

**Promoting Good  
Relationships between  
Local Authorities  
and their  
Business Communities**

*December 2000*

A Report Prepared for *Local Government New Zealand*  
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For Ffowcs-Williams  
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## Foreword

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Regional and economic development has been going through something of a revival within central government over the last year. We have seen the introduction of a number of new initiatives and a new pro-active approach is being taken to revitalise our cities and regions. However, economic development is not a new concept to local government. In fact, for the last decade local government has been “carrying the can” for regional economic development. Our sector has continued to persevere with active economic development initiatives during a period when it was unfashionable with central government policy makers.

Local authorities involved in economic development (either directly or via Economic Development Agencies (EDAs)) need to develop strong relationships with their local business community as it is the local businesses that will respond to local initiatives and create employment and increased output in their local area. Without a local business community there is no local economic development.

This report considers the responses received by *Local Government New Zealand* from a survey we undertook earlier this year on the relationships between local authorities and local businesses. It then suggests a process councils might use to establish or enhance such relationships, and considers the issues councils need to be mindful of when developing such relationships.

While it does make some critical comments (that you may or may not agree with), I believe the report is helpful and honest.

I encourage all councils to give some thought to the ideas in this report. You might wish to use the report to review the relationships you have with your local business community and to consider what further steps might be taken to maximise the quality of these relationships.

I welcome any comments you might have on this report.

Eric Millar  
Acting Chief Executive  
*Local Government New Zealand*  
December 2000



## Background

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### Background to Paper

With an increased focus on local economic development, it is timely to consider issues surrounding local authorities' communication and relationship building with the business community in the context of local economic development. In particular, Industry New Zealand's Regional Partnerships Programme increases the need for effective dialogue between local bodies and their business communities.

This brief framework paper was requested by *Local Government New Zealand*. No specific primary research or interviewing was undertaken as part of preparing this paper, though material from the OECD, and other lead economic development agencies has been reviewed.

This paper considers the responses received by *Local Government New Zealand* to a survey on councils' relationships with the business community. It then suggests a process councils might use to establish or enhance such relationships, and considers the issues councils need to be mindful of when developing such relationships.



## Stocktake

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### Survey Results

A mail survey was undertaken by *Local Government New Zealand* between December 1999 and March 2000 to establish the extent to which councils entered formal partnership and protocol arrangements with some or all of the parties in their business communities.

68% of the 64 survey respondents indicated they had established formal partnerships with business, tourism or trade groups in their region.

25% of regional councils had formal partnerships.

51% of territorial authorities had formal partnerships.

In February, another informal email survey of all local authority strategic planning managers/offices and all EDANZ members was undertaken. Four out of the 25 responses indicated they had formal “protocols”. The lack of interest by the other 21 agencies in responding could be interpreted as a lack of specifics to offer.

### Conclusions

The concept of a local protocol was almost completely unknown to most of the sector. There is little in the way of a systemised, formal process to link local authorities closely to their business constituency.



## **Other Existing Structures**

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Although these structures were not identified in the survey, a number of local authorities developed relationships with businesses through a variety of formal and informal mechanisms.

### **Councillors**

Many elected councillors come from business backgrounds and bring with them a set of relationships with the business community. For example, Wellington City Council has a number of councillors from a business background.

### **Committees/Advisory Boards**

Some local authorities have established committees and advisory boards that include local business people. For example, Manukau City Council has an Economic Development Steering Group, formed in 1997, to oversee the implementation of its economic strategy. The group is chaired by a local businessperson and meets several times a year. Typically, these are advisory, not action groups.

### **Economic Development Agencies**

More than 66% of local authorities sponsor economic development agencies. These bodies have governing boards, committees and trustees (in some cases) to oversee their activities. Many have local business people on these bodies. Many local authorities saw their support for an Economic Development Agency (EDA) as a key pillar of their business relationships.

A number of EDAs have developed specific leadership teams to support the development of local clusters, such as the Tauranga Region Food Manufacturers and Processors Association Inc, and the Capital Development Agency's film, creative content and seismic engineering cluster groups. Such groups have an action rather than advisory focus, with the local authority facilitating the groups' activities.

### **Policy Service Delivery Split**

Splitting policy and service delivery has made councils more business-like in the way they operate. Whether the service delivery has taken the form of a Stand Alone Business Unit (SABU) or a Local Authority Territorial Enterprise (LATE), the council has received an injection of business acumen and culture which will have assisted its development of business relationships.

On the other hand, businesses that have to compete with SABUs or LATEs do not see their development as necessarily positive.

### **Staff Recruitment**

Much staff recruitment into the sections of councils that are involved with economic development has come from the private sector. This can have a “rub off” effect on officers within the council, and can support the development of a more “private sector” culture among council officers.



## Context

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All communication occurs within a context and today, council–business relationships occur within a context of increased focus on local economic development. Local government is increasingly filling an economic development policy and implementation vacuum, using community development as an entrée into the area.

This increased interest in local economic development and consequent increased interest in business issues will require new skills and a new context to the council business relationship. The focus for engagement broadens out from the physical infrastructure – roads, water, waste etc – to the development of the soft infrastructure in support of the region’s economic activity - schools, tertiary institutions, Crown Research Institutes, linkages between economic entities, etc. It is this soft infrastructure that is particularly important for knowledge intensive activities.

### **Response to Global and External Factors**

Both councils and the business communities need to respond to rapidly changing external environments. While the global economy looms large, there is increasing evidence that local factors are the major determinant of competitiveness. This increases the importance of close relationships between businesses and their councils.

### **Multi-stakeholder Arrangements**

There are new players in the economic mix. Maori are an increasingly significant factor in the economic mix either as serious corporate players in areas that have managed to achieve settlements, for example seafood, and forestry (over the coming 24-36 months).

Immigrant communities are also increasingly important as stakeholders. Trade unions are positioning themselves to play an increasing role in local economic affairs through participation in the Regional Partnerships Programme.

Negotiating and consulting on multi-stakeholder arrangements is going to become the norm, particularly as it is a central requirement of Industry New Zealand’s new Regional Partnership Programme.



## Role of Business in Local Community

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In developing methods of developing relationships with businesses, it helps to reflect on the role of businesses in the community, particularly as it relates to:

- **Businesses as drivers for development**  
Businesses are the main drivers for development in the community. They are the wealth creators. They have physical infrastructural requirements which, to a large extent, drive the demand for council services.
- **Employment**  
The main outcome for the community from this process is employment either directly in businesses or in the supporting sector. For a few regions of New Zealand, the outcome is higher value jobs.
- **User of infrastructure and Services**  
Businesses are a significant user of council supplied hard infrastructure and services. In some jurisdictions, because of rating differentials, they claim a higher stake in the process.
- **Citizens/Ratepayers**  
They also have a significant role as citizens within the community and because of their access to resources often take an active lobbying role.
- **Partners in Providing Infrastructure**  
There is an emerging trend in New Zealand where businesses are becoming partners with government in infrastructure development, through a variety of build, own and manage projects. This practice is already well developed overseas.



## What Businesses Want

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### Physical Infrastructure - roads, water and sewage

Infrastructure services are best tailored to the specialist nature of the industries in the area.

Telecommunications infrastructure is increasingly important in economic development and although traditionally outside the scope of territorial authorities, increasing pressure from businesses to maintain ICT competitiveness can be expected. Wellington City Council, for example, took the lead in installing and then selling a substantial CBD fibre optic link.

### Results, Value

Businesses have an impatient results-focus. Smaller businesses, under time pressure in particular, want to see instant results from actions. This has implications for the way economic development is handled within councils. Small things matter like action agendas being distributed quickly after meetings. Speed, quick turnaround and email connections all matter to businesses.

### Coordination...link to cluster development

Due in part to the influence of such central government agencies as MED (with BizInfo) and CEG, the priorities of most EDAs are centred on smaller businesses and start-ups within their communities. In addition, with the encouragement of TradeNZ, many councils are using their limited resources to attract overseas investment.

Most councils have yet to develop a close relationship with the key businesses, and key clusters, within their communities.

The constraints to business growth, particularly in fast moving high-tech clusters, is often outside of the firms' sphere of influence in such areas as skills availability, equity funding, technology support, transport linkages.

There is a role for councils to coordinate the efforts of development in their region. They are in a position to bring together development aspects of national and local government with the private sector. Building alignment between small/medium sized businesses and their local (mainly central government funded) support infrastructure...secondary schools, polytechnics and CRIs.

## **Continuity**

Many businesses have commented unfavourably on frequent variations in policy and commitment by councils to business development. Many instances of short-term involvement have been found where a longer-term commitment of resources would have enabled results to be achieved and consolidated. For example, business development coordinators have been hired on short-term contracts and have been required to find their own project funding. This forces them to focus on fund raising activities (and seeking funding from nationally driven programmes), rather than focusing on their primary goal of helping to develop their communities.

Frequent staff changes, driven in part by political changes, inhibit the development of a partnership relationship based on trust.

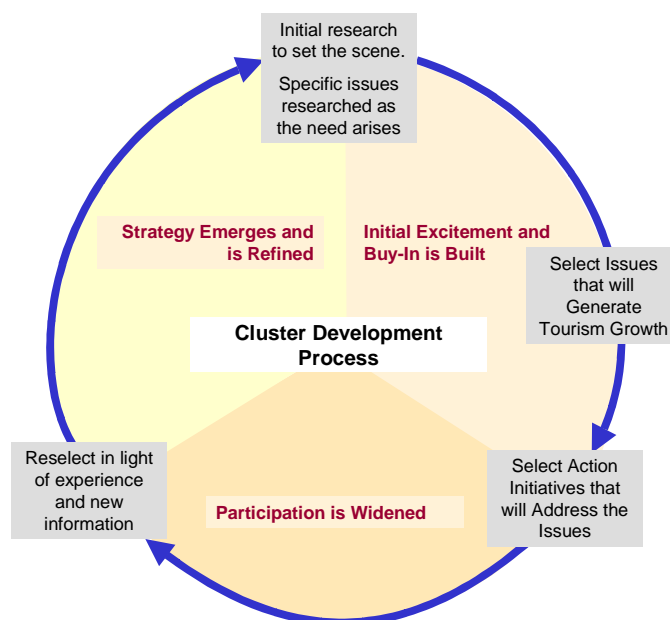


## Partnership

The concept of partnership between business and local government is often used, but frequently misunderstood.

Both sides need to take the effort to build a long-term relationship over time. In a genuine relationship, one side cannot set the agenda. Businesses resent fait accompli consultation, where the agenda, if not the outcome has already been set.

This aspect is exacerbated in internet time. Complex planning cycles are not responsive enough for the pace of today's business. Cooperative business activity requires more of a "give and take" attitude than the traditional single-minded approach to business. The development of a strategy is an evolutionary process. This process provides an opportunity for councils to build relationships and invite participation by stakeholders.



Many councils have advisory boards to govern their relationships with businesses. While many groups accept their advisory role, others are frustrated by it. The key to this is to delegate some responsibility to these groups, and empower them to make decisions.

The depth of the relationship is also important. Once both sides find that the partnership is beneficial, there are advantages in extending it to cover more activities or to give it greater depth.

### **Communication Channels**

Business has opened channels at different levels to raise its concerns with local (and national) government. Local government also has its own channels. Unfortunately both groups can sometimes talk past each other. Both formal and informal links are required to maintain these relationships.

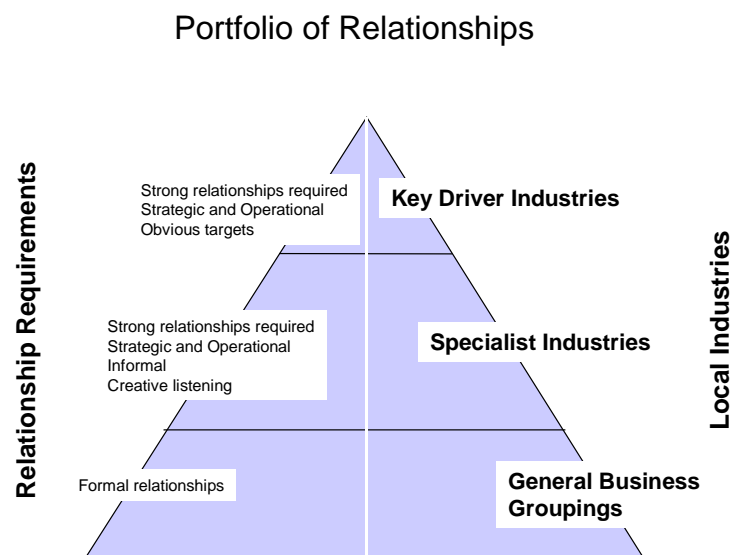
### **Role of the Media**

The media is interested in economic/social/community development and can become useful partners to local authorities in helping to communicate a vision and to promote community “buy-in”. Positive relationships should be established and maintained with relevant media.



## Portfolio Approach

Where councils are, of necessity, dealing with a portfolio of industries and clusters they need a portfolio of relationships with businesses within those industries. There is little point in having all eggs in one basket.



A pitfall is relying on general interest groups like Chambers of Commerce, rather than building a direct relationship with the community's key driving industries. Each industry will have different requirements of their local authorities, and reliance on building relationships with one industry only, or through one support organisation, is a flawed approach.

It is sensible for councils to undertake economic development across a portfolio of activities. Many projects spread risks and can lead to some early returns for stakeholders. The end result is a more inclusive relationship with businesses.



## Strategy/Project Development

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Councils should ensure that processes used to develop strategies facilitate “buy-in” from the business community. This is very important for economic development work where ultimately the action (job creation, investment etc) will be with the private sector.

There has been a tendency by EDAs and councils to contract out local consultations with businesses to consultants. Individual interviews are costly in terms of staff time but offer a high dividend in terms of forging an ongoing relationship.

Personal contacts cannot be contracted out. Building relationships is a core activity for councils and their economic development agencies. It builds institutional knowledge of local businesses which is a prerequisite for the development of effective local economic development strategies.



## Leadership

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The nature of leadership within both groups (the business community and the council or its agents) is very important. Some key points are:

- It must be local. Local people are motivated by local development.
- Civic minded, voluntary “civic entrepreneurs” are best. In the initial stages when the project is new and resources are scarce, voluntary activities are required. As the project gains a track record and can attract professional resources for management, consultancy etc, different skills and attributes are required
- An open, flexible, team, which does not exclude new members is required.

### Senior People

It is not always easy to get the local “movers and shakers” involved during the early stages. They may well be sitting on the fence watching sceptically to see if this particular initiative will take off or flounder.

Yet a clustering initiative is an inclusive process, not an exclusive one. Senior people need to feel there will be a pay-off for their time and involvement. A professional approach supported by a personal invitation from the Mayor or a senior civic leader to an initial meeting can help gain their interest.

Maintaining this attention is often dependent on generating early benefits for stakeholders. More meetings, reports, speeches add to a workload without offering a positive impact to a business bottom line.

An early and simple measure of the success of a clustering initiative is the willingness of senior participants to front up to the next meeting. An early warning sign is if they delegate, or are “no-shows”.

## **Requirements of a Leadership Group**

These are essential requirements of a leadership group:

- it should cover all corners of the cluster, with broad community representation
- it should have energy and a balance of skills
- it must have a commitment from the preferred leaders to participate
- it must be a team that can effectively work together in furthering local development
- it must possess a range of skills including:
  - marketing, development, training skills
  - communication, public relations capabilities
  - strong connections at national and local level.

Temporary teams with an issue focus can also be developed, and these teams benefit from tight integration with the leadership group through a Group member being a participant in each team.

## **Chairperson**

Selection of the Chairperson from amongst the leadership group is crucial. The Chair is the head of the team, and needs to be acceptable to all members. The chairperson's role is to:

- chair leadership group meetings
- publicly represent the group in many forums
- be inclusive, a strong motivator and able to remove grid-lock
- draw in additional support and resources to further the group's objectives.

The leadership group should be predominantly from the private sector, made up of senior participants together with one or two of the more innovative smaller participants. The group should not be dominated by government representatives or association officials.

Members of the leadership group should not formally represent different “factions” within the local community, though between them they should bring together the key constituencies that make up the local businesses.

People in your community that are excessively eager to participate, that have narrow vested interests, that have hidden agendas to pursue, or who may be resistant to change, should be avoided.

The appointment of co-chairs can be useful. This symbolises the need for partnerships. If, for example, skills and training are a key issue, one Chairperson could be from the private sector, and another from a Polytech.

### **Acknowledging Tensions**

The leadership team needs to acknowledge that there will sometimes be tensions in relationships. Some common areas of difficulty include:

- **Different timeframes**  
Businesses sometimes operate in very compressed timeframes; politicians need to act within an election cycle; and council staff have much longer timeframes for infrastructure planning. The bottom line is that if councils want profitable relationships with businesses, they need to acknowledge these differences – as do businesses.
- **Clarifying Council Businesses**  
SABUs and LATEs confuse and annoy many businesspeople. While many businesspeople appreciate the changes in service and attitude that come about from these structures, many resent their rates being used to create competition for their businesses.
- **Resource Management Act**  
The Resource Management Act and its administration also strain business relationships. Wide variations in practice and the recalling of horror stories (often exaggerated, but often with some truth to them) add to the difficulties.
- **Regulations**  
Councils’ statutory responsibilities in regulating many aspects of business can, if not handled in a business-sensitive way, hinder relationships.



## Structures

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Given the issues above, what are the institutional structures that best deliver a sound relationship? Unfortunately one size doesn't fit all situations, but there are several principles that need to be followed:

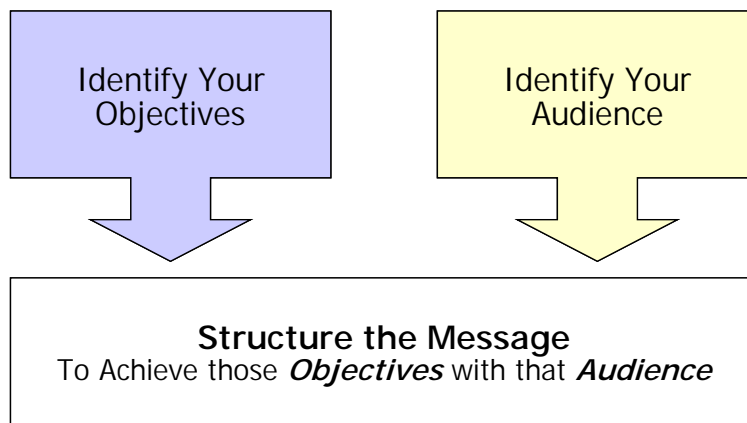
- Firstly, don't give up on existing institutions. It is always somewhat of a slog to make existing institutions work effectively. However, whether the issue is leadership, management or operational, sometimes the existing institution just needs reorienting to become effective.
- That said, once the decision to move to a new institution has been made, any new arrangements need to be:
  - flexible
  - responsive to business needs and culture
  - focused on people rather than processes
  - action oriented
  - results driven
  - multi-layered and linked for strength
  - for example, in cluster leadership teams, the Chairs from each could be on the EDA board. This facilitates the identification and addressing of cross cluster issues, and gives status to the cluster chairs.



## Conceptual Model

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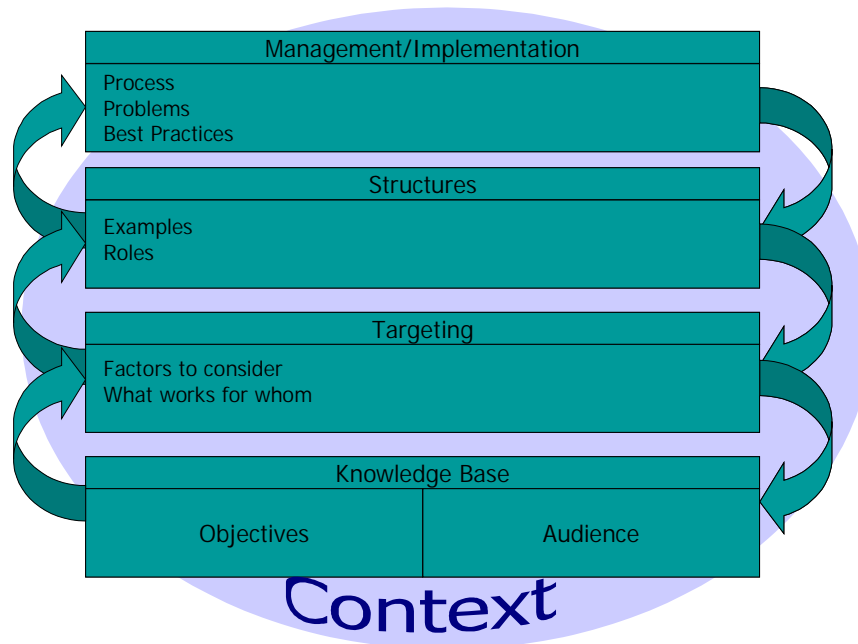
All relationship building is about communication. To develop an effective model, it is necessary to clearly identify the objectives and audience for communication.



Then the communicator needs to tailor the message to deliver the desired results for that audience.

### Context

Our conceptual model of developing good relationships with business starts with an analysis of the context in which the relationship is being developed.



Some of the relevant factors are:

- Urban/rural. The context is quite different. The business requirements of a pastoral/dairy industry i.e. farmers and large dominant companies are very different to those of many small businesses in IT within an urban area.
- The existing state of the relationship. Many council business relationships have deteriorated for a variety of reasons and need a healing strategy. This contrasts with a long established functioning relationship.
- Economic development priorities. In 2000 there is a clear realisation by central government that local government, business, and local communities must form a partnership for economic development. This is reinforced by the nature of the Industry New Zealand programmes.

## Objectives

It is important to clarify the objectives behind establishing business relationships. These may vary over time but could include:

- seeking or disseminating information about local businesses
- instituting a long or short term dialogue for economic development, environmental issues etc
- involving a business community in a local government initiative, the opening of a new stadium, business incubator, retail developments
- seeking sponsorship for business or community events etc.

## Analyse the Business Audience

Different groups within the business community have different requirements and expectations in their relationships with councils. The business audience could be assessed in the following way:

- Who are the **people** involved? The technical manager of a company would have a different perspective from the managing director.
- What are the current issues, problems, interests and hot buttons?

## Targeting

Given the analysis above, the relationship building can then be targeted for that audience.

## Structures

The relationship will then require a structure to maintain the momentum. The principles for developing the “right” structure are on page 19.



## Implementation

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The council-business relationship will then enter an implementation phase where the management of the interface between council and business will be the focus. At this stage, communication processes need to be established and tested with a focus on people issues. The interface management works best when it is:

- networked
- multi-layered
- simple
- continuous.



## Conclusion

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New Zealand is undergoing a major change in policy and implementation of local economic development. Funds are available for regional development and an important criterion is that the development is a genuine partnership.

All territorial authorities must build relationships with their business communities. The only way our local communities will prosper with jobs, investment and growth is through a genuine partnership between local government and business.

The building of relationships requires local solutions to local problems and opportunities.