

# 2010 PRE-BUDGET SUBMISSION

March 9, 2010



## **The Manitoba Chambers of Commerce**

Entrepreneurial Spirit • Community Values

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## EXECUTIVE SUMMARY:

This is the fifth year the Manitoba Chambers of Commerce has called for a Great Jobs Agenda.

For employees “great jobs” are well-paying and engaging. For employers “great jobs” are lucrative and lead to true competitive advantage.

In what has been called “the great promise of our time”<sup>1</sup>, we are at a point where the path to the great jobs employees want and the great jobs employers need is one and the same.

In a knowledge economy that is increasingly globalized, mechanized and digitized there is one and only one sustainable path to great jobs – creativity.

That is why the cornerstone of the Great Jobs Agenda is a call for a disciplined and steadfast focus that judges all economic and educational efforts against one basic standard:

*Are our efforts empowering every member or potential member of Manitoba’s workforce to obtain employment that fully taps into their creative potential?*<sup>2</sup>

The agenda includes seven other elements that build on this cornerstone (see Appendix One for details).

We have prepared a summary ‘Agenda Scorecard’ (see Appendix 2) to help gauge the progress that has been made on the Great Jobs Agenda.

The Government has not specifically endorsed the Great Jobs Agenda, but the scorecard confirms the Government has embarked on many initiatives that have served the elements we have called for.

Although the scorecard suggests additional work needs to be done on each and every element, two items require special focus:

- Tax Reform and
- Working Together.

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<sup>1</sup> “Ontario in the Creative Age”, Martin Prosperity Institute, February 2009, p. 31, <http://martinprosperity.org/media/pdfs/MPI%20Ontario%20Report%202009%20v3.pdf>

<sup>2</sup> For ease of reference we call this a “creative capital mindset.”

## Tax Reform:

While this Government deserves credit for embarking on the greatest tax relief in Manitoba's history (in conjunction with the greatest spending increase in Manitoba's history), the major aspects of its current tax vision will be complete by 2010.

Manitoba needs a new long-term tax vision, one that moves from principle, to practice, to a substantial and sweeping rethink:

- *Principle:* Commit in the 2010 Budget to the principle of tax relief focused on:
  - a) low income Manitobans; and
  - b) eliminating all profit insensitive taxes that penalize businesses for investing in people or capital.
- *Practice:* Fulfill the above commitments over a number of years in a fiscally responsible manner; and
- *Rethink:* Embark upon a fundamental review of Manitoba's tax regime.

The end of your last long-term tax strategy combined with these fiscally challenging times present an opportunity for a substantial 'rethink' of Manitoba's tax regime, one that engages both our community and our experts in 'big picture' thinking about not just our level of taxation but whether we have a tax system that best serves a Great Jobs Agenda.

This fundamental review of Manitoba's tax regime should consider issues such as:

- a. How do other jurisdictions tax; what insights may be gained therein; and how, if at all, could these insights be applied to Manitoba? For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.<sup>3</sup>;
- b. Are we best served by a regime that taxes income or consumption?;
- c. Should personal taxation be based on lifetime earnings?<sup>4</sup>; and
- d. What impact would eliminating the corporate tax have, including the long-term effect on tax revenue and the repatriation of earnings by foreign companies?<sup>5</sup>

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<sup>3</sup> Ibid., p. 44.

<sup>4</sup> Ibid., p. 46

<sup>5</sup> "Rebalancing priorities for prosperity", Fourth Annual Report, November 2005, p. 45.

## **All Together (Government, Labour, Community Groups and Business Must Work Together):**

This has been an area of considerable progress, in particular the creation of the Innovation Council (something the Manitoba Chambers called for), the Council's plan to present its recommendations to a community forum, and the pending summit of the Premier's Economic Advisory Council.

However, a crucial next step is needed to maintain momentum, enhance accountability and extend engagement, namely, the creation of a Forum on the Great Jobs Agenda.

This Forum would:

- Create a framework to assess Manitoba's progress on the Great Jobs Agenda;
- Confer with the public/stakeholders and experts on the best way to enhance Manitoba's progress on the Great Jobs Agenda;
- Consider issues of productivity and innovation in Manitoba, although this analysis would need to occur within the context of the Great Jobs Agenda;
- Perform an ongoing and detailed analysis of Manitoba's economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole, and consider the need for:
  - specialized training and research institutions on a sector-by-sector basis;
  - specialized infrastructure on a sector-by-sector basis;
  - special regulatory regimes on a sector-by-sector basis; and
  - any other special needs identified on a on a sector-by-sector basis;
- Maintain a website with regular updates that are both posted and emailed to subscribers<sup>6</sup>;
- Make recommendations or suggestions for action by governments, the private sector, and others to enhance Manitoba's progress on the Great Jobs Agenda;
- Produce annual public reports on its work. Publications could also include interim and special reports, as appropriate;
- Initially run for a four-year period. The Forum's mandate would be renewed if a public review concluded the Forum has been effective in fulfilling its responsibilities; and
- Be operated as part the Premier's Economic Advisory Council, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

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<sup>6</sup> The website and activities of the Council of the Federation provide good examples of the type of collaboration and reporting that is envisioned. See <http://www.councilofthefederation.ca/>. The Task Force on Competitiveness, Productivity and Economic Progress is another good example. See [www.competeprosper.ca](http://www.competeprosper.ca).

## **INTRODUCTION:**

We are honoured to present this, our eleventh submission to this Government and our first you to as Manitoba's Minister of Finance.

We reiterate our congratulations on your appointment to this crucial portfolio and look forward to working with you in the spirit of cooperation and candor that you so effectively maintained during your tenure as Manitoba's Minister of Agriculture, Food and Rural Initiatives.

### **About the Manitoba Chambers of Commerce:**

The Manitoba Chambers of Commerce is the umbrella organization for Manitoba's Chamber movement. With a membership comprised of 74 local chambers and 350 direct corporate members, in total we represent over 10,000 businesses across Manitoba.

Our membership is not confined to any specific region within Manitoba. Nor do we represent only one size of business. In fact, the Manitoba Chambers represents the entire spectrum of business, from sole proprietorships to some of the largest companies in Manitoba. Nor do we represent only one particular sector of the economy. To cite but a few examples, our membership includes representatives within services, manufacturing, transportation, mining, agriculture and technology.

In short, we are Manitoba's largest and most diverse business association and we leverage that network to serve businesses that embody entrepreneurial spirit and community values.

We are a network of over 10,000 businesses and community leaders dedicated to ensuring that Manitoba's businesses are:

- Informed;
- Heard; and
- Strong.

One of the virtues of the Great Jobs Agenda is that it doesn't lay everything on the doorstep of government. We believe strongly that Manitoba's business community and the associations that serve it have a crucial role to play in the Great Jobs Agenda.

It is an obligation that the Manitoba Chambers of Commerce takes very seriously. In fact, it guides our actions throughout the year. That is why we included the Manitoba Chambers of Commerce right beside the Government in our Great Jobs Agenda Scorecard.

Throughout this submission we will elaborate on how we have leveraged our strength to serve the Great Jobs Agenda. If you have any suggestions or feedback on how we can improve our activities in this regard, please do not hesitate to let us know.

## **The Origin and Nature of the Great Jobs Agenda:**

The inspiration for the Great Jobs Agenda began with a report entitled “Paid to be Poor”, where Wayne Helgason, Executive Director of the Social Planning Council of Winnipeg, said:

“There are simply not enough good jobs with good wages being created in Manitoba.”<sup>7</sup>

Helgason’s words struck a chord with us because job creation is frequently mentioned by the business community as the justification for getting many of the items it calls for, from tax relief to infrastructure.

It begged the question:

“Just how much common ground is there between factions that are assumed to be at odds - between poverty groups and business, between labor and management, left and right?”

We reviewed a number of submissions on a variety of subjects and found many areas of agreement. Sadly, all too often these points of consensus were lost in the attention-grabbing controversies that surrounded the contentious issues.

Society places too much value on how ferociously we fight over our differences. It is time we were also judged against our efforts to build on that which we agree.

To this end we sought to identify and formalize our areas of agreement, to build a new economic agenda that not only embraced our common ground but heralded our deepest, most profound commonality as the centerpiece - the desire for great jobs.

Because this agenda is built on common ground you will be hard pressed to find anyone who will disagree with any of its eight elements. That is why it isn’t surprising to see this Government undertake many initiatives that echo the ideas and principles set out in the Great Jobs Agenda.

Indeed, these comments from the 2009 Budget speech attest to the incredible symmetry between this Government’s approach and the Great Jobs Agenda:

“Every child deserves the opportunity to flourish.”<sup>8</sup> and

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<sup>7</sup> “Paid to Be Poor”, p. 9. Similar comments in the report included: “Insecurity is prevalent”, “Little or no hope of advancement”, “The fear of unemployment makes people wary about complaining about their wages and working conditions” and “In our economy, when a worker loses his job it’s like capital punishment.” Pages x, 2, 14 and 14 respectively.

<sup>8</sup> P. 16.

“Mr. Speaker, Manitoba is well positioned to take advantage of our fundamental strengths – our diversity, our agility and our creativity.”<sup>9</sup>

That said, symmetry is not enough. If Manitoba and its citizens are to maximize their potential our Government must take the next step of explicitly and fully embracing the Great Jobs Agenda.

### **Why a Great Jobs Agenda?:**

A growing number of authorities are attesting to the wisdom of the Great Jobs Agenda.

For example, our 2009 Pre-Budget Submission extensively quoted from the Martin Prosperity Institute’s “Ontario in the Creative Age” to show the profound level of agreement between the work of the Institute and the Great Jobs Agenda.<sup>10</sup>

As well, in The Element: How Finding Your Passion Changes Everything, Sir Ken Robinson, Ph.D. wrote:

“The world is changing faster than ever in our history. Our best hope for the future is to develop a new paradigm of human capacity to meet a new era of human existence. We need to evolve a new appreciation of the importance of nurturing human talent along with an understanding of how talent expresses itself differently in every individual. We need to create environments – in our schools, in our workplaces, and in our public offices – where every person is inspired to grow creatively.”<sup>11</sup>

Our agenda makes great jobs the centre-piece and, in turn, identifies creativity as the key to great jobs. In coming to this conclusion we drew heavily from Richard Florida, author of The Creative Class.

Here is Florida’s explanation of why he chose to focus on ‘creativity’:

“In my opinion, the great challenge of our time will be to spark and stoke the creative furnace inside every human being.

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<sup>9</sup> P. 2.

<sup>10</sup> February 2009,

<http://martinprosperity.org/media/pdfs/MPI%20Ontario%20Report%202009%20v3.pdf>.

This in and of itself should not be surprising as the Great Jobs Agenda was partly inspired by Richard Florida, who is now with the Institute. That said, it is worthy of note that this leading institution, helmed by two of our country’s finest minds - Florida and Roger Martin, Dean of the Rotman School of Management – produced a report for the Province of Ontario that echoes much of what we have been saying in the Great Jobs Agenda for the last five years. The Institute continues to produce research and reports that support the Great Jobs Agenda.

<sup>11</sup> P. xiii, Penguin Group, New York, 2009.

The creative class concept should therefore be understood as neither elitist nor exclusionary. In fact, I coined this term largely as a result of a personal and intellectual frustration with the snobbery of such concepts as ‘knowledge workers,’ ‘the information society,’ ‘high-tech economy,’ and the like. I chose ‘creative class’ because I found it to be both more accurate in defining the real source of economic value creation and also more useful in highlighting who of our fellow workers is or is not rewarded monetarily and professionally for making use of their own inherent creativity. The real challenge of our time is to extend its membership beyond the 30 per cent or so who are currently allowed in – to make the creative class a much broader and inclusive group that taps the great reservoirs of creative human energy that are already in our midst.”<sup>12</sup>

‘Creativity’ joins a growing list of terms offered as the credo for a new age; hallmarks such as ‘innovation’, ‘knowledge economy’ and ‘productivity.’

However, this is not an issue of semantics, for choosing one over the others bears important implications.

Consider the issue of ‘productivity’. There is a great deal of similarity between championing productivity and creativity, but for all of its considerable benefits, a productivity agenda has two fatal flaws.

For one thing, workers often equate productivity with fewer jobs.<sup>13</sup> Such fears are hardly the stuff of unifying agendas.

Further, we are simply deluding ourselves if we do not see an element of truth to workers’ concerns in this regard. A significant element of productivity is mechanization and technological innovation, and most international economists agree that “The vast majority of job reductions...are traceable not to outsourcing or globalization but are the consequence of labor-saving technology.”<sup>14</sup>

Even the Senate Standing Committee on Banking, Trade and Commerce agreed that productivity can have ‘short-term’ negative employment consequences.<sup>15</sup> And therein lies the second fatal flaw to a productivity standard – it may increase living standards but it takes an awfully long time (decades) to do so.<sup>16</sup>

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<sup>12</sup> The Creative Class, p. 35.

<sup>13</sup> The Enthusiastic Employee, p. 106.

<sup>14</sup> Richard Florida, The Flight of the Creative Class, p. 96.

<sup>15</sup> Report of the Standing Senate Committee on Banking, Trade and Commerce, “Falling Behind: Answering the Wake-Up Call, What Can be Done to Improve Canada’s Productivity Performance?”, June 2005, p. 4.

<sup>16</sup> Tarek M. Harchaoui and Faouza Tarkhani, “Four Decades of Productivity Performance in Canada”, The Canadian Productivity Review, Statistics Canada, (October 2005), p. 5.

During its hearings on productivity the Senate Standing Committee on Banking, Trade and Commerce was told that that we need to understand issues beyond just productivity, "... including the extent to which wealth is being created, the amount of leisure time that is available, and the health and well-being of citizens."<sup>17</sup>

The creative capital mindset answers all these concerns. It serves the business community by nurturing the talent, the strategic focus, and the technological advances that are crucial to thriving in today's dynamic value-added markets. It serves each and every worker by harnessing their full creative potential in a way that provides the well-paying and engaging jobs that are so important to health and well-being. Finally, it serves all citizens by enhancing the capacity of the economy to fund the programs expected of government.

To a degree, the same concerns about 'productivity' can be said for 'innovation'. It is often assumed that innovation means machinery and a loss of jobs. It is often assumed that it means 'science' and 'high tech' and therefore excludes so many other creative jobs. Finally, 'innovation' does not provide the greatest assurance of fulfilling, engaging employment. Many 'innovative', 'knowledge economy' workers have been surprised to find their work automated or outsourced.

This is not to say that productivity and innovation do not have an important place in our efforts, they do, but the key features of our agenda must be creativity and the great jobs (well-paying and engaging) that creativity leads to.

#### **AN ENVIRONMENT WHERE BUSINESS CAN THRIVE:**

The Great Jobs Agenda Scorecard suggests the Government has done a very good job of embarking on initiatives to foster an environment where businesses can thrive.

However, it seems the time is right to embark on new tax vision specifically designed to enhance the capacity of businesses to provide great jobs.

We cannot stress enough that this is in no way meant to be a criticism of the Government's tax policies to date; in fact we offer explicit praise for efforts that include:

- Cutting the general Corporation Income Tax by almost 30 per cent;
- Making the Manufacturing Investment Tax Credit 70 per cent refundable;
- Committing to eliminate the general Corporate Capital Tax and the Small Business Tax; and
- Introducing a number of tax-credits to facilitate co-op education, apprenticeship training, the manufacture and use of green energy equipment, angel investing, community investing and more.

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<sup>17</sup> Report of the Standing Senate Committee on Banking, Trade and Commerce, "Falling Behind: Answering the Wake-Up Call, What Can be Done to Improve Canada's Productivity Performance?", June 2005, p. 5.

However, the fact that the last remaining aspects of your tax vision will be completed by 2010 suggests that the time is ripe for a new vision. The fact that these are fiscally challenging times suggests we must be extremely strategic in the taxes we choose to focus upon.

If the goal is to equip businesses with the ability to maintain great jobs, it seems we should focus on the elimination of taxes that are not only profit insensitive, but actually tax businesses for investing in capital or people.

In the words of the Competiveness Institute:

“One study by Finance Canada economists indicates that for every 10 percent reduction in taxes on business investment, the expenditure on machinery and equipment increases by 10 percent. Our work and that of others reach the same general conclusion – lowering the cost of business investment means more investment. And this means more high paying jobs. Other research by Finance Canada shows that a reduction in business taxes does more for the average family than an equal reduction in the sales tax. This paradoxical result comes about because more business investment drives wages and job creation higher.”<sup>18</sup>

There may be a temptation to engage in broad-based income tax relief but we are not sure this should be a priority.

Last year we mentioned an interprovincial comparison of total direct taxes prepared by British Columbia’s Ministry of Finance. The comparison suggested Manitobans pay more than their Alberta counterparts as follows (although the comparison listed all the provinces we are highlighting the jurisdiction with the lowest taxes to make our point):

- Two income family of 4 earning \$90,000: + \$4,583
- Two income family of 4 earning \$60,000: + \$2,850
- Unattached individual earning \$80,000: + \$4,363

Even without taking into account the huge disparity in the high cost of living in Alberta, we find it hard to believe that anyone would move to Alberta to save between \$4,500 to \$2,800 a year in taxes.

In short, Manitoba’s challenge isn’t how we tax incomes between \$60,000 to \$100,000; our problem is we don’t have enough jobs paying between \$60,000 and \$100,000.

Given the great progress this Government has made in targeting business tax relief, the two biggest remaining challenges are the PST on business investment and the Payroll Tax.

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<sup>18</sup> “Navigating through the recovery Annual Report 8 - November 2009”, p. 49.

The Payroll Tax remains a significant concern for our members. It was again the focus of a Resolution that was adopted by our members at our 2009 AGM, the fifth consecutive year in which this has occurred.

Candidly, we do not know which is a greater impediment to great jobs in Manitoba, the PST on business investment or the Payroll Tax. Further research is needed to make this determination.

What we are seeking at this juncture is the Government's agreement that we must eliminate taxes that are the greatest impediment to creative and well-paying jobs in Manitoba.

Once those taxes are targeted, the specific path of implementation will of course depend on the availability of revenue. We certainly do not endorse running a deficit to fund tax relief.

In addition, the end of your last long-term tax strategy combined with these fiscally challenging times presents an opportunity for a substantial 'rethink' of Manitoba's tax regime, one that engages both our community and our experts in 'big picture' thinking about not just our level of taxation but whether we have a tax system that best serves a Great Jobs Agenda.

This fundamental review of Manitoba's tax regime should consider issues such as:

- a) How do other jurisdictions tax; what insights may be gained therein; and how, if at all, could these insights be applied to Manitoba? For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.<sup>19</sup>;
- b) Are we best served by a regime that taxes income or consumption?;
- c) Should personal taxation be based on lifetime earnings?<sup>20</sup>
- d) What impact would eliminating the corporate tax have, including the long-term effect on tax revenue and the repatriation of earnings by foreign companies?<sup>21</sup>

#### **IDENTIFY & REMOVE ROADBLOCKS FOR THOSE ON LOW-INCOME:**

With major initiatives like 'All Aboard' and 'Rewarding Work' to its credit, this Government has done a very good job of removing roadblocks to those on low income.

The Manitoba Chambers of Commerce will continue to work with the Government and poverty groups to both monitor and advance this issue.

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<sup>19</sup> "Rebalancing priorities for prosperity", Fourth Annual Report, November 2005, p. 44.

<sup>20</sup> "Rebalancing priorities for prosperity", Fourth Annual Report, November 2005, p. 46

<sup>21</sup> "Rebalancing priorities for prosperity", Fourth Annual Report, November 2005, p. 45.

We simply wish to take this opportunity to raise the possibility of additional tax relief for low income Manitobans, perhaps in the form of a Working Income Tax Benefit (WITB).

As you know, in 2007 the federal government introduced the WITB to remove barriers to work, often termed collectively as the “welfare wall.” The WITB is a refundable tax credit offered to low-income earners as a supplement to low earnings from employment.

The Ontario Task Force on Competitiveness, Productivity and Economic Progress discusses this issue and suggests that the WITB was not working well in Ontario as it did not fit well with the structure of their income security system.<sup>22</sup>

The 2007 Manitoba Budget spoke of a new Manitoba benefit which would complement the federal WITB, but we are unaware of whether the benefit was announced and, if it is in place, how effective it has been.

#### **NURTURE SKILLS/RECOGNIZE SKILLS:**

This is another area where the Government has made great strides.

This in and of itself is not surprising as the Government has always targeted skills development as a major component of its approach. Indeed, “Focusing on Skills and Knowledge” is a key component of its latest 10-point economic plan.

If there is one area of concern it is the issue of accountability. Specifically, are the investments the Government is making leading to great jobs? The recommendations we make in relation to ‘All Together’ will address this issue.

#### **TRUMPET SUCCESS (BUSINESS & GOVERNMENT) AND BROADEN KNOWLEDGE OF THE LAW:**

We appreciate some of the efforts you have made in these areas, particularly on the issue of celebrating success. The creation of the health-care innovation awards (a recommendation from the Premier’s Economic Advisory Council) is a great example in this regard.

However, we think the private sector, in particular Manitoba’s many business associations, should take more of a lead on these issues.

For its part the Manitoba Chambers has continued to celebrate the success of our entrepreneurs by telling their stories in ways that empower and inspire:

- **The MCC Focus Magazine:** this magazine goes out to 10,000 business and community leaders across Manitoba. The Focus continues to celebrate Manitoba’s businesses with its ‘Ahead of the Curve’ feature. To that we have added:

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<sup>22</sup> “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005”, P. 52

- Manitoba Matters: a bulletin board of news and milestones relating to our business community;
  - Postcards from the Business Edge: a half-page feature on a small to medium-sized business;
  - Diary of an Entrepreneur Column: different Manitoba entrepreneurs contribute a column outlining some of the joys, successes, struggles, issues and activities they experience over a one to three month period. The column is in a diary-like format, and provides a candid, inspiring, informative look at what it is like to be an entrepreneur ‘in the trenches’.
- **The MCC Business Awards:** we continue to celebrate some of the best and brightest of our business community with our annual awards gala. We are currently looking at new ways to expand the scope and impact of this marquee event.
  - **Manitoba’s Cūl Companies:** The Manitoba Chambers is utilizing its vast network of over 10,000 business and community leaders to celebrate ‘cool’ Manitoba success stories (i.e. companies that feature remarkable, unique, highly creative products). We are doing so across the gamut of communication vehicles including video, podcasts, articles, and events.

The revamp of our website is adding a number of other features to promote Manitoba’s entrepreneurs and facilitate the exchange of ideas:

- **Business Tips Online (BTO):** gives entrepreneurs the chance to access key insights through three formats: articles, peer-to-peer virtual networking and videos;
- **Meet Our Members (MOM):** gives corporate members of the Manitoba Chambers a chance to both submit and view articles and videos profiling our members;
- **Info for Local Chambers:** includes Chamber Virtual Networking, the strategic plans and by-laws of local chambers throughout Manitoba, transcripts of the local chamber best practices sessions from our AGMs, and ‘how to’ manuals covering all aspects of operating a local chamber.

As indicated in previous submissions, the Manitoba Chambers of Commerce also uses a number of vehicles to highlight the work of the Government of Manitoba and to help broaden knowledge of the law:

- **The ‘Manitoba Matters’ section of the Focus:** this bulletin board format includes notices of key government activities;
- **MCC TV:** to our knowledge we continue to be the only business association in Canada to provide regular video highlights of Ministers’ speeches; and
- **Manitoba Government News:** A front page section of our website that highlights government announcements and accomplishments.

The MCC website currently attracts over 2,500 visits a month. In addition, we send out a weekly E-Update news letter that essentially brings the website to 8,000 businesses and

community leaders across the province, mentioning the business news, think pieces and government news that we have profiled on our website.

Our greatest success in trumpeting the Government's initiatives may have been in relation to H1N1 where we helped spread the government's message to get businesses ready to deal with this challenge. Our initial post attracted over 500 hits in five hours and over a thousand hits in 24 hours.

We will be launching new initiatives in 2010 to further enhance our efforts to celebrate Manitoba's great entrepreneurs and our Government's initiatives.

**ALL TOGETHER (GOVERNMENT, LABOUR, COMMUNITY GROUPS AND BUSINESS MUST WORK TOGETHER):**

We have studied many jurisdictions - from communities in North America that have developed clusters to countries like Ireland and Denmark – and each and every one that experienced success had their government, private sector and labour representatives working together.

This Government has done a commendable job of embarking on consultations and building partnerships, from its initial Century Summit to the creation of the Premier's Economic Advisory Council, to the Immigration Council, to the newly-formed Innovation Council.

What we are suggesting is taking these efforts to a new level so as to broaden public engagement and input, deepen analysis, and produce a profound shift in two crucial ways.

For starters, when done right this coming together should produce a mindset that sees Manitoba's challenges as shared - with shared responsibility and a shared role to play in the solution - as opposed to a finger pointing exercise that lays all blame on the doorstep of government. This calls for a true team-based approach.

As well, this new approach needs a new level of discipline. One that is not only willing to put in the hard work that is often needed to get to the truth, but is also willing to face that truth 'head on' when it is found – for the truth can be harsh and disappointing.

This is an absolutely crucial skill set because data can give false signals.

Perhaps the best evidence that matters aren't always as they appear is the popping of the housing bubble (in the U.S. and, to a lesser extent, in Canada) and the recent financial crisis. It turned out a lot the signs of prosperity (rising profits, rising housing values, growing rates of spending) were hiding some pretty dangerous and unsustainable activity.

We call it the illusion of strength.

It is an issue that prompted Jim Collins to look at why companies stumble.

Collins is the author of Good to Great, one of the most highly regarded business books of all time.

Collin's latest book, How the Mighty Fall and Why Some Companies Never Give In, outlines his efforts to address this issue, and it comes to some surprising conclusions that confirm the problem with typical benchmarks.

If people had to guess why companies failed or faltered most would probably say it is because they got lazy, lost ambition, stopped innovating, or stopped being strategic.

The amazing thing about Collins' study is the companies that got into trouble had developed aggressive strategies. Writes Collins, "... we found tremendous energy – stimulated by ambition, creativity, aggression and/or fear..."

For example, one company that faltered increased its patents from 613 to 1,016 between 1991 and 1995. Another patented 1,933 new compounds from 1996 to 2002 – the most in the industry and 400 ahead of the second place company.

Typical benchmarks would have given these companies the thumbs up, but they were actually paving their road to ruin, or at the very least setting themselves up for tremendous struggles.

Collins says if you really want to know how a company is performing you need to get past the typical numbers associated with high performance. In his quest for a true test he came back to the matrix he developed in Good to Great.

One key aspect of the Matrix is "Disciplined Thought", specifically:

*"Confront the Brutal Facts—the Stockdale Paradox. Retain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be."*<sup>23</sup>

To foster this disciplined thought, extend Manitoba's momentum, enhance accountability and broaden engagement and teamwork, we need a Forum on the Great Jobs Agenda.

This Forum would:

- Create a framework to assess Manitoba's progress on the Great Jobs Agenda;
- Confer with the public/stakeholders and experts on the best way to enhance Manitoba's progress on the Great Jobs Agenda;
- Consider issues of productivity in Manitoba, although this analysis would need to occur within the context of the Great Jobs Agenda;

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<sup>23</sup> See Appendix 3 for a full list of Collins' matrix.

- Perform an ongoing and detailed analysis of Manitoba’s economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole, and consider the need for:
  - specialized training and research institutions on a sector-by-sector basis;
  - specialized infrastructure on a sector-by-sector basis;
  - special regulatory regimes on a sector-by-sector basis; and
  - any other special needs identified on a on a sector-by-sector basis;
- Maintain a website with regular updates that are both posted and emailed to subscribers<sup>24</sup>;
- Make recommendations or suggestions for action by governments, the private sector, and others to enhance Manitoba’s progress on the Great Jobs Agenda;
- Produce annual public reports on its work. Publications could also include interim and special reports, as appropriate;
- Initially run for a four-year period. The Forum’s mandate would be renewed if a public review concluded the Forum has been effective in fulfilling its responsibilities; and
- Be operated as part the Premier’s Economic Advisory Council, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

Again, note the example of the Martin Prosperity Institute. Not only is its analysis insightful and candid, all of its reports are published. As well, the Institute has a deliberate and strategic – and public - plan to continue to raise the level of the sophistication of its analysis. Here is a sample of some of its upcoming work:

- Andrea Baldwin, “Creativity, Social Benefit and Job Creation: The Potential for Social Entrepreneurship in Ontario”
- Betsy Donald, “From Kraft to Craft: Innovation and Creativity Ontario’s Food Economy”
- Betsy Donald, Heather Hall, “Innovation and Creativity on the Periphery: Challenges and Opportunities in Northern Ontario”
- Richard Florida, Charlotta Mellander, Kevin Stolarick, “Into the Black Box of Regional Development: Case Canada”
- Chris Kennedy, Bryan Karney, Eric Miller, Marianne Hatzopoulou, “Infrastructure and the Economy: Future Directions for Ontario”

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<sup>24</sup> The website and activities of the Council of the Federation provide good examples of the type of collaboration and reporting that is envisioned. See <http://www.councilofthefederation.ca/>. The Task Force on Competitiveness, Productivity and Economic Progress is another good example. See [www.competeprosper.ca](http://www.competeprosper.ca).

- Karen King, “Immigration and Education and Skills in Canada”
- Stewart Melanson, “Learning from the Past, a Historical Perspective – Volume 1: The Automotive Industry and Economic Development in Ontario (1904 to the Present)”
- Stewart Melanson, “Learning from the Past, a Historical Perspective – Volume 2: Learning from the Past: The Rise of Toronto as a Financial Centre
- Carla Sadini, “Evaluating Higher-Education Excellence Using the 3Ts – Creation and Attraction of Technology, Talent and Tolerance by Ontario Colleges and Universities”
- Tara Vinodrai, “The Place of Design: Exploring Ontario’s Design Economy”
- Amy Cervenak, Sana Nisar, Yousuf Haque, “Service Class Prosperity in Ontario”
- Richard Florida, Kevin Stolarick, Kathrine Richardson, “Microsoft Canada – A Case Study of the New Development Centre in Richmond, BC”
- Karen King, Charlotta Mellander, Kevin Stolarick, “What You Do, Not Who You Work For: A Comparison of the Occupational and Industry Structures of Canada, the United States, and Sweden”
- Scott Pennington, “The Opportunity for Entrepreneurship in Ontario”
- Anil Verma, “Low Wage Service Workers: A Profile”

#### **ADDITIONAL POINTS:**

Not only is the Manitoba Chambers of Commerce Manitoba’s most diverse business association, we are also a grassroots organization, annually giving local chambers the chance to set our policy mandate by bringing forward Resolutions. As a result, we often advocate issues that, while they do not explicitly fit within the framework of the Great Jobs Agenda, are none the less important to our province’s vitality.

While we are currently working on a number of policy issues in that regard there are two we wish to draw to your attention given their relevance to your department and the upcoming Budget.

#### **1) Modernizing Government:**

In many ways our Government is to be commended for its management of government resources. It has rightly boasted that since 1999/2000 its growth in total per capita expenditure has been among the most moderate among the provinces - in fact, second to only British Columbia.

At our 2009 AGM members applauded the ongoing commitment to Modernizing Government sent out in the 2009 Budget and, given the Government's openness to feedback and its commitment to continuous improvement, provided four recommendations designed to help enhance the Government's efforts.

We have communicated with various governmental departments throughout the year on this issue and learned of their efforts to modernize government. We have been pleased to set out these activities and communicate them to our members.<sup>25</sup>

However, there were two suggestions in our Resolution that have not received a specific response and we wish to draw them to your attention as we feel they fit perfectly within the spirit of your commitment to modernize government:

- Establish a Commission on Efficiencies that engages the public in an effort to determine if the services provided by the Province are being done in a cost-effective and efficient manner; and
- Consider the use of 'sunset clauses' in all new program spending.

## **2) Municipal Infrastructure:**

This is another area where the Government of Manitoba deserves a lot of credit.

Municipalities have benefited from the sharing of provincial income tax, the Building Manitoba Fund, and supports in several other areas.

Indeed, in many ways the Government of Manitoba leads the nation in its willingness to contribute to municipal funding.

While these efforts are welcome, now more than ever municipalities need new tools to deal with new responsibilities and new expectations.

Our members passed a Resolution suggesting the Government of Manitoba add to its funding streams for municipalities by, on an annual basis, allocating the equivalent of one percent of the provincial sales tax to municipalities for municipal infrastructure. Our members also called on the Manitoba Government to distribute this revenue on a per capita basis.

That said; there is some uncertainty about this issue given the possible move to a HST and the implications therein.

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<sup>25</sup> These points are set out in our Report on this Resolution which is at <http://www.mbchamber.mb.ca/2009/04/2009-2010-proposed-resolution-modernizing-government/>

While we acknowledge the specifics remain to be worked out pending any decision relating to the HST, we are taking this opportunity to urge you to look at additional ways to financially assist municipalities in meeting their mandate.

### **CONCLUDING REMARKS:**

Professor Michael Porter is a leading authority on competitive theory. He is such a luminary in the field the Harvard Business School and Harvard University jointly created the Institute for Strategy and Competitiveness to further his work. Organizations like the World Economic Forum seek out his advice.

Porter was asked what jurisdictions can do to successfully compete in a global age. The usual suspects are things like low taxes and great infrastructure, and yes, Porter did indicate that such things are important, but here is what he said were the keys to successfully competing in a global age:

“... the enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, motivation – that distant rivals cannot match.”

The good news is our fate is in our own hands. The bad news is we have no one to blame but ourselves if we fail to seize our potential and lay the foundation for every Manitoban to obtain a great job – a creative job that by its very nature is engaging and well-paying.

A year ago our Pre-Budget submission said:

“It may be hard to believe at this juncture, but the turmoil of the financial markets will pale in comparison to the momentous shifts that are taking place and continuing to evolve in the creative globalized economy.”

Our world is embarking on a seismic shift that will rival the sweeping changes that followed the move from an agrarian to an industrialized economy. The clock is ticking as every jurisdiction grapples to find the recipe for prospering in an economy that increasingly rewards creativity.

In the words of the Martin Prosperity Institute:

“There is no magic bullet. But sooner or later some jurisdiction will determine how to tap more fully the creative talents of much broader segments of its people – and it will gain a distinctive advantage. Japan’s auto manufacturers plumbed the knowledge and creativity of their shop-floor workers and gained a tremendous competitive advantage. Ontario’s own Four Seasons has done so in bringing guest service to new, world beating levels, thanks to empowered front-line employees.”<sup>26</sup>

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<sup>26</sup> Ontario in the Creative Age”, p. 6

The Government of Manitoba has much to be proud of. In many ways it has laid a good foundation to enable Manitoba to prosper in a creative economy.

However, to build on that foundation, to take the next step in realizing Manitoba's potential, it must embrace the remaining aspects of the Great Jobs Agenda.

The Manitoba Chambers of Commerce thanks you for the opportunity to make this submission.

## Appendix 1

### The Great Jobs Agenda (first proposed February 16, 2006)

#### 1) Mindset (attitude is key)

Adopt a ‘creative capital mindset’ – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential (i.e. jobs that are well-paying, meaningful and tap into their talents).

#### 2) An Environment Where Business Can Thrive

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs.

To this end, a long-term tax vision is needed:

Step 1:

- In addition to your current plans for tax relief, commit to focused relief for low income Manitobans and make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes.
- The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

Step 2: For the long-term you need to look at the elimination of these taxes, then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. This ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess the long-term impact on tax revenue, repatriation of earnings by foreign companies and other issues.”;
- basing personal taxation on lifetime earnings.; and
- a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to

Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.

### **3) Nurture Skills/Recognize Skills**

None of the items we propose for the skills strategy are new (lifelong learning, the importance of skills acquisition from the most basic to the most sophisticated, skills recognition, etc). Indeed, great strides have been accomplished in relation to many of them. The key call for change is twofold:

- that these strategies receive an even greater focus from government, business, labour and the public as part of a Great Jobs Agenda; and
- as such, every single initiative be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment.

### **4) Identify & Remove Roadblocks for Those on Low-income**

Engage in effective tax relief for low-income tax payers.

As an interim step, the government must immediately follow-up on these items contained in the 2005 Budget Papers:

- “Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.”<sup>27</sup> and “Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a policy tool for setting welfare rates and establishing non-refundable income tax credits.”
- “Preliminary results indicate that work is needed on reducing marginal effective tax rates.”
- “In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.”
- “... the ability of low-income families to build assets is also a concern.” and “To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg.”

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<sup>27</sup> Budget Paper F, “Addressing Poverty in Manitoba”, p. 3.

As well, if you are going to continue with the Manitoba Advantage analysis you should include a cost comparison of families living on a minimum wage income.

## **5) Trumpet Success (Business & Government)**

Collectively we must do a better job of sharing these success stories in a way that both inspires and instructs.

## **6) Obey the Law**

Laws that are not enforced serve no purpose other than to permit victimization of workers and to penalize law-abiding employers.

## **7) Broaden Knowledge of the Law**

The first step to an effective regulatory system is knowledge as to its existence.

## **8) All Together (Government, Labour, Community Groups and Business Must Work Together)**

The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

To a significant degree an element of cooperation already exists in Manitoba. To build on this momentum the government should create a Forum on the Great Jobs Agenda;

- Create a framework to assess Manitoba's progress on the Great Jobs Agenda;
- Confer with the public/stakeholders and experts on the best way to enhance Manitoba's progress on the Great Jobs Agenda;
- Consider issues of productivity and innovation in Manitoba, although this analysis would need to occur within the context of the Great Jobs Agenda;
- Perform an ongoing and detailed analysis of Manitoba's economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole, and consider the need for:
  - specialized training and research institutions on a sector-by-sector basis;
  - specialized infrastructure on a sector-by-sector basis;
  - special regulatory regimes on a sector-by-sector basis; and
  - any other special needs identified on a on a sector-by-sector basis;

- Maintain a website with regular updates that are both posted and emailed to subscribers<sup>28</sup>;
- Make recommendations or suggestions for action by governments, the private sector, and others to enhance Manitoba's progress on the Great Jobs Agenda;
- Produce annual public reports on its work. Publications could also include interim and special reports, as appropriate;
- Initially run for a four-year period. The Forum's mandate would be renewed if a public review concluded the Forum has been effective in fulfilling its responsibilities; and
- Be operated as part the Premier's Economic Advisory Council, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

The Great Jobs Agenda will build bridges - among constituents and towards economic and individual prosperity. It is an agenda for a province that wishes to thrive in an increasingly knowledge-based and global economy.

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<sup>28</sup> The website and activities of the Council of the Federation provide good examples of the type of collaboration and reporting that is envisioned. See <http://www.councilofthefederation.ca/>. The Task Force on Competitiveness, Productivity and Economic Progress is another good example. See [www.competeprosper.ca](http://www.competeprosper.ca).

## Appendix 2: Great Jobs Agenda Scorecard Summary

### Mindset (attitude is key)

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
Adopt a 'creative capital mindset' – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential (i.e. a job that is well-paying, engaging and taps into one's talents).	<ul style="list-style-type: none"> <li>• Has focused on jobs, skills and knowledge and innovation, occasionally mentions creativity</li> </ul>	<ul style="list-style-type: none"> <li>• Continues to study this issue</li> <li>• Championed in submissions and communications</li> <li>• Spoken to poverty groups about Great Jobs Agenda, reaction positive</li> </ul>	Mindset has not been fully adopted, particularly in relation to evaluating the creation of great jobs and the crucial role of creativity. More work needed.

### An Environment Where Business Can Thrive

<i>Principle</i>	<i>MB Government Action</i>	<i>Status</i>
<p>Step 1: make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes, in particular the Payroll Tax</p> <p>Step 2: commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption</p>	<ul style="list-style-type: none"> <li>• measures taken since 1999 will save Manitoba businesses more than \$400 million annually as of 2011</li> <li>• KPMG ranks Winnipeg as 20<sup>th</sup> lowest Total Effective Tax Rate etc.</li> <li>• Improvements to R&amp;D Tax Credit</li> <li>• Business Start Program</li> <li>• Industrial Opportunities Program</li> <li>• Rural Entrepreneur Program</li> <li>• Co-op Ed &amp; Apprenticeship Tax Credit</li> </ul>	Very good progress on this issue but current tax vision ends in 2010, no comprehensive review of Manitoba's taxes, some profit insensitive taxes on investment remain (e.g. Payroll Tax & PST)

### Nurture Skills/Recognize Skills

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
<p>Step 1: provide an even greater focus on recognizing and developing skills</p> <p>Step 2: every single initiative must be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment</p>	<ul style="list-style-type: none"> <li>• Focus on Skills &amp; Knowledge</li> <li>• \$565M plus in capital etc for Post-Secondary</li> <li>• Funding for adult learning centres</li> <li>• More apprenticeship training</li> <li>• Incentives for trades</li> <li>• N. Essential Skills Initiative</li> <li>• Primary education initiatives</li> <li>• Letter of Understanding re-Aboriginal education</li> </ul>	<ul style="list-style-type: none"> <li>• Youth Business Institute (partnership w. gov't)</li> <li>• Policy Committee Sub-group = "Engaging On-Reserve Aboriginal Peoples Age 18 to 31 in the Workforce"</li> <li>• Champion Great Jobs Agenda &amp; creativity</li> </ul>	<p>Great progress on Step 1. Step 2, evaluation, needs work</p>

### Identify & Remove Roadblocks for Those on Low-income

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
<p>Step 1: Engage in effective tax relief for low-income tax payers</p> <p>Step 2: Develop a comprehensive poverty reduction strategy with input and ongoing feedback from the community</p>	<ul style="list-style-type: none"> <li>• Child Benefit</li> <li>• Working Income Tax Benefit?</li> <li>• 'All Aboard'</li> <li>• 'All Aboard' Benchmark Consultation</li> <li>• 'Rewarding Work'</li> </ul>	<ul style="list-style-type: none"> <li>• Champion Poverty Reduction</li> <li>• Joined "Make Poverty History"</li> <li>• Work with various poverty groups</li> <li>• Attend launch and promote 'All Aboard' &amp; 'Rewarding Work'</li> <li>• Attend launch and promote 'Common Purpose' Event</li> </ul>	<p>Very good progress, continue to participate in and monitor initiatives.</p> <p>Working Income Tax Benefit needed/working?</p>

### Trumpet Success (Business & Government)

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
<p>Collectively we must do a better job of sharing these success stories in a way that both inspires and</p>	<ul style="list-style-type: none"> <li>• health-care innovation awards</li> </ul>	<ul style="list-style-type: none"> <li>• MCC Business Awards</li> <li>• Manitoba's Cùl Companies</li> </ul>	<p>Good progress, MCC will be launching more initiatives to expand circulation and new features that</p>

empowers		<ul style="list-style-type: none"> <li>• Focus Magazine (Ahead of the Curve' Postcards from the Business Edge Diary of an Entrepreneur Column)</li> <li>• Website (MCC TV, Corporate &amp; Government News)</li> <li>• E-Update</li> </ul>	celebrate MB businesses in a way that informs and inspires
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### Obey the Law

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
Laws that are not enforced serve no purpose other than to permit victimization of workers and to penalize law-abiding employers	<ul style="list-style-type: none"> <li>• Additional enforcement staff for Criminal Code, labour laws and environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Using communications (website and magazine and submissions) to champion</li> </ul>	Good progress

### Broaden Knowledge of the Law

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
The first step to an effective regulatory system is knowledge as to its existence	<ul style="list-style-type: none"> <li>• Various information campaigns</li> <li>• Enhanced website and literature</li> </ul>	<ul style="list-style-type: none"> <li>• Using communications (website and magazine and submissions) to champion</li> </ul>	Good progress

### All Together (Government, Labour, Community Groups and Business Must Work Together)

<i>Principle</i>	<i>MB Government Action</i>	<i>MCC Action</i>	<i>Status</i>
create a Forum on the Great Jobs Agenda to provide ongoing and timely reporting on, and measurement of, the Great Jobs Agenda*	<ul style="list-style-type: none"> <li>• Premier's Economic Advisory Summit</li> <li>• Innovation Council Created &amp; will hold community forum</li> </ul>	<ul style="list-style-type: none"> <li>• Using communications (website and magazine and submissions) to champion</li> </ul>	Close, but need a mechanism that specifically targets, evaluates, researches and engages Manitobans in relation to Great Jobs and creativity in Manitoba's economy

\*See Appendix 1 for full recommendations on the Great Jobs Forum

## Appendix 3: Jim Collins Matrix

### STAGE 1: DISCIPLINED PEOPLE

*Level 5 Leadership.* Level 5 leaders are ambitious first and foremost for the cause, the organization, the work—not themselves—and they have the fierce resolve to do whatever it takes to make good on that ambition. A Level 5 leader displays a paradoxical blend of personal humility and professional will.

*First Who ... Then What.* Those who build great organizations make sure they have the right people on the bus, the wrong people off the bus, and the right people in the key seats before they figure out where to drive the bus. They always think first about “who” and then about what.

### STAGE 2: DISCIPLINED THOUGHT

*Confront the Brutal Facts—the Stockdale Paradox.* Retain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be.

*The Hedgehog Concept.* Greatness comes about by a series of good decisions consistent with a simple, coherent concept—a “Hedgehog Concept.” The Hedgehog Concept is an operating model that reflects understanding of three intersecting circles: what you can be the best in the world at, what you are deeply passionate about, and what best drives your economic or resource engine.

### STAGE 3: DISCIPLINED ACTION

*Culture of Discipline.* Disciplined people who engage in disciplined thought and who take disciplined action—operating with freedom within a framework of responsibilities—this is the cornerstone of a culture that creates greatness. In a culture of discipline, people do not have “jobs;” they have responsibilities.

*The Flywheel.* In building greatness, there is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembles relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond.

### STAGE 4: BUILDING GREATNESS TO LAST

*Clock Building, Not Time Telling.* Build an organization that can adapt through multiple generations of leaders; the exact opposite of being built around a single great leader, great idea or specific program. Build catalytic mechanisms to stimulate progress, rather than acting as a charismatic force of personality to drive progress.

*Preserve the Core and Stimulate Progress.* Adherence to core values combined with a willingness to challenge and change everything except those core values—keeping clear the distinction between “what we stand for” (which should never change) and “how we do things” (which should never stop changing). Great companies have a purpose—a

reason for being—that goes far beyond just making money, and they translate this purpose into BHAGs (Big Hairy Audacious Goals) to stimulate progress.