

Strictly Embargoed for Release 04:00 am EDT

April 8th, 2010

Press Release

Institute releases Thirteenth Working Paper

New research by the Institute for Competitiveness & Prosperity shows the strength of management of Ontario's and Canada's retailers is important for our innovation and prosperity

Toronto – To achieve our full economic potential in Ontario and Canada, we need strong management talent to drive innovation and develop world-beating strategies. New evidence indicates that our retail managers are among the world's best. It also shows that better educated managers are important for effectiveness and that globally competitive retailers are better managed.

These are some of the key conclusions of the Working Paper, *Management matters in retail*, released today by the Institute for Competitiveness & Prosperity. This follows the research conducted by the Institute on the strength of management in the manufacturing sector in Ontario and Canada¹. In this previous work, the Institute concluded that our manufacturing management was among the best in the world, but trailed the United States. In this latest research on the retail sector, the Institute finds that store-level management in Canada is as strong as that in the United States.

“The good news is that our store managers are on a par with their US counterparts in managing their operations effectively,” said Roger Martin, Dean of the University of Toronto's Joseph L. Rotman School of Management and Chairman of the Institute for Competitiveness & Prosperity. “However, very few of our successful Canadian retailers have developed break out strategies that have led to them to become global leaders.”

This is important because the research finds a strong connection between the quality of a retailer's management and whether it competes only in the domestic market. Large-scale multi-national retailers are better managed than those that focus only on their home market. This holds true in Canada and other countries. The Working Paper concludes that firms that expand globally have dramatically better management, but acknowledges that determining a cause-and-effect relationship is harder. Martin observed, “more than likely there is a virtuous circle at work – firms with global aspirations need effective management to expand, and expanding firms attract better managers.”

It is clear that we are moving to the point where major retailers will be multi nationals – just as we have seen in the globalization of brands of products,” said Martin. “If we want Canadian-owned major retailers, they need global aspirations.”

¹Institute for Competitiveness & Prosperity, Working Paper 12 *Management matters*, March 2009. Download from <http://www.competeprosper.ca/download.php?file=WP12.pdf>

As in its work on management in manufacturing, the Institute's research indicates the importance of education to strong management. In Canada and other countries, companies with university-educated managers tended to perform better. "This is a challenge for Canada," said Martin, "as only a third of our managers are university educated, while half of US managers are. Better educated managers are important to our innovation and prosperity growth."

"We have found that our poor productivity performance, our businesses' under investment in technology, and our inferior performance in innovation are factors that explain this gap," he said. "More effective managers can drive innovation in their organizations and be important partners with scientists and engineers in bringing new discoveries to market. We think the lack of strong management helps explain our inability to achieve our economic potential"

The Working Paper draws on research to show that the development of new management techniques, such as Just-In-Time logistics and Lean manufacturing and retailing, can lead to economy-wide growth in productivity and prosperity. "Management breakthroughs can be as important to our prosperity as new scientific discoveries," said Martin.

The Working Paper calls on public policy to ensure that developing strong management is an important element of research and innovation strategies – recognizing that there is more to the success of these policies than a focus on research in the hard sciences. Included in this is the need for greater emphasis on business education and research at the post secondary level. It also reiterates the importance of an environment that ensures our economy is open to international competition. It criticizes the recent federal budget for an unbalanced approach to its innovation agenda – stressing funding for hard science-based granting bodies versus social sciences and humanities.

About the Institute

The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario's Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported by the Ontario Ministry of Economic Development and Trade. Working Papers published by the Institute are primarily intended to inform the work of the Task Force. In addition, they are designed to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity.

The complete report can be downloaded directly from:
<http://www.competeprosper.ca/images/uploads/WP13.pdf>

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