

Interview with Gareth Hall



The *Welsh Economic Review* editorial team recently interviewed Gareth Hall who was appointed as Chief Executive of the Welsh Development Agency (WDA) in July 2004. Gareth joined the Agency in 1991, working in land reclamation, urban regeneration and property development across Wales. In April 2001 he became Executive Director, Strategy Development responsible for corporate and business planning, performance management, European funding and rural policy. Gareth was previously Managing Director South West Division based in Swansea and responsible for developing the Technium concept, Baglan Energy Park and the Llanelli Millennium Coastal Park. He was educated at the Universities of the West of England, Reading and Cardiff, qualified as a chartered surveyor, and as Defence Land Agent Wales was responsible for the MOD estate in the Principality, covering acquisitions, disposals, nature conservation and military training. He is a visiting lecturer in the department of City and Regional Planning, Cardiff University, a Director of the Wales European Centre, and a member of the Welsh Economic Research Advisory Panel.

There is considerable press coverage at the moment regarding the restructuring of the Welsh Development Agency (WDA)- can you provide a brief explanation of these events?

First of all, this is not a takeover by the Assembly Government. It is, however, a merger of the WDA, the Wales Tourist Board and the Assembly Government's Economic Development and Transport Division. If you go back to the first principles of the merger announcement, Rhodri Morgan, the First Minister, said that he wanted to achieve two things: to make organisations like the WDA directly accountable (that is why we will be accountable to the Economic

Development and Transport Minister – a political decision which I fully accept). The second intention is to create a new public service in Wales. The First Minister wants this new public service to deliver better service to the customers; the citizens, businesses and communities across Wales. He wants to take advantage of best practice within the civil service, the WDA and other sponsored bodies .

What impact will these changes have on WDA activities?

The functions of the WDA remain wholly valid. Whilst the necessary orders under secondary legislation will seek to abolish the WDA Board, our *functions* will

remain, as these are very important for the Welsh Assembly Government to pursue its aims and policies in making Wales a better country. The functions of the WDA in economic development and wider regeneration have a direct role to play in increasing and spreading prosperity, for creating stronger and safer communities, for generating better jobs and skills and getting more people into work. We will continue to be instrumental with our partners in these long term aspirations.

Could you explain the role of the WDA for our readers' benefit?

The WDA has been in existence for over 27 years. We are in the business of providing support to our customers. These range from new start ups right up to multinational companies, indigenous businesses operating in a diverse range of sectors, companies coming into Wales through inward investment and companies operating in Wales that are run by overseas parents. We recognise in the Agency that businesses employ people, and those people and businesses operate within communities. The WDA cannot deliver business support in isolation, so the merger is very much about true partnerships, recognising peoples' strengths and making sure we deliver a better service to our customers.

How have you measured the success of your activities in the past, and how may this change?

Traditionally, as with all other development agencies, our performance has been judged by hard outputs, for example, how many jobs have been created or how much private sector leverage has been secured. Whilst themes remain valid, I believe that the merged organisation needs to develop a more appropriate suite of performance targets. Overall, Wales has almost full employment, but social exclusion is a key issue. We are working with partners to help get economically inactive people back into the labour pool. These activities call for performance measures which could gauge the outcomes over the longer term.

We are working daily on the merger, and there are a number of work streams that have been set up. For example, we all appreciate that you can't merge four organisations who have got four difference finance systems, different HR and IT, so we are deriving synergies and economies of scale. We are also looking at the processes, everything from business planning to financial and output management and performance - looking more towards outcomes and

how well we deliver solutions. We need to be judged by how we can add value to our customers' activities.

Is it going to be less easy to develop longer term targets when you are part of the Welsh Assembly Government in the sense that your activities are governed by the prevailing political party?

The WDA has always pursued the priorities of the Government of the day. These are set out in the remit letter from the Minister for Economic Development and Transport. This was also the case in the Welsh Office days. Our overall strategy and key investment decisions are overseen by the Agency's Board of non-executive directors drawn from business, the trade unions and voluntary sectors. The Board is to be abolished from April 2006, but I am very much of the view that from this date the Minister should have access to a panel of such experienced people to help inform decisions on strategy and policy.

What is going to happen to the WDA name?

There is a whole debate going on at the moment about branding. My view on this is that branding is about more than logos. Marketeers quite rightly tell me that branding is about the values and the service that the organisation delivers to customers. I very much want what this brand represents, especially in terms of customer service and delivery, to be preserved and built upon as part of the merger process. For example, the activities of the Wales Tourist Board and Wales Trade International, demonstrate there is a lot of common ground in the service that we seek to deliver to customers. Following the merger we will deliver it in a more joined up way, whilst still espousing these core values.

What will people call this package?

I honestly don't know at this stage. The First Minister is rightly very keen to promote Wales as a brand, promoting Wales as a country. There are successful examples of countries being promoted as brands, such as Canada and New Zealand. New Zealand promotes an image of the country as a diverse landscape as a tourist destination, the same brand promoting New Zealand as a film location and world class centre for multi-media. We can do the same thing for Wales through a similar brand architecture.

A leading case study is the HSBC takeover of Midland Bank which had a loyal customer base and reputation for generations. When HSBC took over, they didn't automatically take every sign down and announce that Midland Bank is now HSBC. They managed a successful transition from one 'brand' to

the other, whilst retaining the essential core values but also taking on board the global reach of HSBC.

This begs the question, how would such a brand help in tackling the key issue of economic inactivity? I see the promotion of Wales as an innovative and inclusive country as part and parcel of raising our citizens aspirations and self-esteem. Also, whilst the WDA branding has a high degree of recognition, this would be enhanced significantly amongst target business audiences in the USA, Europe and Far East, through adopting the strap line, 'Wales: Home of the Ryder Cup in 2010'.

Do you see any change in WDA emphasis over the last few years between developing indigenous companies and putting effort into attracting FDI?

I believe that this is a facile debate. My view, and I know this is also the view of the Assembly Government, is that we are in the business of supporting businesses that have the potential for growth and to become more competitive and therefore contribute to increasing and spreading prosperity. These businesses can be anything from a new start up to an inward investment from a Fortune 500 company or expansion by long established Welsh based businesses be they indigenous or foreign owned. The common denominator is that they are innovative and have the potential for sustainable growth, and our support can help with that growth.

How will you be able to identify this potential?

We have got to be smarter. As our customers become more sophisticated, so must we in the support that we can offer them. We are therefore becoming more proactive and targeted. We are developing a better understanding of the characteristics of businesses through market segmentation, and the development of key sector strategies with industry fora. To be competitive in an increasingly global marketplace, there is a requirement to promote bespoke Welsh propositions which differentiate us from our competition, and presses the right buttons with targeted businesses. You asked me how things have changed? In the old days, the WDA built speculative factories and went out to Japan and the USA to look for companies to occupy them. This was the way that investment worked then, with buildings and labour readily available. Nowadays businesses are seeking solutions which meet their needs not just through premises and available skilled labour, but also supply chain links, networks and relationships with the University sector. Therefore,

inward investment is not just about attracting companies from abroad into Wales, but once they have set up in Wales we treat them as indigenous businesses embedding them in the Welsh economy and their local communities, with a view to expansion and reinvestment over the longer term.

If demand for large scale foreign direct greenfield investment recovered, would you still respond?

We would, where such interest matched the Wales proposition. The inward investment market has changed. For example, there are companies in China and India looking to set up operations to serve the expanding European market. Wales is well placed to respond to their needs. We can offer the opportunity to 'dip their toe into the water' whilst building market knowledge and networks ahead of further investment.

The scale of truly global mobile foreign direct investment has reduced in recent years, whilst at the same time competition has increased. However, levels of merger and acquisition activity are on the up and Wales continues to more than punch its weight in this area, as we do in securing reinvestment by overseas owned businesses.

You have referred to key sectors. Would you refuse companies into Wales if they are not in the right sectors, for example, if they were engaged in low value-added activities associated with low pay?

This is another misunderstanding. Businesses are in the business of making money and businesses would only consider Wales if it was a sound proposition for their business. I have mentioned that we are being much more proactive with targeting. In Wales we have established emerging sectors including aerospace, automotive, and biotechnology and we have propositions which we are then proactively targeting to businesses in these sectors both at home and overseas.

If Wales hasn't got a sound proposition to offer, we wouldn't get on their shortlist for mobile investment, from whatever sector. Whilst we are targeting key sectors this is not our sole strategy. The Agency recognises increasing convergence between technologies providing business opportunities which do not fall within convenient 'slots'. Also, a key aim of the Assembly Government is to get more people into jobs through tackling the pockets of economic activity and social inclusion in Wales. We are, therefore, very much aware of the need for creating appropriate employment opportunities for these members of our communities, be it through inward

investment, new business start ups or the social economy.

So what is your perspective on the Welsh economy, and the continuing prosperity gap with the UK average?

The economy of Wales is on the up, as evidenced by our low unemployment rate. However, there is an ongoing requirement to pursue the twin strategies of increasing productivity and participation. The productivity agenda is embraced in the notion of the Dragon Economy with Wales as an innovative country, with innovative people working in and starting up innovative businesses. As already mentioned, at the same time we need to tackle the long term issues of economic inactivity, enabling these people to join the employment pool, and to contribute to wealth creation and the wellbeing of their communities.

Recent investment of European funds is providing a springboard for Wales to build on its many strengths. These range from the research and teaching strengths of our academic institutions, the landscape of Wales, to our increasing culture of entrepreneurship. This and other investment is also addressing the skills issues and we are targeting support for businesses to invest in R&D and commercialisation, and to exploit new markets, particularly with the expansion of the EU.

Welsh people and businesses need to both move onto and up the value chain in order to counter increased low cost competition from Eastern Europe, China and the Far East. Historically, Wales has a higher level of performance in manufacturing productivity compared with other regions in the UK. Manufacturing will continue to play an important role in the Welsh economy becoming more competitive through investment in new products, markets, skills and management training and production techniques.

You refer to customers and talk about economic inactivity. Does this mean that the economically inactive are your 'customers'?

They are our customers since there is an interaction between businesses, communities and the citizens who live in these communities. These people need to be given opportunities to play as full as possible role in their communities, through engagement in regeneration, the social economy, employment, and setting up their own businesses, hence my earlier reference to both people and businesses moving onto and up the value chain. However, I am realistic and appreciate that in certain communities we need to focus on creating suitable opportunities for people to move out of unemployment or long term sickness onto this value chain - not everyone can move straight into value added jobs at the higher end of this chain. Supporting

these 'customers' is very much a partnership approach involving the public, private and voluntary sectors, and above all, the communities themselves in determining their futures.

Finally, what do you think the WDA will bring to the merger?

The merger is not just about changing the name above the door, the merger has got to deliver new and better services to our customers. Because the Agency is a very customer focused organisation, we have developed what we believe to be best practice in many areas which can be applied across the new organisation. However, we do not have a monopoly of good ideas and we will continue to benchmark ourselves with similar organisations in the UK and abroad, as is the best practice of competitive businesses. This is why I am emphasising that this is a merger and not a takeover. Here I refer to Rhodri Morgan's vision of a new public service in Wales, which I believe will create a new culture based on customer focus and delivery, on being innovative, and in anticipating our response to the needs of these customers.

This is a very modern concept isn't it?

Well, it's something we've learned from world class, competitive businesses and regions.

Gareth Hall, thank you.