge about the current situation is gathered, the change agent can use a rational persuasion strategy. Empirical data and rational argument should be sufficient to convince the members of the Regional Council that a change will leave them better off than before. Getting local support is really important. You need to get to know your audience and who will support you. When everybody is open to do things differently, the actual change can begin.

**Changing: Next 3-12 Months**

In this step, the GNMA is created and linked to the existing structure. The change agent should form a steering committee that will provide guidance during the whole process. It is critical that all of the participants have an active role in the Region. Committee representatives should be drawn from such groups as:

1. Municipal and Regional Council
2. Niagara’s Economic Development board
3. Community Residents
4. Major Employers
5. Financial Community
6. Other Interest Groups or Community Organizations

In that way, all stakeholders are allowed to participate in the creation of the new partnership. This steering committee should ensure the establishment of the GNMA and decide on the targets for change. In this action plan, the focus is on two targets: structure and people.

The structural change implies removing the economic development control from the municipalities and transferring it to the GNMA. In order to do this, the municipal and regional Economic Development departments should close down and their knowledge should be brought to the GNMA. This allows to profit from faster decision-making while still having government support. The Regional Council must pass a resolution approving the incorporation of the GNMA. Important is to set out each party’s rights and obligations without ambiguity.

Another important change target to consider is the competencies of the GNMA’s leaders. The Region should attract highly qualified individuals and experts to manage the new established body. Recruitment is vital to the success of this organization. As a team, we recommend persons that are highly engaged in the region and have previous leadership experiences. Advertising the job vacancies and setting up selection techniques to hire the best applicants is an important action that the steering committee should take.

**Refreezing**

After the GNMA is established in the Region, the change agent should stabilize the change and create conditions for a long-term continuity. Appropriate performance-contingent rewards and resource support should be assigned to the new partnership. Eventual issues needs to be resolved and feedback should be provided about the current performance. If required, the change agent can pursue any modifications. The real effectiveness of the GNMA can only be measured after a few years in terms of higher employment rate, more businesses and population growth. Our team is convinced that this focussed business initiative will result into a more business friendly Niagara.

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