

## Nova Scotia Business Inc. (NSBI)<sup>1</sup>

### Rationale

The distinctive feature of NSBI is its very specific focus on supporting growth-oriented SMEs through initiatives to encourage innovation and internationalisation. This clear focus is unusual amongst regional development agencies, which often have a wider remit. Whilst it also has responsibilities for FDI attraction, these are closely linked with NSBI's work in SME growth, encouraging links between the two and a more open approach to development of the SME base.

This concentration of effort was the result of a deliberate decision by the Nova Scotia provincial government to create a highly specialised agency, with private sector leadership and a strong commercial focus. NSBI replaced earlier, more generalised approaches that sat within the provincial government. Whilst NSBI is expected to work with other development agencies, it retains this clear focus and priority.

### Description of the approach

NSBI is the publicly-funded business development agency for the province of Nova Scotia in Canada. It is an example of a regional agency working within a national policy context set by the federal government of Canada, but also working in collaboration with a number of more locally-based agencies within the province itself.

NSBI was established in 2001, and has an annual budget of around \$CAD 30million. It is accountable to the provincial government of Nova Scotia, but operates as an arms-length agency with its own staff (many of whom have experience in the commercial sector) and a private sector-led Board. It was set up following publication of an economic growth strategy for the province and its primary focus is very much on attracting and supporting growth-oriented SMEs in the region. Its services include:

- Business advice to SMEs, through a team of in-house business advisors, covering financial and business planning.
- Market intelligence and contacts to increase SMEs' export potential, such as market research, customer searches, exhibitions and missions.
- Funding, including loans and venture capital, to support business expansion.
- Marketing of Nova Scotia as a location for FDI, including administration of investment incentives.

NSBI's reported achievements in 2006 include: over 3 500 jobs created and maintained; \$124 million additional income for the regional economy; and almost \$60 million additional export sales.

### Relevance of the approach

The Nova Scotia region has a population of just over 900 000. Around 30 000 of its 32 000 registered businesses employ less than 50 people, so the SME base is crucial to the regional economy. That economy was traditionally dependent upon natural resource sectors: fishing, forestry, agriculture and mining. As these declined, it became essential to modernise and

<sup>1</sup>Source: David Crichton (2007), in "Strengthening Entrepreneurship, Innovation and Economic Development at Local Level". OECD LEED Trento Centre.

diversify the economic base, both through encouraging innovation within the traditional sectors and through building a presence in newer sectors such as tourism, technology, media and financial services.

Nova Scotia is also characterised by the range of agencies involved in trying to support SME growth: federal agencies working across Canada, provincial agencies such as NSBI itself, and more local agencies, often with wider social and community objectives. NSBI is an example of establishing a specific role and specialism within a complex overall structure, whilst aiming to work in collaboration with other elements of that structure.

### **Reasons for success or failure**

There are a number of positive features of NSBI that have contributed to its success:

- The private sector has a strong stake in its success, through representation on its Board.
- Its business advisory staff has largely been recruited from the commercial sector, bringing experience and credibility.
- It has a very distinct focus on SME growth with no wider, and potentially conflicting, objectives.
- It has recognised the importance of local knowledge and access, placing its advisors throughout the region, often co-located with more local development agencies.
- It takes a very pragmatic approach to prioritisation: growth is recognised to be possible from traditional sectors as well as from new sectors.
- It takes impact evaluation seriously, monitoring in particular the trend in average income levels from the jobs that it supports.

### **The obstacles that were faced and the quality of the response taken**

The key challenge in establishing NSBI initially was to win political acceptance within the provincial government for devolving budget and responsibility to an arms-length, private sector led agency. This was a controversial issue, and required strong political leadership and a clear, overall economic rationale to resolve it.

Alongside that, difficult decisions had to be taken in terms of staffing NSBI, to ensure that there was sufficient commercial skill and experience in the new agency. This required redeployment of many of the previous government-employed staff, and the recruitment of new people, including a chief executive, from the private sector. Whilst difficult at the time, it has been played a crucial part in building the impact and credibility of NSBI.

NSBI operates within a complex organisational environment, with a range of more locally based development agencies that also provide business support services. It has resolved this through encouraging those agencies to identify and introduce to NSBI SMEs with growth potential, using their local market knowledge and contacts. Also, NSBI has also co-located many of its business advisors with such agencies to help improve consistency, coordination and local credibility.

### **Considerations for adoption of this type of approach**

Providing a relevant, effective and credible support service for growth-oriented SMEs requires a very specific focus and a strong commercial understanding. With the exception of the BICRO example, few of the interventions identified during the study visit could demonstrate this. To adapt the NSBI model in other countries would require a number of issues to be addressed:

- Securing political commitment, at both national and regional level, to a greater degree of specialisation when supporting SMEs to innovate and internationalise.

- Attracting suitably experienced staff to deliver more focused growth support.
- Considering whether an existing organisation, Croatian Agency for Small Business (HAMAG) or Business Innovation Centre for Croatia (BICRO) for example, might provide a basis for adopting this more specialised approach.
- Building effective links between the national or regional provision of specialised SME growth support and the range of more local agencies that cannot deliver the service but can identify and introduce growth prospects.

**Contact details and website for further information**

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