



COLUMBIA BASIN BUSINESS RETENTION AND EXPANSION PROJECT

*REPORT ON NELSON AND AREA BUSINESSES
WINTER 2015*



COLUMBIA BASIN
RDI
RURAL DEVELOPMENT INSTITUTE

The Columbia Basin Rural Development Institute, at Selkirk College, is a regional research centre that supports informed decision-making through the provision of information, applied research and related outreach and extension support. Visit www.cbrdi.ca for more information.



The Nelson Business Retention and Expansion project is a community-driven effort undertaken by the Nelson and Area Economic Development Partnership focused on identifying the needs of our existing businesses. The Nelson and Area Economic Development Partnership is a partnership between the City of Nelson, Community Futures Central Kootenay, the Nelson and

District Chamber of Commerce, and RDCK Areas E and F. The partnership's goal is to take a unified approach to community economic development initiatives for the city and region.

EXECUTIVE SUMMARY

This report describes findings from a Business Retention and Expansion (BRE) survey conducted at businesses in Nelson and area. BRE is an action-oriented and community-based approach to business and economic development. It promotes job growth by helping communities to learn about concerns of, as well as opportunities for, local businesses and to set priorities for projects to address those needs.

KEY RESEARCH FINDINGS

Select survey results are summarized below.

Survey Module	Finding
Company Information	The highest number of respondents' businesses are classified as 'Professional, Scientific and Technical Services' and 'Manufacturing' under the North American Industry Classification system.
	Lifestyle was the most frequently cited reason given for businesses to locate in Nelson.
	Most companies surveyed have been in business for more than 20 years.
	Just over half of the companies are 'growing'.
Local Workforce	Respondents reported a total of 2,498 employees.
	The majority of employees are full-time.
	The most commonly hired employee category is 'service worker'.
	Sales/Marketing and Computer Skills were most commonly listed as key training and Professional Development areas.
	The most critical considerations for employees is the cost of living and housing.
Sales	The majority of businesses indicated the market for their product/service is increasing.
	68% of businesses report that their sales are to customers within the community or region.
	The most frequent reason for purchasing products or services outside of the area is that the product is not available locally.
Facilities and Equipment	51% of businesses own the facility in which they operate.
	Just over half of businesses plan to expand within 3 years, with the majority indicating that expansion will occur within the community.
	Top barriers to expansion are financing and lack of suitable premises.
Government Services	Top rated government services include access to and availability of road transport services. The lowest ratings include access to airport facilities, disposal of waste materials and availability of buildings for lease or purchase.
	Improvements to airport service and expansion of electronic communication service are the government services most in need of improvement.
	The West Kootenay Regional Airport (Castlegar) is the most used airport by local businesses.
Business Climate	The overall business climate was rated as good, and the majority of businesses believe that the business climate will improve over the next five years.

	Business climate factors that received the highest ratings include cultural/recreational amenities and Community Futures.
	Tourism and technology businesses were most commonly cited as sectors, businesses, or industries that could be attracted to the region.
	The business competitiveness factors that are most important to respondents include workforce skill development, availability of telecommunications infrastructure and services, and improvement of customer service.
Assessment and Plans	The overall health of their company was rated as good by 59% of businesses, and excellent by 25% of businesses.
	Fewer than 5% of businesses are at a high risk of closing or downsizing.

NEXT STEPS AND POTENTIAL ACTIONS

The results of this survey can be used to inform short- and long-term planning. In addition, a number of businesses would benefit from follow-up support. Research findings suggest that the following action areas have the greatest potential to improve the business climate:

Workforce – Recruitment & Retention

With 41% of businesses indicating that they currently face recruitment challenges, 38% anticipating future difficulties, and 29% of businesses stating they did not engage in any recruitment activities, there is an indication that actions to support and expand recruitment efforts, and education/training on recruitment techniques could prove helpful.

Youth Employment

Findings indicate that employees under the age of 26 are in the minority. Increasing youth involvement in the local workforce could be encouraged. Increasing youth employment may assist in addressing the recruitment challenges that 41% of businesses report having. Actions on this theme could involve gaining a better understanding of the reasons for the low youth employment rate, connecting local businesses with youth employment programs (federally, provincially and/or through CBT), and connecting local businesses with local schools and post-secondary institutions. Note that 67% of businesses indicated their willingness to support workforce development efforts.

Business Growth & Expansion

52% of businesses in the region report being in a growth cycle and 35% are maturing. 51% indicate that they are planning to expand within the next three years. Businesses also report that employment rates are stable or increasing, and that they anticipate continued stability or an increase to the amount of full-time employment over the next three years. Actions in this area could include supporting existing businesses as they plan for local expansion/growth. Support could come in the form of assistance with navigating local regulations, identifying and securing new sites, exploring financing options, and connecting businesses with resources to assist in expansion projects. These potential actions and any others, should be designed to address the stated barriers to expansion which include financing and lack of suitable premises. It is worth noting that very few (25%) businesses sought assistance with expansion efforts from an external organisation.

Small and Independent Businesses

The profile of businesses surveyed indicates that businesses tend to be small (46% have fewer than five employees, are located in a facility that is less than 1,000 sq. ft., and 31% have annual sales of \$100,000 to \$499,999), and independent (just 15% have other locations). Tailoring supports and services to small, independent businesses will benefit businesses in the Nelson area.

Supply Sourcing and Procurement

There is an opportunity to engage in discussions with local area businesses to understand what opportunities may exist to increase local supply, and actively engage existing businesses or encourage new businesses to fill that role if feasible. A stakeholder round table discussion could be a way to begin the conversation to increase supply options locally. A potential related impact could be the diversification of the local economy.

Local businesses do not appear to engage actively with government procurement processes, with only 29% of businesses indicated that they have. Education and awareness of the opportunities available through municipal, regional, and provincial procurement processes could be promoted through seminars, profiles in communication material, and promotion on relevant websites.

Training

Businesses identified a need for training in the areas of sales/marketing, computer skills, and safety/first aid/food safe. 87% of businesses ranked workforce skill development as either somewhat or very important for ensuring business competitiveness. Future initiatives could include supporting networks to help businesses identify shared training needs, and working with local educational institutions to ensure local skill requirements are considered in programming.

Succession and Business Planning

Business and succession planning are critical to the health and longevity of businesses, yet only 24% of respondents indicated that they have a formal succession plan and half have an up-to-date business plan. With 41% of businesses indicating that they have been in business for more than 20 years, succession planning is timely for many. Findings suggest that there are opportunities to support the business community by providing succession and business planning assistance, with some tailoring to target small, independent businesses. Open, instructive training sessions have the potential to provide a base level of support to a large number of businesses; however, given the importance of individual circumstances in business and succession planning, a one-on-one assistance program could result in greater overall benefit by providing a higher level of support to businesses. Any future planning support initiatives should be aggressively advertised to ensure uptake among local businesses, and may include direct outreach to those businesses identified as part of the BRE survey.

Airport Service

A recurring theme was the poor access to airport facilities. In this case, the most frequently used airport is the West Kootenay Regional Airport in Castlegar. The most frequently requested improvements to this airport are related to improving the reliability of flights, with 40% requesting improvements to navigational aids, and 35% requesting that flight reliability be improved. The most frequently cited

community weakness was the geographic isolation. Geographic constraints were also cited as an important barrier to growing the community's economy. The difficulty accessing the area can be linked to the airport access issues. With tourism identified by 64% as the economic driver with greatest growth potential, as well as the most frequently cited sector that could be attracted to the region, reliable airport access is critical. Continued work on the issue of increased airport reliability is supported by the businesses surveyed as part of the BRE survey.

PROJECT OVERVIEW

This report describes findings from a Business Retention and Expansion (BRE) survey¹ conducted in the Nelson and surrounding area during the summer and fall of 2015. The Business Retention and Expansion Project Coordinator with the Nelson and Area Economic Development Partnership acted as the community lead for the project. The Columbia Basin Rural Development Institute (RDI) provided training, data analysis and report writing support.

Funding for this project came from Columbia Basin Trust, the Ministry of Social Development and Social Innovation Labour Market Partnership and the Nelson and Area Economic Development Partnership.

The project was determined as a priority at the Nelson and Area Economic Development Partnership (NAEDP) strategic planning session in September 2015. The NAEDP strategic planning session is informed by the NAEDP Advisory Committee which includes members from the business community, Nelson & District Chamber of Commerce, Community Futures Central Kootenay, City of Nelson and RDCK Areas E & F (both staff and Board/Council).

THE BRE CONCEPT

BRE is an action-oriented and community-based approach to business and economic development. It promotes job growth by helping communities to learn about the concerns of, as well as opportunities for, local businesses and to set priorities for projects to address those needs. Ultimately, communities will have greater success in attracting new businesses if existing businesses are content with local economic conditions and community support. Business development and job creation are key factors in fostering healthy and vibrant communities—depending on the characteristics of a community's economy, anywhere from 40 to 90 per cent of new jobs come from existing businesses.

PROJECT OBJECTIVES

Objectives specific to the Nelson and Area BRE project were as follows:

1. Identify the needs, concerns, and opportunities of existing local businesses in order that, where appropriate, local action can be taken to respond to the businesses' needs or development opportunities;

¹ Short and Long BRE surveys can be downloaded from: <http://cbrdi.ca/research-areas/applied-research/business-retention-expansion/>

2. Learn of the future plans of the region's local businesses with respect to expansion, relocation and /or retention and follow-up where assistance can be provided;
3. Demonstrate the community's pro-business attitude and develop an effective means of communication with local businesses;
4. Encourage the business community's active involvement in economic development.
5. To improve workforce data for Nelson

RESEARCH CONSIDERATIONS

THE BRE SURVEY

The RDI has a licence agreement with the Economic Development Association of BC for BC Business Counts, a program that provides access to an online BRE survey, contact management, and reporting system called ExecutivePulse. Data presented in this report were collected as part of a comprehensive BRE survey that is aligned with surveys conducted by other participants in the BC Business Counts program across the province of BC. Survey data can therefore be analyzed at a community, sub-regional, regional and provincial level.

The base survey, consisting of 94 questions, includes modules for company information, the local workforce, sales, facilities and equipment, and future plans for growth or succession. Based on feedback from a BRE regional advisory group, thirteen region-specific questions were appended to the base BRE survey. The Labour Market specific questions were added to the base survey in order to identify and address labour market supply and demand, uncover some emerging labour market trends, as well as determining barriers to labour retention in Nelson and Area. From the data collected strategies will be developed that will assist with building community capacity to respond to the identified barriers.

THE DATA SET

The geographic scope of the study area included the City of Nelson and Areas E and F within the Regional District of Central Kootenay.

To generate the initial set of potential research participants, the BRE Coordinator reviewed the local business license database, files from the previous 2010 BRE study, web searches and the phone book. As business licenses are not required for businesses located in Areas E and F within the Regional District of Central Kootenay, the Regional Directors and the Chair of the Balfour Historical Association assisted by providing a list of businesses and reaching out to their business networks to encourage participation. Additional businesses were identified through an independent online survey for home-based businesses initiated by a Nelson City Councilor. The online survey included a question asking participants if they would like to participate in the BRE survey.

Businesses were sorted on a spreadsheet by the business license type and by the North American Industry Classification System (NAICS) categories to ensure fair representation of each sector. Cross sections of businesses were randomly selected based on sector according to business license category, and the NAICS system, and responses from the online home-based business survey. Businesses who had self-identified as wanting to participate were automatically included in the cross section analysis.

One hundred seventy-three businesses were emailed an initial invitation letter and received a follow up invitation by telephone or email. Researchers also conducted informal business walks in the Nelson downtown area to introduce the project, themselves, and invitation to participate. Those who were interested were emailed an invitation. The Coordinator promoted the BRE project during a morning show on Kootenay Co-op Radio. NAEDP distributed a press release to local media. In total, one hundred of the businesses contacted by the researchers were surveyed for this project. Twenty-eight additional businesses responded but declined due to availability. The total response rate was 74%.

The data set also included twenty businesses from the Manufacturing and Technology Sector BRE project and seven businesses from the Metallurgical Sector survey, sponsored by Kootenay Association of Science and Technology (KAST).

DATA COLLECTION

Time and place of the interviews were arranged by phone, in person or by email. The structured interviews lasted approximately one to two and half hours to complete. Two interviews were conducted over the phone, ninety-eight in person. The process in total took approximately four hours per business, including setting up interviews, the interview itself, data input, and any follow up if required.

In total three people conducted interviews: the contracted BRE Coordinator, Anni Holtby, of Holtby Consulting; the contracted Research Assistant, Savina Kelly; and Tom Thomson, Executive Director, Nelson and District Chamber of Commerce, a member of the NAEDP. The BRE process was coordinated in consultation with Lisa Cannady, the CFCK representative for NAEDP.

In addition KAST conducted twenty interviews during their manufacturing and technology sector survey and conducted seven interviews during their metallurgical sector survey.

DATA INPUT, ANALYSIS AND REPORTING

Data was entered into the ExecutivePulse system by the BRE Coordinator and the Assistant Researcher immediately following or within a day of the interview. To ensure confidentiality and data security, company-level data were only made accessible to the interviewers, the CFCK lead and RDI staff. The printed surveys and the company profile information were coded by a numbering system (1-100) and filed and locked in separate locations.

Quantitative data were analysed using descriptive statistics and qualitative data were analysed using the grounded theory method of generating key coding themes. Based on the results of data analysis activities, an initial draft was generated by the RDI and then reviewed with the Nelson Project Coordinator. Findings and related recommendations were assembled into this report by RDI researchers.

RECOMMENDATIONS

NEXT STEPS

The results of this survey can be used by economic development organizations in the City of Nelson and area to inform short- and long-term business retention and expansion action planning. Many BRE

programs ensure that follow-up actions occur as soon as possible following completion of the survey stage. This approach builds credibility, a sense of success and momentum to carry out long-term actions.

Successful BRE programs pick an initial set of short-term actions that:

- can be completed in 6 months or less;
- are highly visible to businesses and the community as a whole; and
- have the potential for considerable impact with minimal input (i.e., the “low hanging fruit”).

Many BRE actions also lead to long-term programs (e.g., a ‘Buy Local’ program), or ongoing plans and policies. Patience and a commitment over the long-term are critical in determining the success of these initiatives. For this reason, BRE should be thought of, and implemented as, an on-going process as opposed to a one-time project.

BRE results can form the backbone of a community’s economic development strategy and, in some cases they are integrated into the community’s Official Community Plan (OCP).

Some communities form committees or action groups around the themes or action areas identified in the BRE report to ensure success in implementation.

The following steps could further and support links to planning and action:

1. Continually communicate (through press, presentations, electronic media, etc.) with the business community regarding actions and be clear that the actions are tied to the BRE process.
2. Establish a task force or committee to continue building on the momentum of the BRE report and ensure actions and next steps are taken and kept on track. Include follow-up discussions with individual businesses (particularly to address red and green-flags). Consider using the “Business Walk” survey as a tool to connect with businesses annually.
3. Host a business stakeholder forum to present findings, discuss common issues and potential solutions.
4. Host a facilitated action planning session with economic development stakeholders and industry representatives.
5. Based on results from the forums and action planning session, finalize priority actions, develop related action plans, update existing economic development plans and develop relationships with a broader network of support providers (at regional, provincial and national scales) to support implementation.
6. Establish a monitoring program to assess the impact of implementation efforts.

POTENTIAL ACTION AREAS

Workforce – Recruitment & Retention

The businesses interviewed reported a total of 2,498 employees. The majority (62%) of employees are full-time. The size of the workforce appears stable and healthy, with 53% of businesses indicating that the number of employees at their business has stayed the same, and 36% indicating that the number has increased. The majority of businesses felt the availability of qualified workers was fair (33%) or poor (29%), and that most businesses (85%) recruited locally. 65% of businesses indicated that the positions

they hired in the previous 12 months were hard to fill due to applicants not meeting motivation/attitude/interpersonal abilities, or skill requirements, or simply due to not enough applicants. With 41% of businesses indicating that they currently face recruitment challenges, 38% anticipating future difficulties, and 29% of businesses stating they did not engage in any recruitment activities, there is an indication that actions to support and expand recruitment efforts, and education/training on recruitment techniques could prove helpful. Additionally, only 42% of surveyed businesses believed that there were strategies that could address employee recruitment. Those strategies cited include training, education, affordable housing and subsidized wages. Related to recruitment and retention, are the critical considerations for employees identified which include the cost of living, housing, childcare, and transportation.

Youth Employment

Findings indicate that employees under the age of 26 are in the minority. Increasing youth involvement in the local workforce could be encouraged. A related issue is the most commonly reported wage for entry level workers of \$10 and under. The provincial minimum wage is \$10.45, and this may affect the ability to attract entry level workers. Increasing youth employment may assist in addressing the recruitment challenges that 41% of businesses report having. Actions on this theme could involve gaining a better understanding of the reasons for the low youth employment rate, connecting local businesses with youth employment programs (federally, provincially and/or through CBT), and connecting local businesses with local schools and post-secondary institutions.

Business Growth & Expansion

52% of businesses in the region report being in a growth cycle and 35% are maturing. 51% indicate that they are planning to expand within the next three years. Over half (63%) of those businesses planning to expand feel their existing site is adequate. Businesses also report that employment rates are stable or increasing, and that they anticipate continued stability or an increase to the amount of full-time employment over the next three years. This data coupled with the general positive business climate and the optimism for the future provides a positive report on local business growth. Actions in this area could include supporting existing businesses as they plan for local expansion/growth. Support could come in the form of assistance with navigating local regulations, identifying and securing new sites, exploring financing options, and connecting businesses with resources to assist in expansion projects. These potential actions and any others, should be designed to address the stated barriers to expansion which include financing and lack of suitable premises. It is worth noting that very few (25%) businesses sought assistance with expansion efforts from an external organisation. This is an area where improvements could be made to have local resources approach businesses proactively to understand barriers and work collaboratively towards solutions.

Small and Independent Businesses

The profile of businesses surveyed indicates that businesses tend to be small (46% have fewer than five employees, are located in a facility that is less than 1,000 sq. ft., and 31% have annual sales of \$100,000 to \$499,999), and independent (just 15% have other locations). Additionally, 28% of respondents are interested in operating out of a co-working space. The customer base for businesses appears to be diverse, with 36% businesses indicating that just 1 – 9% of their sales are generated by their top three

customers. Tailoring supports and services to small, independent businesses will benefit businesses in the Nelson area. Services and supports should consider that 87% of functions provided by a business is 'services'.

Supply Sourcing and Procurement

The data indicates that 40% of supplies come from within the local region. The most common response (68%) for the reason why supplies are sourced outside of the local area is that they are not available locally. There is an opportunity to engage in discussions with local area businesses to understand what opportunities may exist to increase local supply, and actively engage existing businesses or encourage new businesses to fill that role if feasible. A stakeholder round table discussion could be a way to begin the conversation to increase supply options locally. A potential related impact could be the diversification of the local economy.

Local businesses do not appear to engage actively with government procurement processes, with only 29% of businesses indicated that they have. Education and awareness of the opportunities available through municipal, regional, and provincial procurement processes could be promoted through seminars, profiles in communication material, and promotion on relevant websites.

Training

Businesses identified a need for training in the areas of sales/marketing, computer skills, and safety/first aid/food safe. Improving technical training and workforce skill development is important for business competitiveness. Findings indicate that 50% of businesses *do* have a training budget, and that they have a preference for online/webinar training (59%), classroom (58%), or individual coaching (49%) style formats. Additionally, 70% of businesses were interested in training to support adopting technologies to grow their business, with most respondents interested in one-on-one training or workshop formats. 87% of businesses ranked workforce skill development as either somewhat or very important for ensuring business competitiveness. Future initiatives could include supporting networks to help businesses identify shared training needs, and working with local educational institutions to ensure local skill requirements are considered in programming.

Succession and Business Planning

Business and succession planning are critical to the health and longevity of businesses, yet only 24% of respondents indicated that they have a formal succession plan and half have an up-to-date business plan. With 41% of businesses indicating that they have been in business for more than 20 years, succession planning is timely for many. Findings suggest that there are opportunities to support the business community by providing succession and business planning assistance, with some tailoring to target small, independent businesses. Open, instructive training sessions have the potential to provide a base level of support to a large number of businesses; however, given the importance of individual circumstances in business and succession planning, a one-on-one assistance program could result in greater overall benefit by providing a higher level of support to businesses. Any future planning support initiatives should be aggressively advertised to ensure uptake among local businesses, and may include direct outreach to those businesses identified as part of the BRE survey.

Airport Service

A recurring theme was the poor access to airport facilities. In this case, the most frequently used airport is the West Kootenay Regional Airport in Castlegar. The most frequently requested improvements to this airport are related to improving the reliability of flights, with 40% requesting improvements to navigational aids, and 35% requesting that flight reliability be improved. The most frequently cited community weakness was the geographic isolation. Geographic constraints were also cited as an important barrier to growing the community's economy. The difficulty accessing the area can be linked to the airport access issues. With tourism identified by 64% as the economic driver with greatest growth potential, as well as the most frequently cited sector that could be attracted to the region, reliable airport access is critical. Continued work on the issue of increased airport reliability is supported by the businesses surveyed as part of the BRE survey.