



Business Interview Results

September 2017



grow|guelph
BUSINESS RETENTION
+EXPANSION ►

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Grow Guelph Business Retention and Expansion



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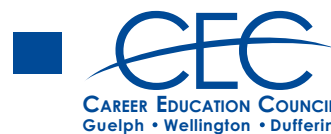
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Introduction

Existing firms within a local community are the engines of economic growth and they set the stage for the local business climate, and a community's quality of life.

The Grow Guelph Business Retention and Expansion (BR+E) program is a community-wide effort to investigate and address issues, concerns and opportunities for local businesses growth. It is driven by a task force of coordinated business support organizations that develop and deliver various programs and services as well as influence policies that support the retention, growth and profitability of local business.

At the heart of the BR+E program is the Grow Guelph Survey, a face-to-face meeting conducted with local business leaders to gather essential information about the needs, concerns, and future plans of Guelph's business community.

This important feedback is used by the Grow Guelph Task Force to ensure programs and services are developed in the best way to support local business growth.

The following report outlines the feedback from the 2016 Grow Guelph Survey and the resulting priorities that have emerged for the Grow Guelph Task Force.

Grow Guelph recognizes that when a community commits to establishing a dedicated BR+E program, it commits to working with a group of companies that are important to the future of the local economy.

We look forward to our continued work together.

Grow Guelph Business Retention and Expansion Program

In 2010, Guelph's ten year economic development and tourism strategy – Prosperity 2020 – was adopted by Guelph City Council. One of several recommendations of this strategy was to develop and implement a BR+E program.

In 2011-2012, the City of Guelph and University of Guelph, commissioned a comparative study of BR+E programs across Canada. This study also included a comprehensive survey of

49 Guelph business leaders, and a thorough review of services offered by local, regional, provincial and federal business support agencies.

Following this study a group of local business support organizations established the Grow Guelph BR+E program and task force as a community-wide effort to investigate and address issues, concerns and opportunities for local businesses growth.

The short-term and long-term objectives of the Grow Guelph Task Force are as follows:

Short-term Objectives

- Increase communications, business development and networking among Guelph businesses;
- Better understand Guelph's business needs and identify and develop services and programs to address these needs;
- Recognize the contribution and value of local businesses;
- Identification and mitigation of issues and opportunities among businesses in Guelph;
- Increase business awareness of Economic Development, City services and other business support agencies and services in the community;
- Better understand the labour force needs to support Guelph businesses' growth and retention;
- Identify and minimize gaps and duplication of Guelph business support services and delivery.

Long-term Objectives

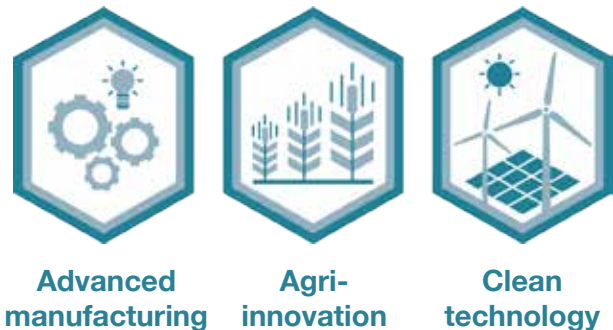
- Reposition Guelph and renew business climate and image;
- Increase competitiveness and profitability of Guelph businesses;
- Improve local economy in the areas of job retention and creation;
- Improve working relationship and communications with all economic development and business support agencies in the Guelph-Wellington region to deliver coordinated and improved business support services.

The Grow Guelph Survey

Surveys are conducted biennially with local business leaders to better understand the needs, concerns, and future plans of Guelph's business community. Surveys are one hour in duration and are carried out in-person by either two members of the Grow Guelph Task Force, or community volunteers. All responses provided by businesses are confidential and no one business is identified in the reporting of the results.

The first Grow Guelph Survey was administered in 2014 which provided the foundation from which to prioritize areas of focus to support local business growth, these priorities are: business climate, innovation, workforce development and business development.

The following report provides a high level overview of the results from the 2016 Grow Guelph Survey which ran from January, 2016 to February, 2017. Although all Guelph businesses were invited to participate, approximately 80 Guelph companies were randomly targeted in each of the following sectors: advanced manufacturing, agri-innovation, and clean technology.



Not all of the businesses contacted were available to participate, therefore a total of 39 interviews were completed. Survey data from all business interviews have been included in the analysis, with the overall results being presented in this report.

The survey tools and resources used in the Grow Guelph BR+E program were developed and supplied by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), who has assisted over 230 Ontario communities implement BR+E programs, since 1998. OMAFRA provided the Grow Guelph BR+E Task Force with community BR+E surveys, training and the use of a CRM database software license, for collecting, managing and tabulating business survey results.

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Business Overview

Of the 39 participating businesses, more than half of those interviewed were in the advanced manufacturing sector (N=25). Companies in the agri-innovation sector (N=10) and all other companies interviewed (N=7), have been reported on collectively in order to maintain statistical significance throughout this document (Figure 1).

The majority of participating companies are well established in the community, as 69% have operated in Guelph for over ten years. More than a quarter (26%) of the companies interviewed have operated in Guelph between 4 and 10 years, while 5% have operated in Guelph for 3 years or less (Figure 2).

In terms of the company size, the survey was able to capture a relatively even distribution in the number of employees. Twenty-three percent indicated having under ten employees, while 38% of companies surveyed have between 10 and 30 employees, 21% have between 30 and 50 employees, and 19% have over 50 (Figure 3).

A remarkable 90% of those employees were reported as permanent full-time, with only 6% permanent part-time and 4% temporary/seasonal (on average).

Figure 1: Number of Guelph businesses interviewed (N=39)

Advanced Manufacturing



Agri-Food / Agri-Innovation



Other



Figure 2: Number of years of operation in Guelph (N=39)

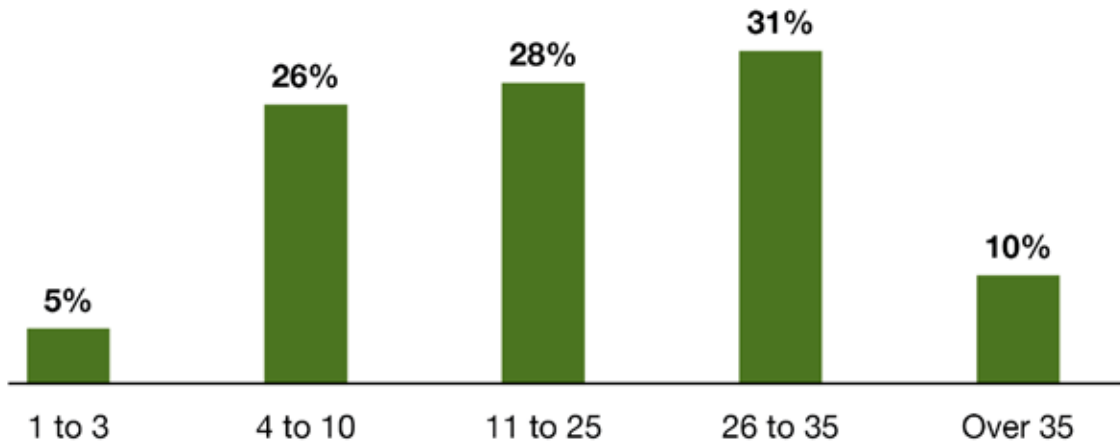
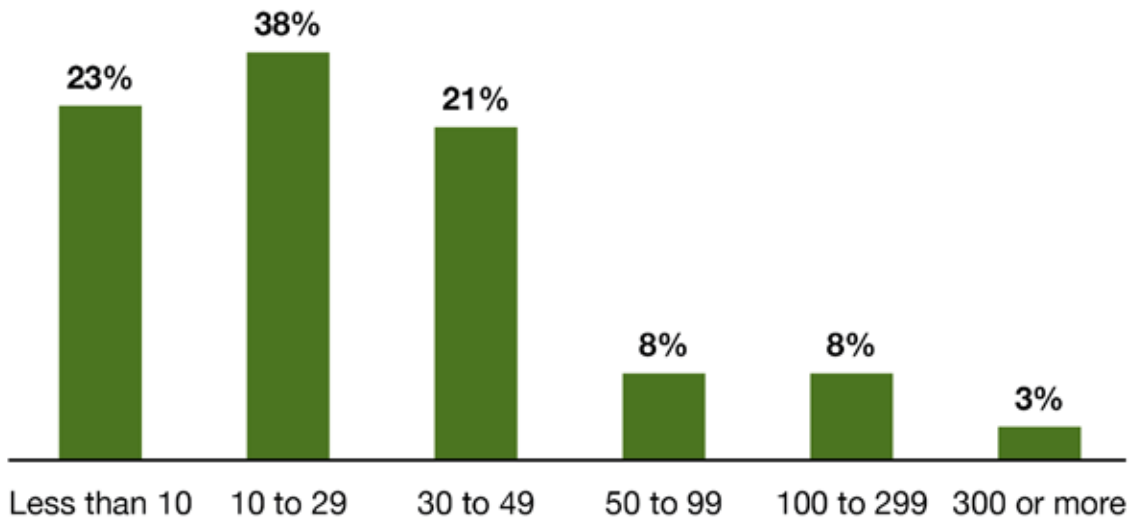


Figure 3: Number of employees (N=39)



Over three quarters of the companies interviewed were locally owned and operated (79%), 55% of which had a single location in Guelph, while 24% had more than one location. The remaining 21% of companies were a branch or part of a larger regional, national or international company (Figure 4).

Further, 79% of companies indicated that at least one of the owners is involved in the day-to-day operations (N=38), and just over half of the owners are residents of Guelph (51%, N=37).

Figure 5 highlights the reported annual sales by companies who were surveyed, where the majority of participating companies had sales of \$5 million or more (57%).

When looking at the manufacturing sector alone, 95% of companies made more than \$1 million in annual sales, 59% of which indicated having \$5 million or more. For all other sectors, 69% of companies made more than \$1 million in annual sales, with 54% of those making \$5 million or more.

When looking at all sectors, the primary market of participating businesses are relatively evenly distributed between international (38%), national (32%) and regional (27%) markets (Figure 6). While for those advanced manufacturing companies that were surveyed, primary markets are almost equally as much domestic (48%) as they are abroad (52%), where all other sectors were more heavily targeted toward domestic marketplace (86%) versus that across the border (14%).

Figure 4: Business ownership and type (N=39)

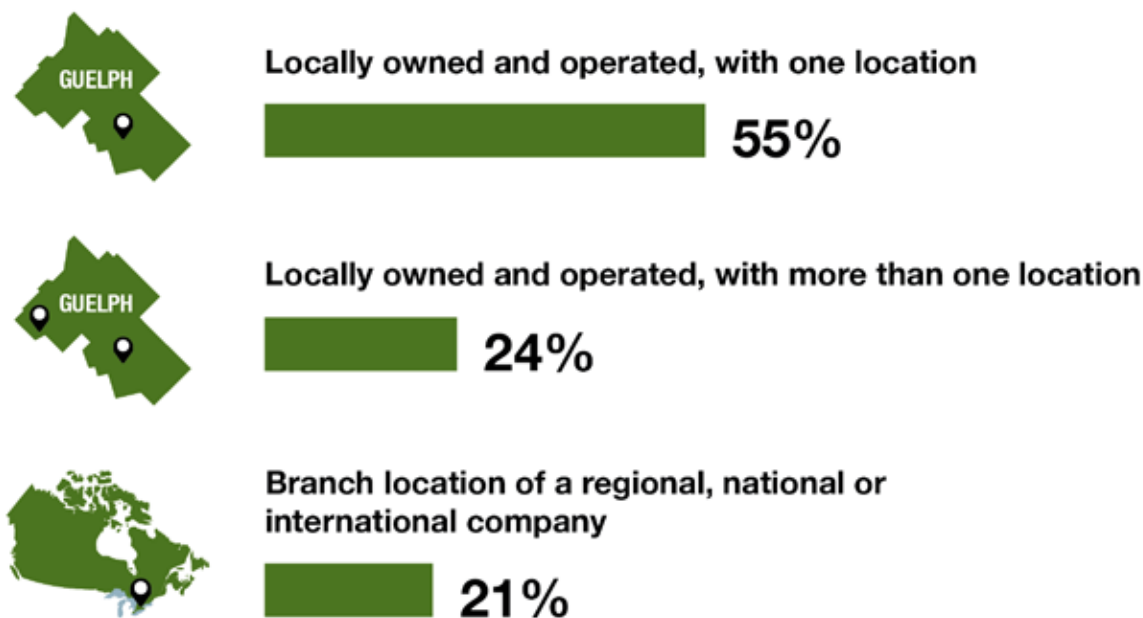


Figure 5: Annual sales (N=39)

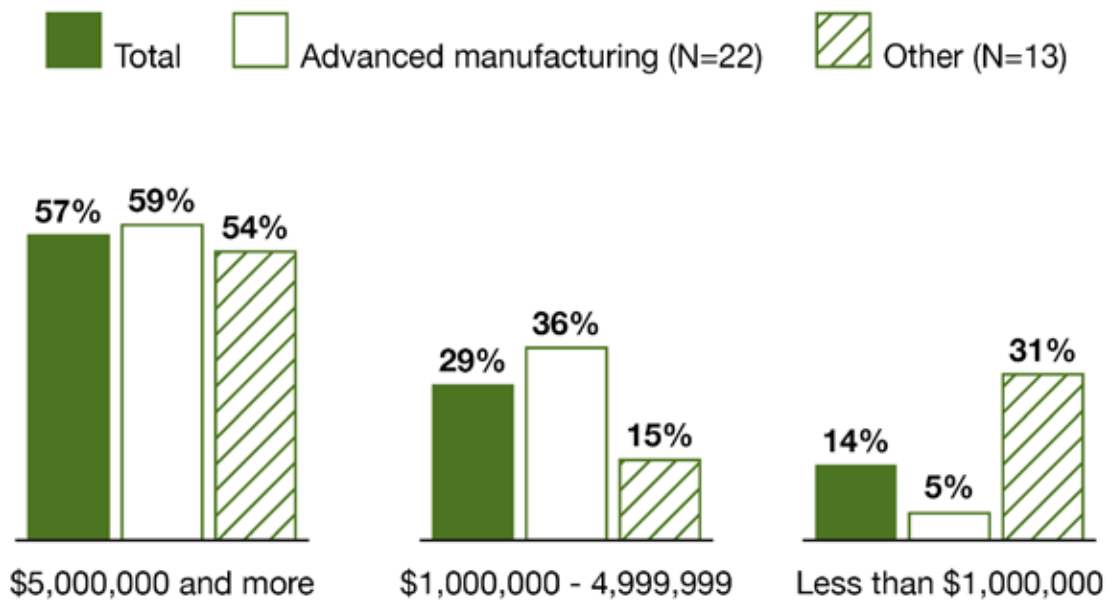
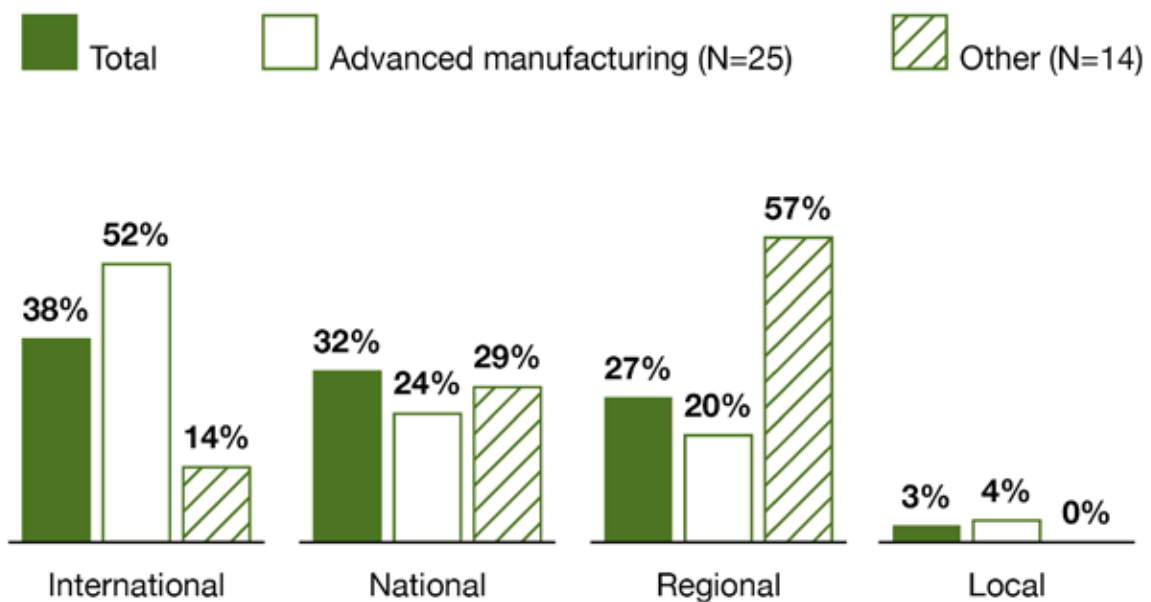


Figure 6: Primary market (N=39)



Business Climate

Companies were asked for their feedback on various community attributes, as well as their general impression of Guelph as a place to do business.

Overall, most companies indicated the City of Guelph is a favorable place to do business, with 82% giving the City a good or excellent rating (Figure 7). A majority of manufacturing businesses gave Guelph a good or excellent rating (76%), while other sectors felt more positively with 93% providing a good or

excellent rating. No business interviewed indicated that Guelph was a poor place to do business.

Over the past three years, 69% of companies interviewed indicated that their attitude had not changed regarding their impression of Guelph as a place to do business. As well, 18% of companies reported having a more positive attitude change about the community as a place to do business, and 13% of companies indicated a more negative change (Figure 8).

Figure 7: General impression of Guelph as a place to do business (N=39)

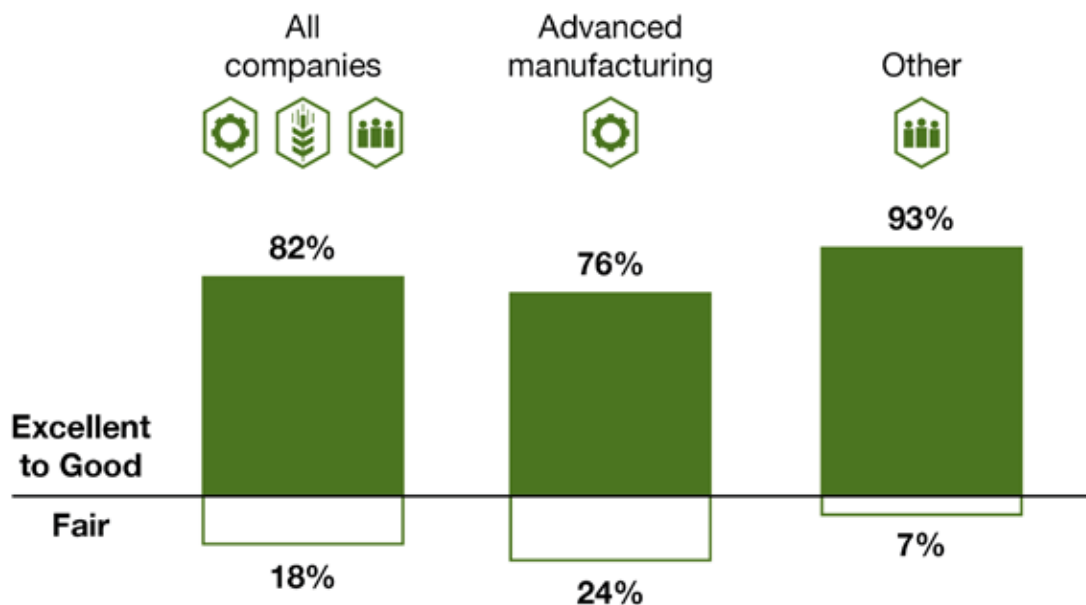
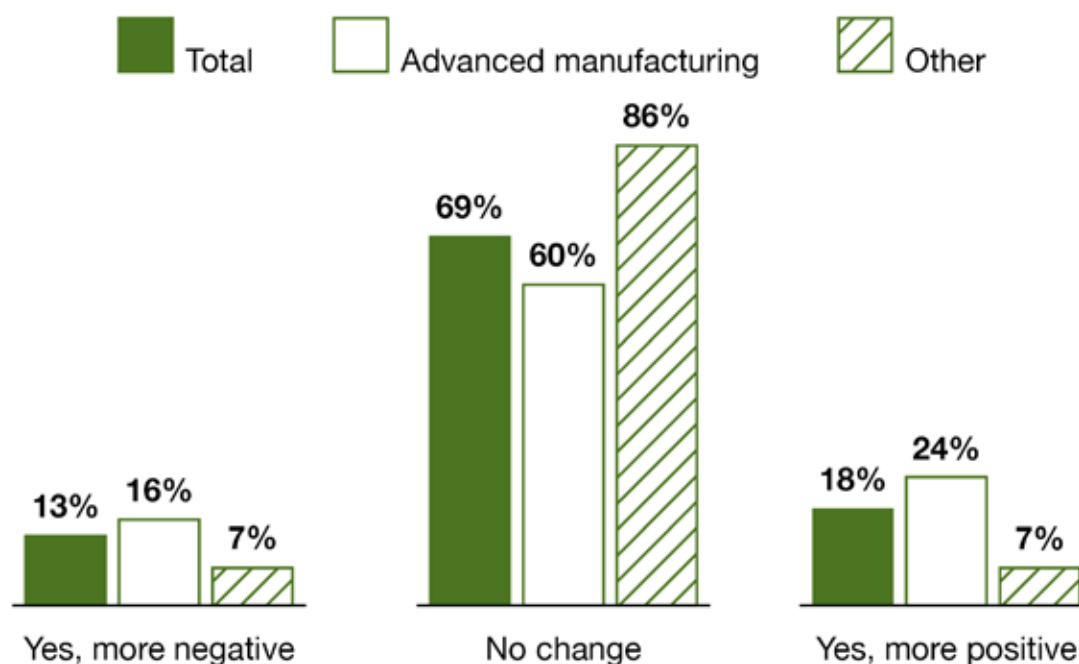


Figure 8: Attitudinal change in the past 3 years (N=39)



Reasons for a more positive change in attitude were linked to: better relationships with the local business community, positive economic outlook, location within a manufacturing hub, more access to business support, and better relationships with local government. Reasons for a more negative attitude change included: restrictive zoning regulations, lack of business incentives for growth, high rent and property values, lack of industrial real estate inventory and workforce challenges in both quality and quantity, of workers.

Figure 9 provides a full list of business ratings for a variety of factors of doing business in Guelph. Land cost, municipal building and permitting processes, and municipal property taxes were the poorly rated factors for doing business

in Guelph. Development charges were most poorly rated, however only seven respondents participated in the rating of this attribute. All respondents rated quality of life as either good or excellent, water/wastewater capacity, as well as support from municipality made up the top factors for doing business in Guelph.

Businesses were also asked to rate their level of satisfaction with a number of local government services. Figure 10 shows this breakdown with satisfaction of emergency services, culture and parks being rated over 85% good or excellent.

The three lowest rated government services include development approvals, garbage and recycling services, and street and road repair with over 45% of ratings being fair or poor.

Figure 9: Rating for factors of doing business in Guelph (%)

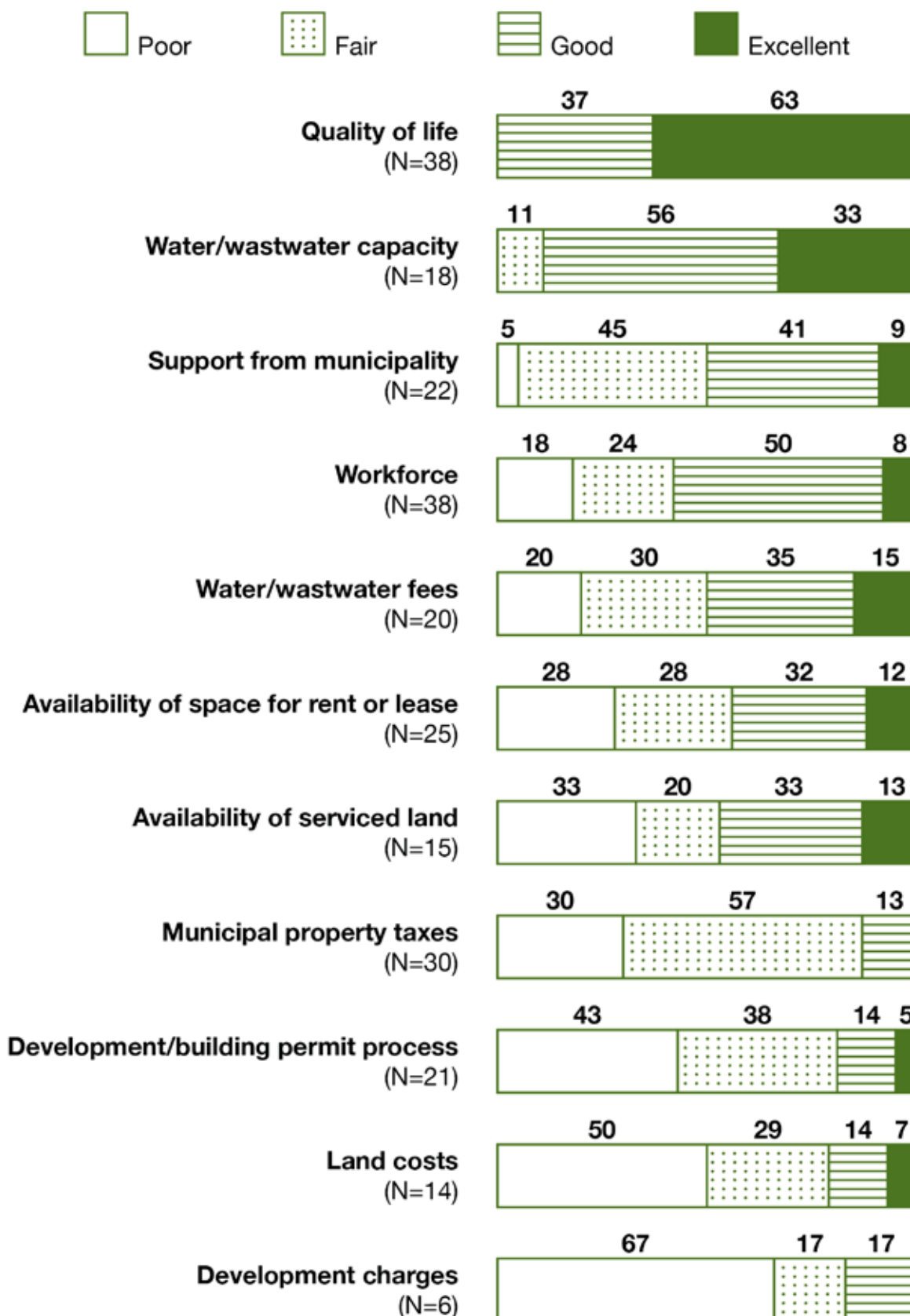
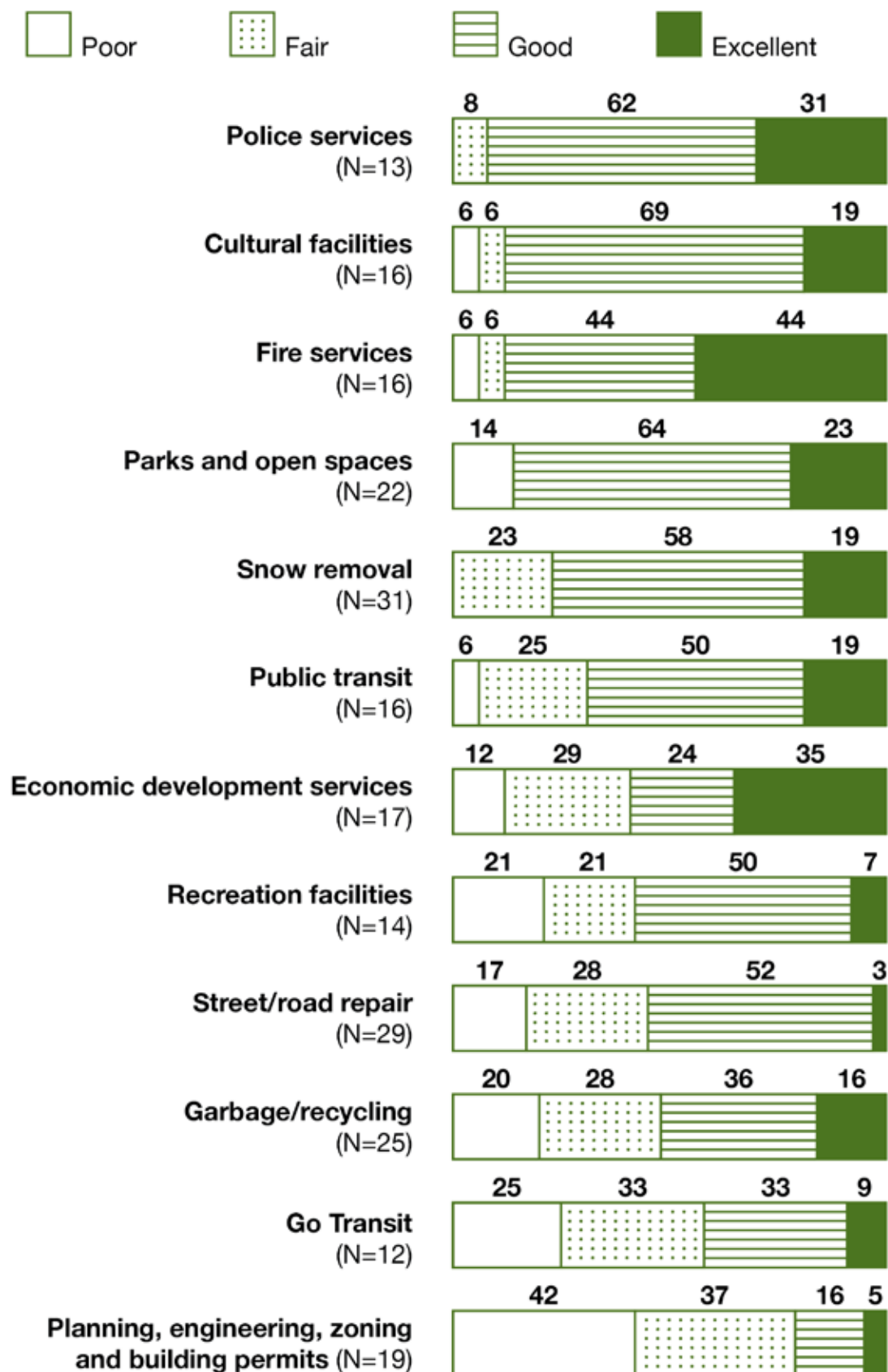


Figure 10: Rating for local government services in Guelph (%)



Business Development

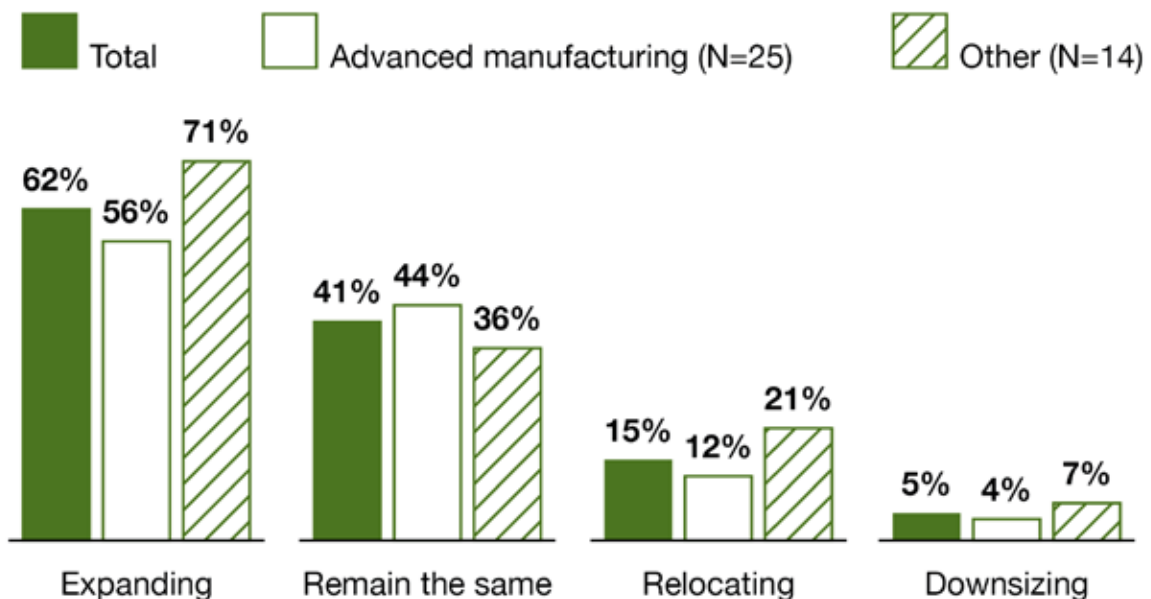
Companies were also asked a series of questions regarding the outlook for their respective industries and the future planning of their companies

Figure 11 indicates that 62% of companies interviewed are looking at expanding operations within the next 18 months, while 41% expect to remain the same.

Reasons for expansion include increased demand and sales, new product lines, securing market share, new international markets, innovation and new technologies.

Reasons cited for stagnated growth are: reorganization of current resources, adequate available capacity, availability of workers, exchange rates and projected industry outlook.

Figure 11: Future plans within the next 18 months (N=39)



Note: total can exceed 100% due to multiple mentions

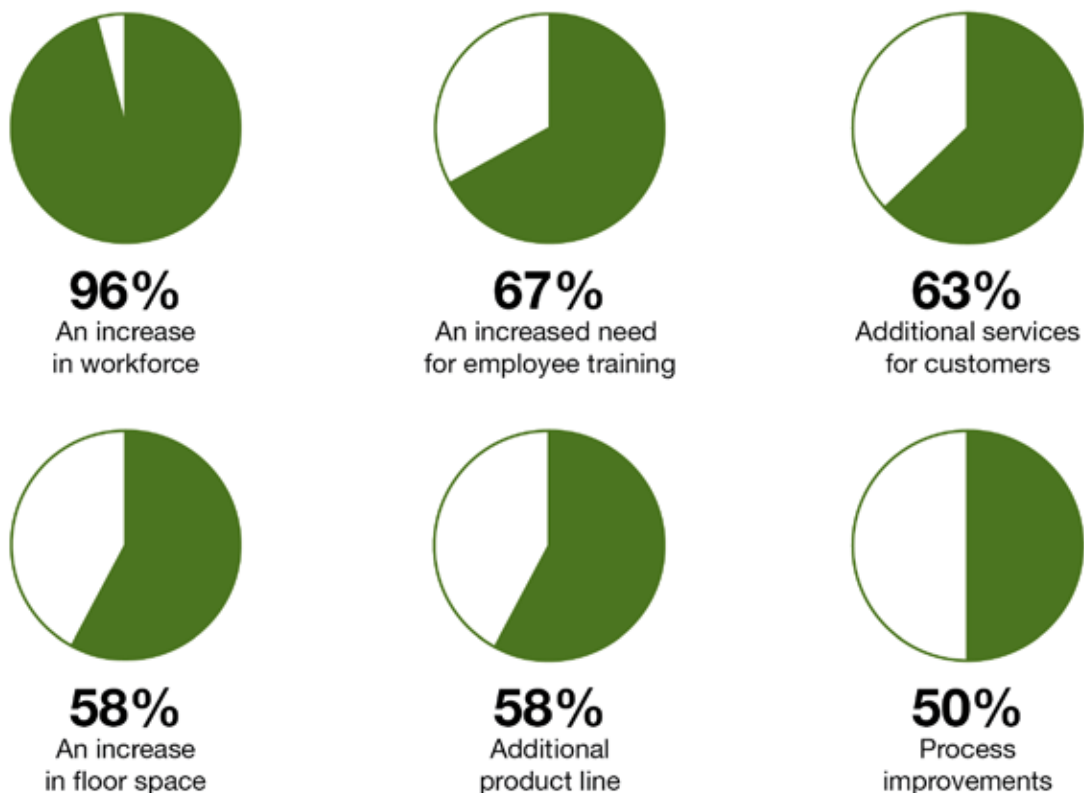
Fifteen percent of all companies surveyed are looking at relocating their operations, 80% of which will be within Guelph. Only 5% of businesses surveyed will be downsizing at their establishment. Reasons for downsizing include the decline in oil and gas prices, political uncertainty, and reduced market share.

For the 62% of businesses planning to expand, almost all (96%) indicated that

they will need to increase their workforce. These businesses expect a combined increase of approximately 590 new positions in the next 18 months.

For businesses planning to expand, 58% expect an increase in floor space totalling roughly 240,000 square feet combined. Figure 12 provides a breakdown of other expansion requirements.

Figure 12: Expansion requirements (N=32)



Note: total can exceed 100% due to multiple mentions

Companies were asked to provide insights into their industry outlook. Figure 13 shows that 90% of companies interviewed indicate a stable or growing industry outlook. Those companies that are not classified as manufacturing have a more favourable outlook with 57% of them expecting their industry to grow.

sector (80%) and all other sectors (79%). Reasons reported for increased sales were new acquisitions, reduction in input prices, new emerging markets (both regionally and internationally), increased productivity through the adoption of innovative technologies, as well as overall market demand.

Figure 14 shows that the potential growth opportunities were relatively the same for both the manufacturing

Figure 13: Industry outlook

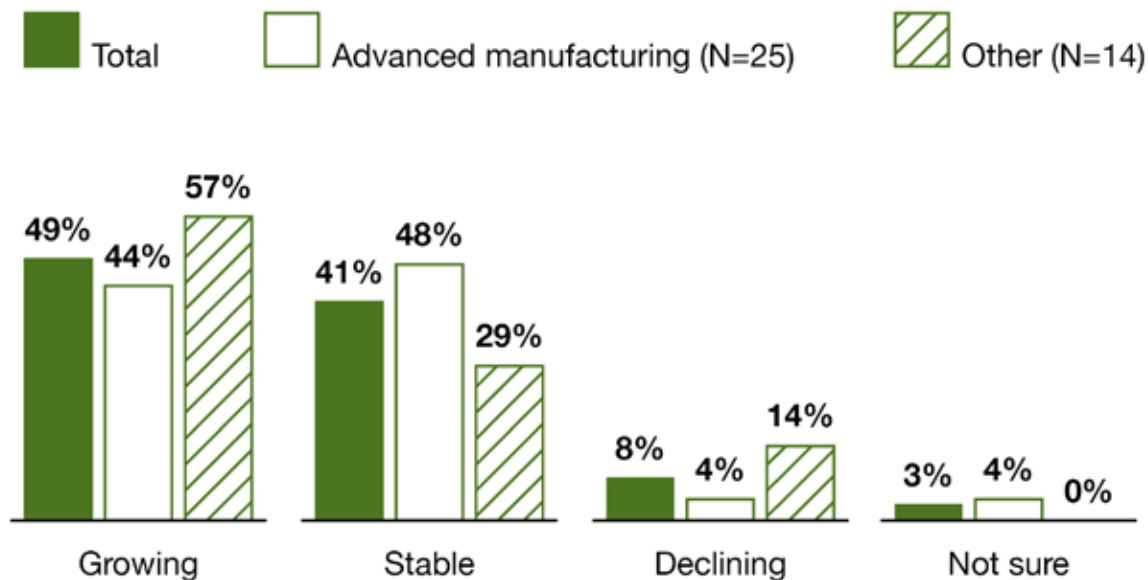
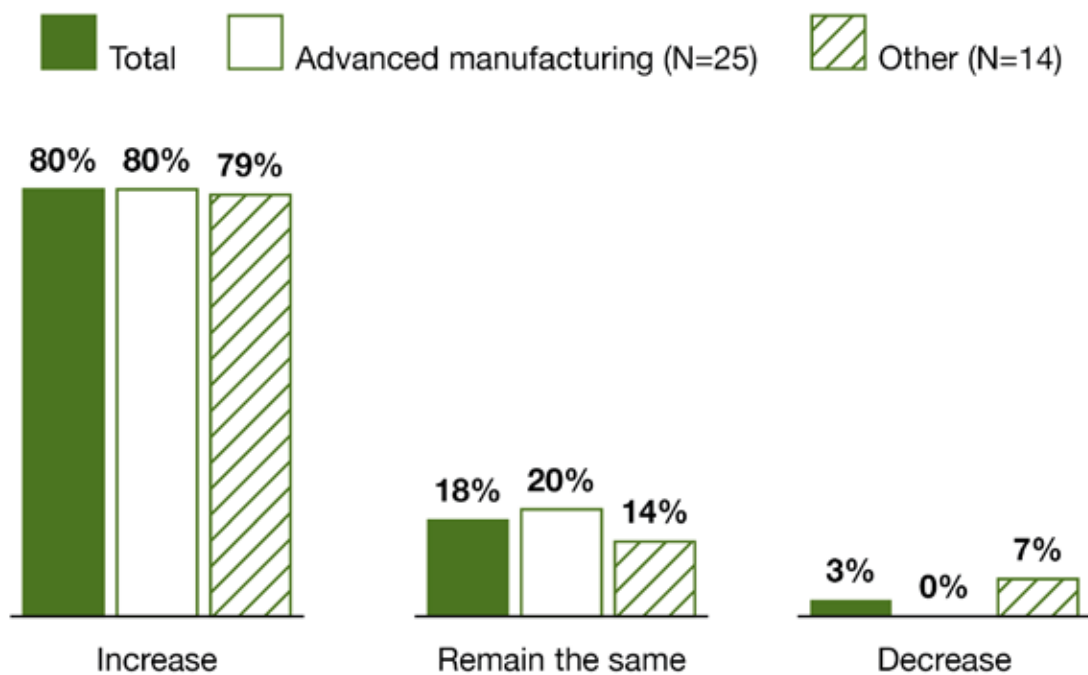


Figure 14: Projected sales - next year (%)



Workforce Development

Local employment trends have been a challenge for Guelph businesses. Seventy-one percent of companies surveyed indicated they have increased their workforce in the last three years (Figure 15), however over half of those companies (52%), reported having hiring challenges, close to half (45%) of which were manufacturers.

Some of the types of assistance suggested by companies to improve the workforce needs include: affordable housing options, labour attraction and creating more opportunities to be connected with available skilled labour.

Figure 15: Changes in workforce (N=38)

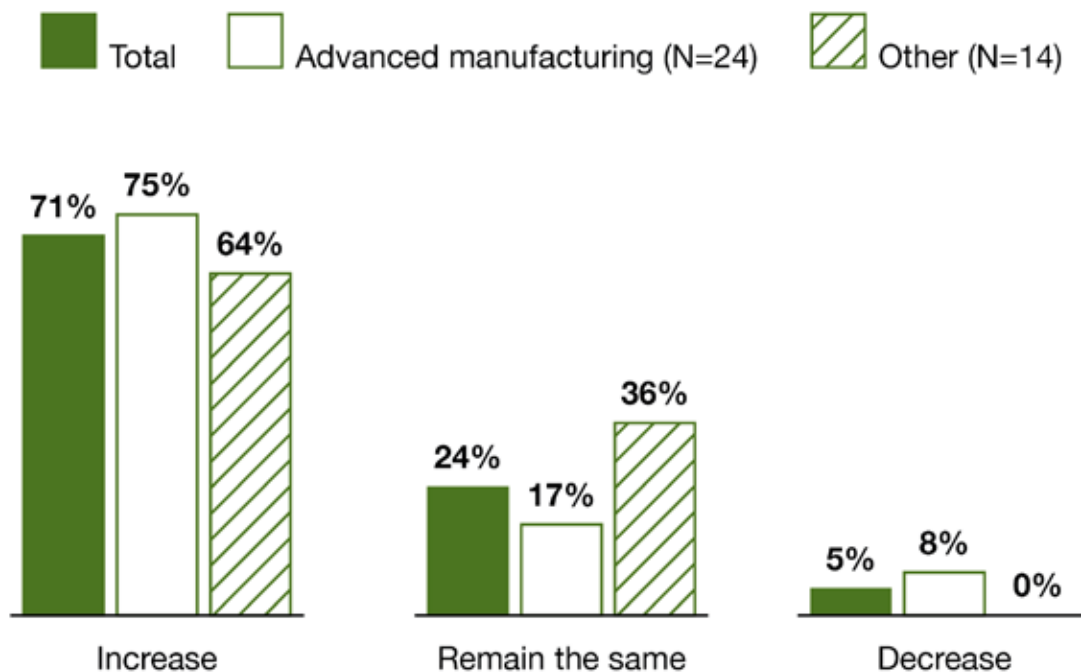
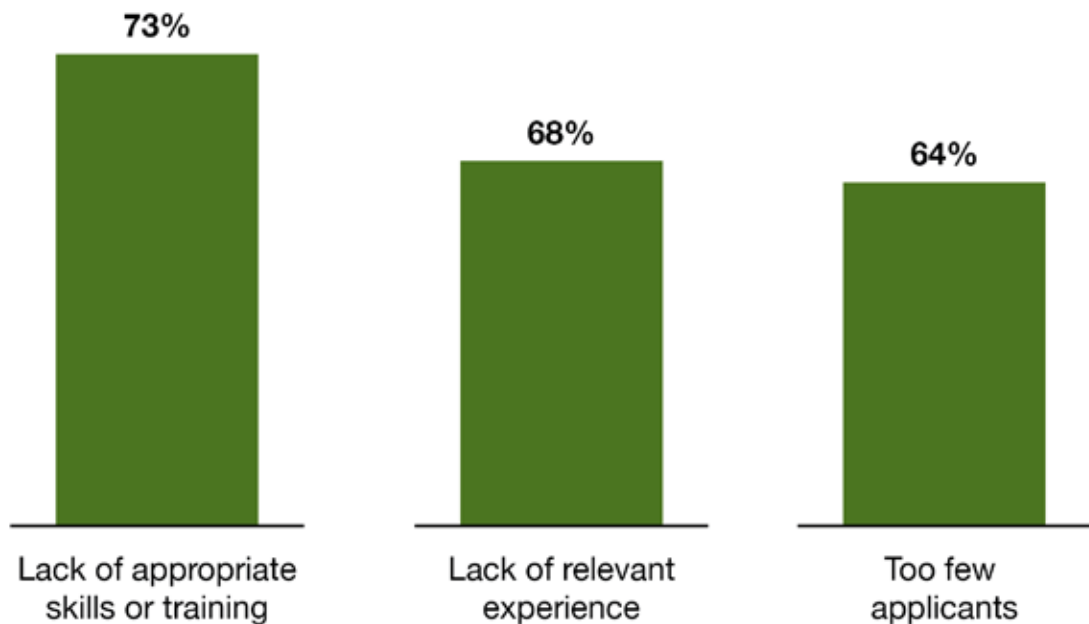


Figure 16 shows that 73% of the companies interviewed felt that a lack of appropriate skills or training has made it challenging to find the appropriate labour.

The experience level of applicants (68%) and low number of applicants (64%) were also considerable contributors to hiring difficulties. Figure 17, 18 and 19 further detail these challenges

Figure 16: Reasons for hiring difficulties (N=22)



Note: total can exceed 100% due to multiple mentions

Figure 17: Availability of qualified workers (N=34)

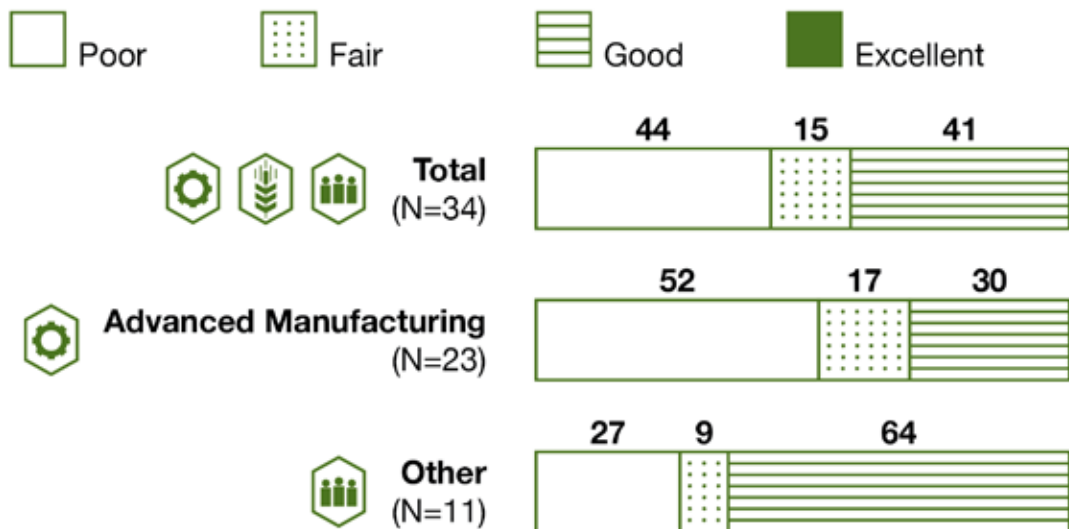


Figure 18: Stability of the workforce (N=35)

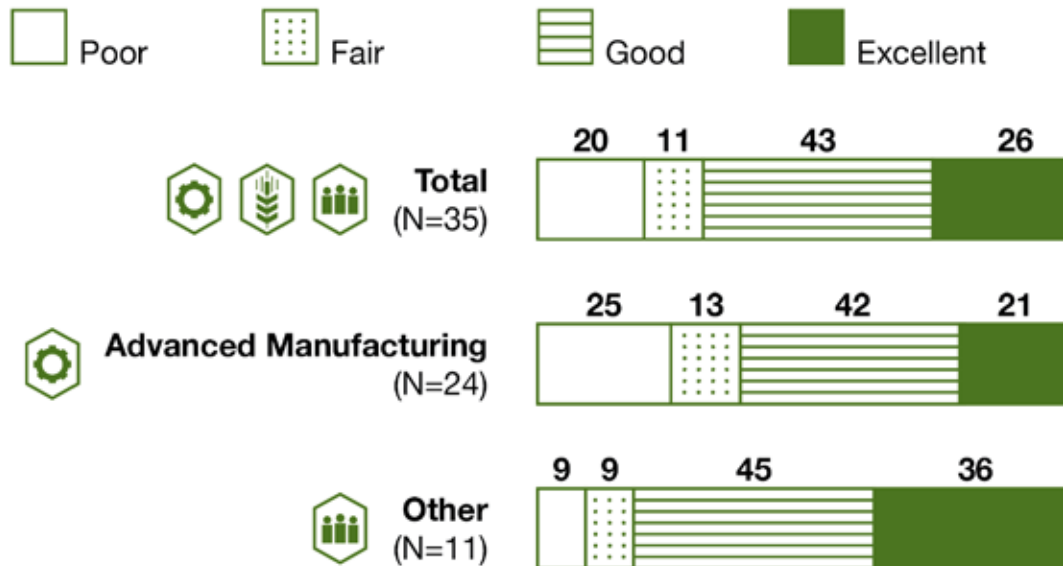
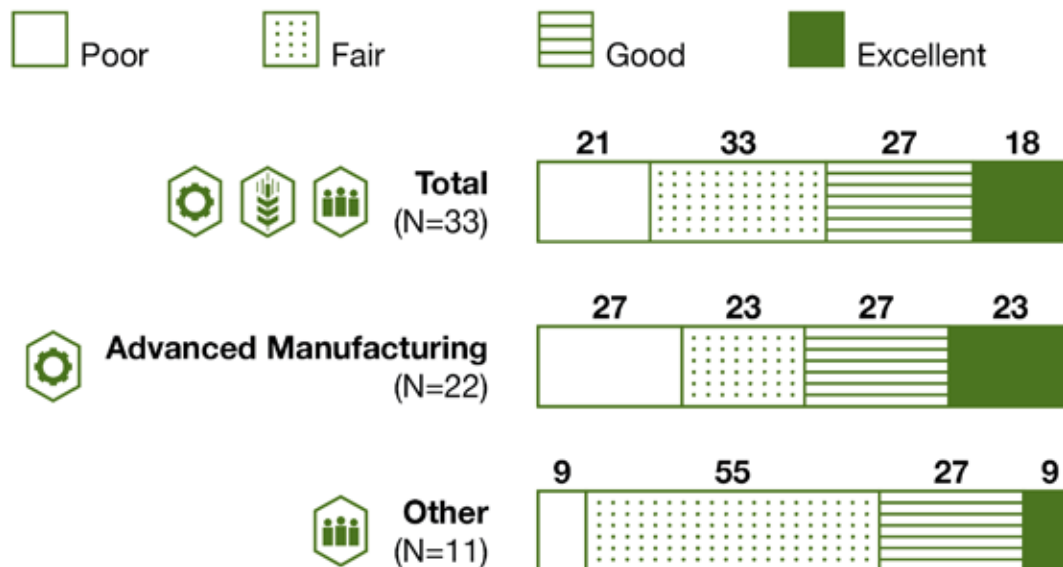


Figure 19: Ability to attract new employee (N=33)

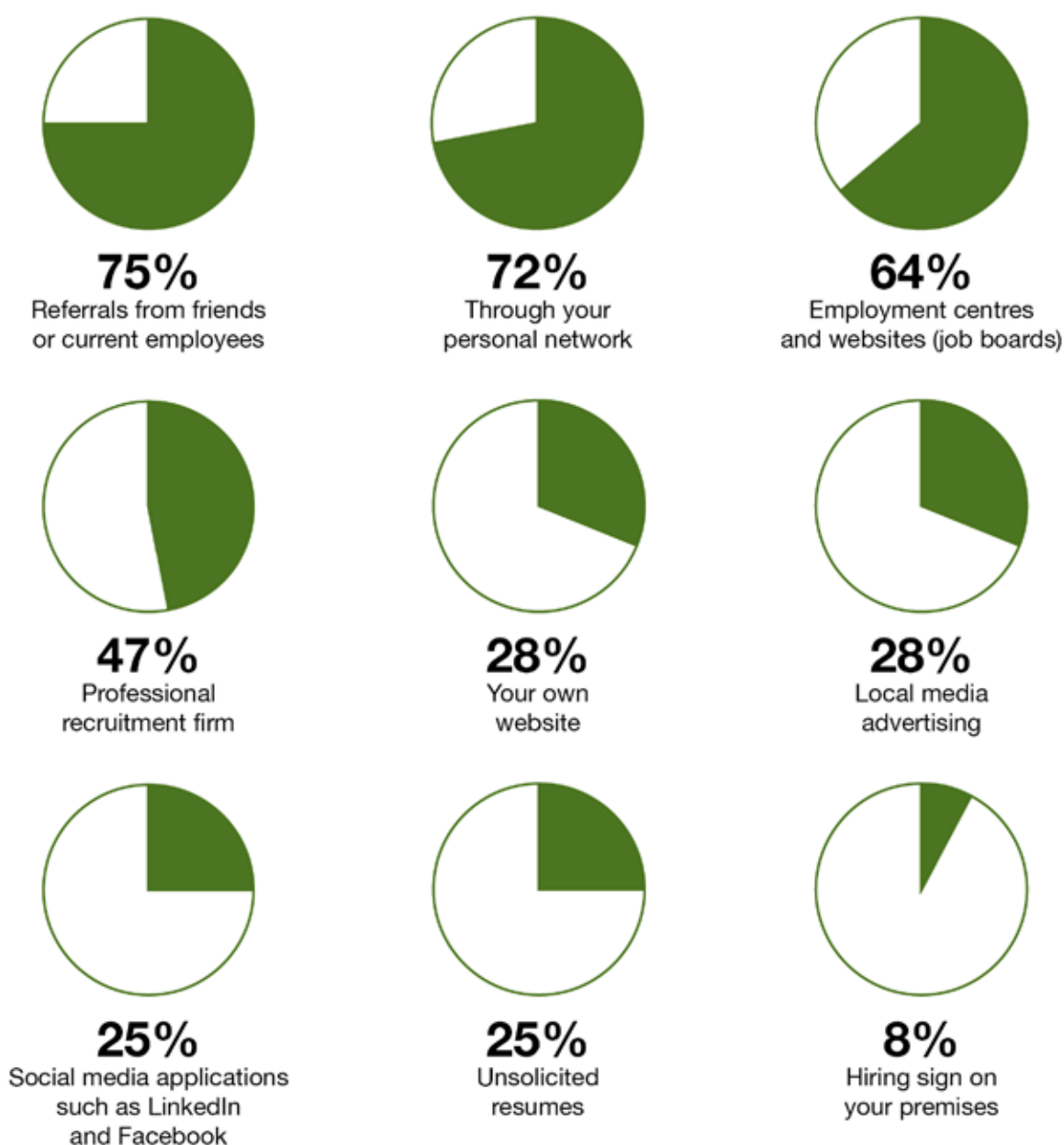


Businesses in Guelph use a variety of methods to recruit staff. However, many companies still rely on the personal network and/or referrals from friends and current employees (Figure 20).

surveyed, 54% participate in some kind of co-op, internship or apprenticeship program - the majority of which are in the manufacturing sector.

Co-op, internship and apprenticeship are excellent ways to attract and retain skilled labour. Of the 37 businesses

Figure 20: Methods of recruiting (%)



Looking for more workforce data?

Each year, the Workforce Planning Board of Waterloo Wellington Dufferin conducts the EmployerOne Survey. An online survey of local businesses to collect detailed information on a range of workforce issues such as labour turnover, hard-to-fill positions, recruitment difficulties, and current and future skill shortages. For EmployerOne Survey results and information on how to participate, visit **workforceplanningboard.com**.



Your Workforce. Our Future.

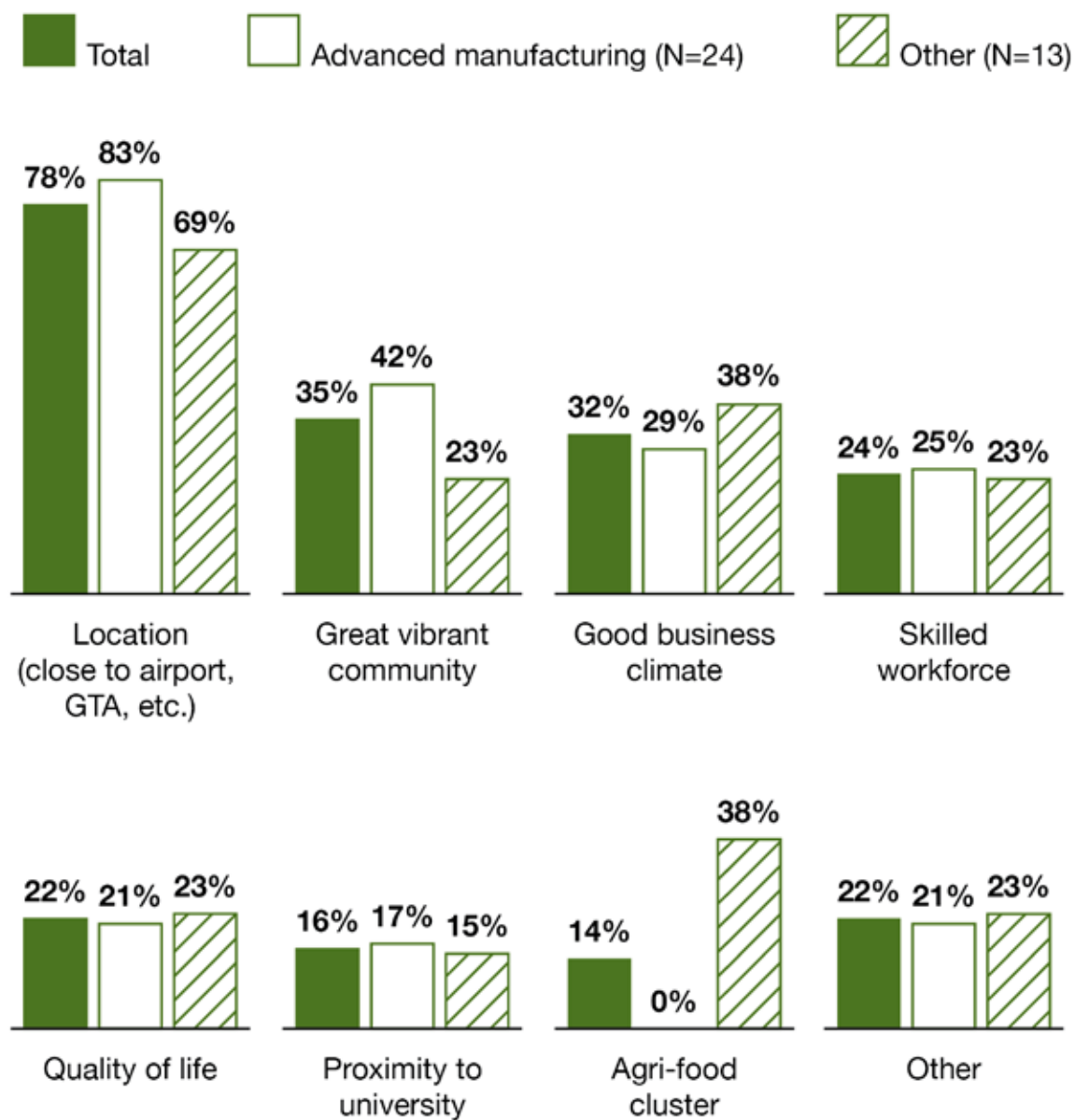
Community Development

Each community offers a unique environment in which to do business. To gain an understanding of Guelph's community from a business perspective, participants were asked to list the top three advantages and disadvantages of doing business in Guelph.

Across all sectors, location was overwhelmingly indicated as the most advantageous characteristic of Guelph's

community (78%). Eighty-three percent of manufacturing business surveyed felt that Guelph's location was an advantage to their business (Figure 21). Factors of location that were considered strengths included proximity to customer base and supply chain, transportation channels and access to post-secondary institutions for skilled labour.

Figure 21: Advantages of doing business in Guelph (N=37)

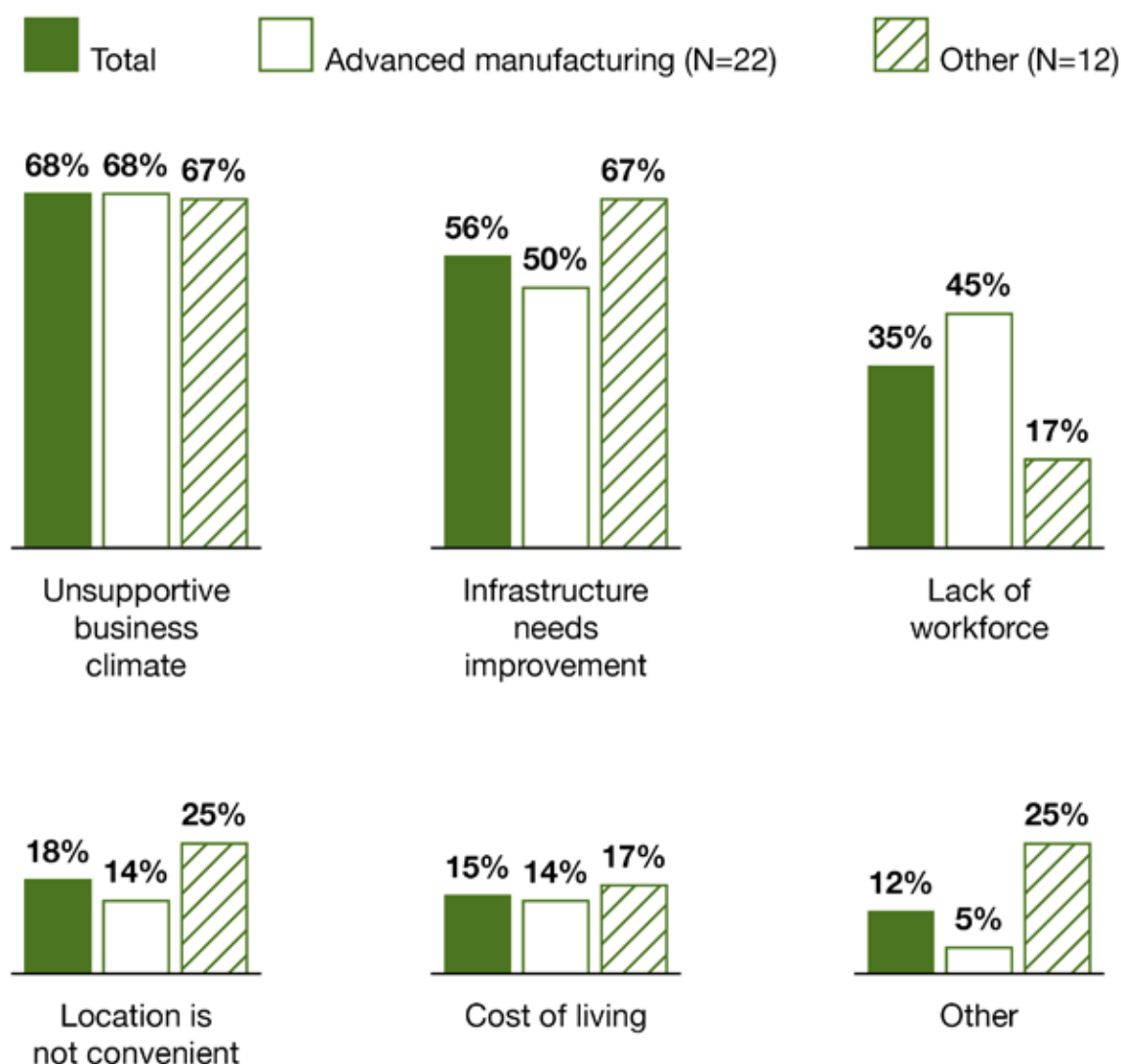


Note: total can exceed 100% due to multiple mentions

Disadvantages of doing business were slightly more varied (Figure 22). An even split across all sectors felt that Guelph's business climate was not as supportive as it could be. Costs of doing business were cited as a source of dissatisfaction, specifically items such as taxes/assessment, lack of incentives available for growth and the development approval processes.

Infrastructure improvements, specifically around the transportation of employees and goods, were also cited as a source of dissatisfaction. More so, this was a concern for companies in the non-manufacturing sector with 67% listing it as a top three concern. Lack of available real estate, lease space and affordable housing were also reported as infrastructure improvements that could be made.

Figure 22: Disadvantages of doing business in Guelph (N=34)



Note: total can exceed 100% due to multiple mentions

New to the survey in 2016, businesses were asked to share the single most significant change they would like to see

in Guelph in the next five years. Table 1 shows those aggregated comments.

Table 1: In terms of overall impact on this community as a place to do business what is the most significant change you would like to see in the next five years?

Items highlighted were mentioned five times or more by respondents.

Economic development/support

- **Better alignment between City strategic planning and needs of businesses**
- **More business engagement and outreach, Grow Guelph is a good start**
- **Reduce red tape and streamline processes to make our City more entrepreneurial**
- Maximize value of infrastructure and resources i.e. rail, hydro, water
- Keeps the cost of business down i.e. taxes, hydro, unions, wages
- Develop measureable incentive programs to support business growth
- Equality in services for both the needs of small business and large business
- Expansion of Guelph's borders to accommodate growth and keep land/space costs low
- More education and awareness around accessibility compliance and government programs that affect business operations
- Improve general business friendliness

Transit service and infrastructure

- **Improved access to Toronto outside highway 401, direct service to downtown and airports**
- **Transit schedules that meet the late night shift workers, including weekends**
- Improve ability to commute within Guelph and between neighbouring cities
- Invest in high speed information networks, fiber to all businesses
- Expand developments as quickly as possible, but only one area at a time
- Address traffic congestion associated with population growth
- Make the Hanlon Expressway a non-stop highway
- Complete new Highway 7 expansion to improve transport of people and goods west

Table 1 continued

Workforce development

- **Develop a strategy to help attract more employees to Guelph**
- Build ability to train skilled non-professional labour through programming at Conestoga College
- City to market itself with a value proposition that draws people to work here
- Engage young people to stay in Guelph and participate in the manufacturing sector

Facilities and housing

- **We need lower price tag houses - single detached homes are not affordable for employees**
- Need better availability of affordable food grade facilities for rent
- More affordable lease/rent space
- Large soccer stadium

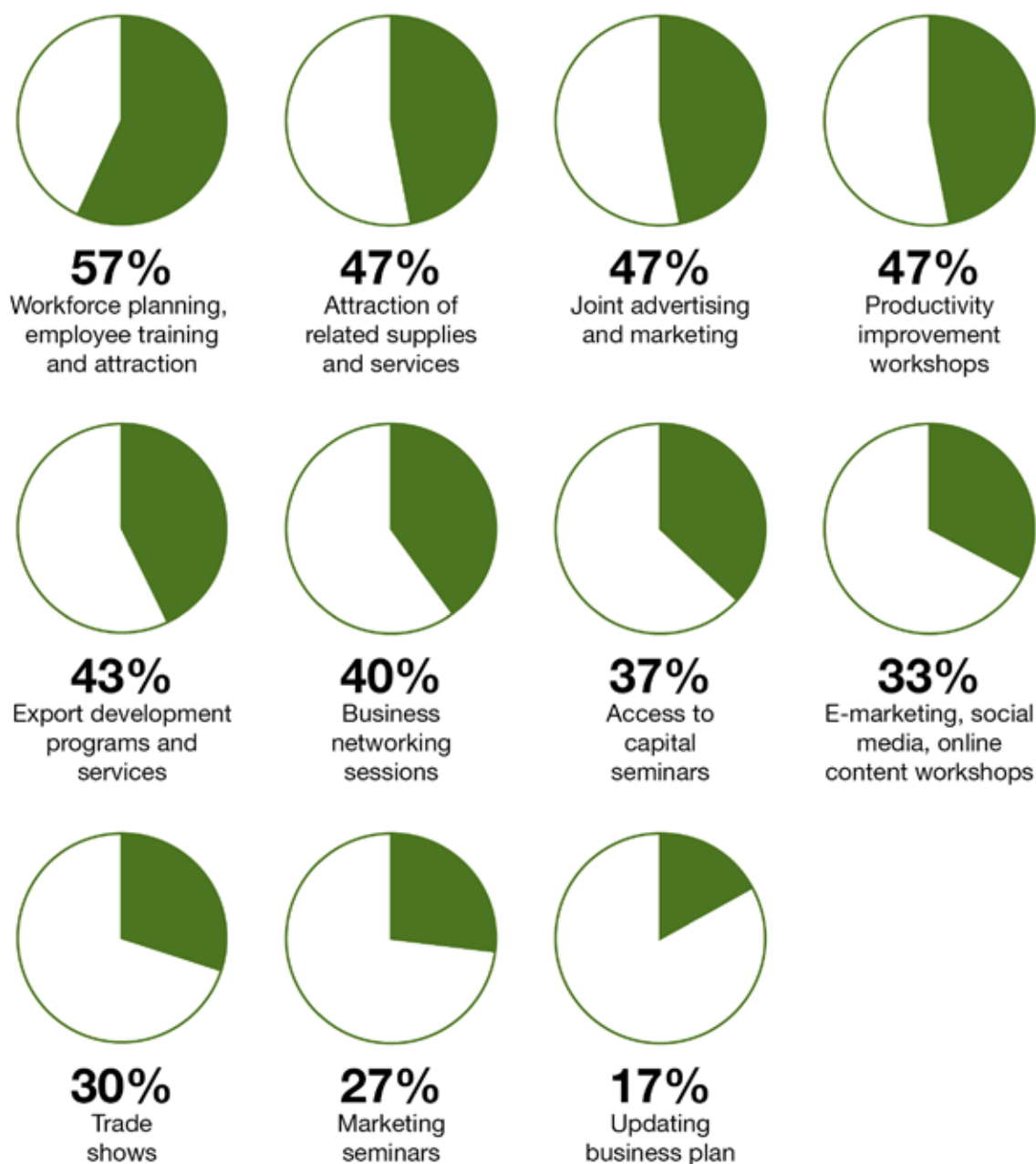
Downtown

- Re-develop Baker Street
- Create more parking options in downtown for employees and customers
- Increase vibrancy of downtown, address issues of marginalized individuals in the core which is impactful to business operations

Businesses were asked to select what areas of assistance would be helpful if available in the community (Figure 23). The top areas of assistance business identified as beneficial were workforce

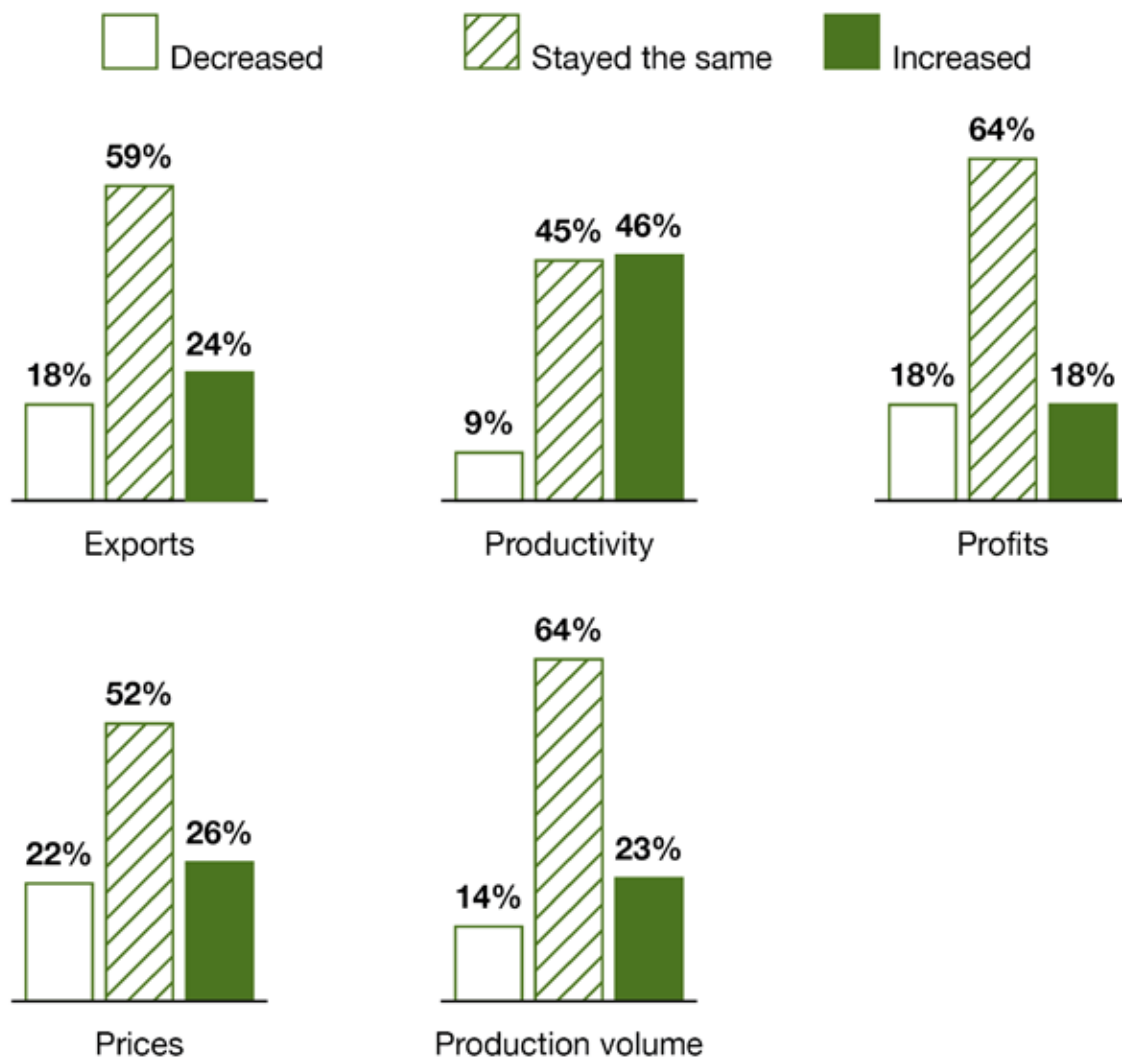
planning, training and attraction, the attraction of related suppliers and services, joint advertising and marketing, as well as productivity improvement workshops.

Figure 23: Business support (%)



Manufacturing Survey

Figure 24: Business performance changes within the last two years (N=22)



For companies who manufacture goods, an additional survey was administered to gain insights into their products' lifecycle, outsourcing needs, innovation and process improvements, production capacity and exporting needs. There were 22 companies that participated in the manufacturing survey.

Manufacturers were surveyed on the changes to their operations in the last two years for the exports, productivity, profits, prices and production volume (Figure 24). Productivity stands out as having the highest increase with 46% of manufacturers indicating an increase

in productivity and only 9% indicating a decrease in productivity.

Figure 25 shows that half of the manufacturers surveyed indicated their primary product was in a mature stage of the product life cycle, where 32% indicated their primary product line as growing. Only 5% reported their primary product as being on the decline.

As for new product development (Figure 26), 74% companies have either developed a new product in 2016 or are currently in the product development stage.

Figure 25: Primary product life cycle (N=22)

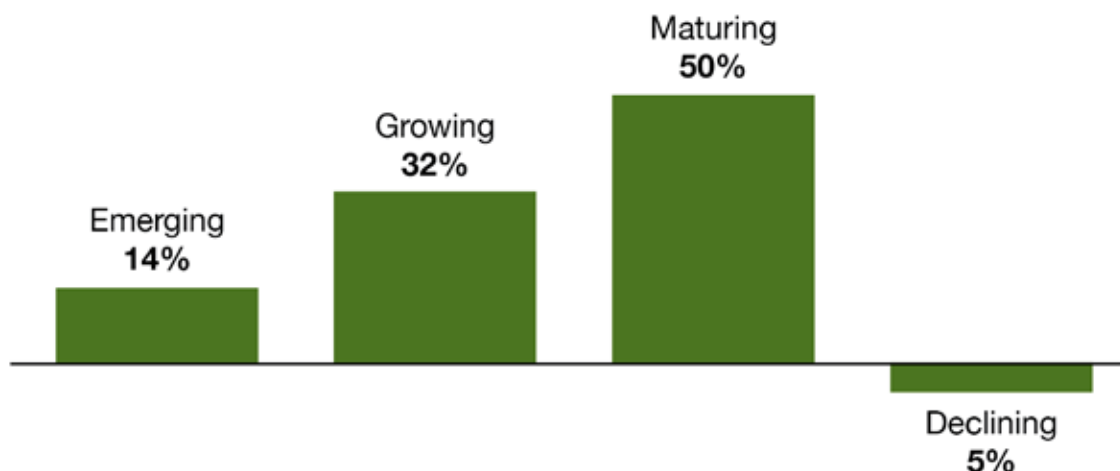
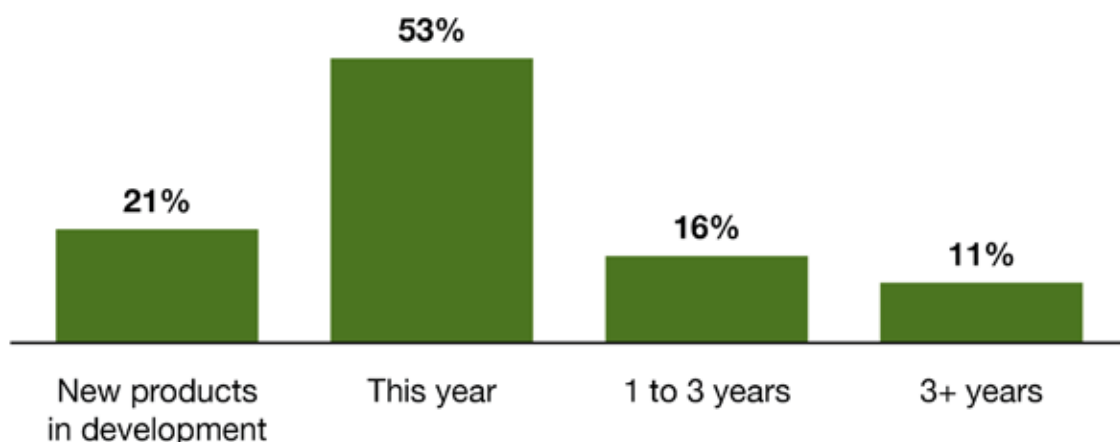


Figure 26: Introduction of new products to the market? (N=19)



As for research and development (R&D) activities, two-thirds of the manufacturers surveyed spend over 3% of their annual sales on R&D. All companies surveyed expect this amount to either remain the

same or increase in the next three years. No companies surveyed indicated a reduction in spending on R&D (Figure 27 and 28).

Figure 27: Research and development (R&D) expenditure based on percentage of sales (N=21)

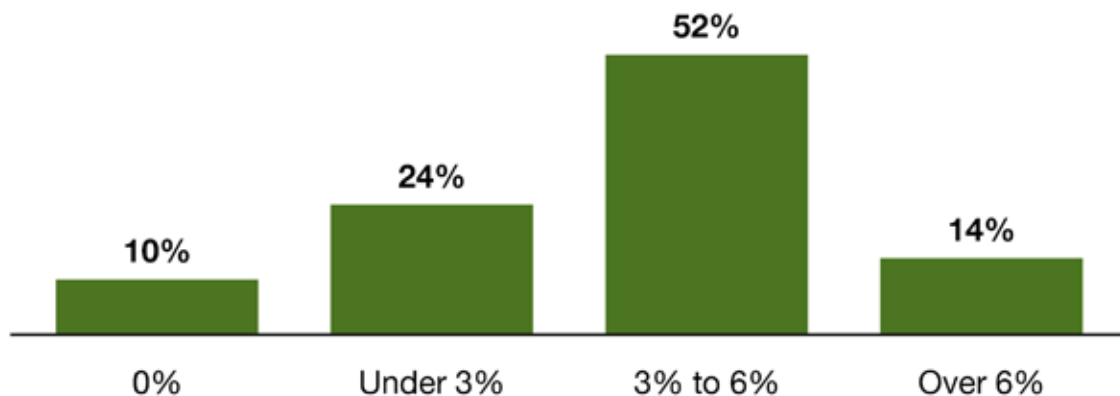
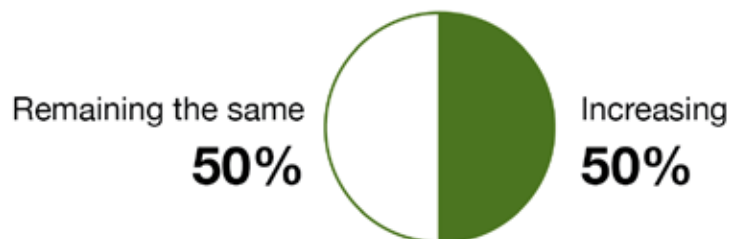


Figure 28: Projections for above R&D within the next three years



Manufacturers surveyed were asked about the location of their R&D with 80% responding that they conduct their R&D in Guelph (Figure 29). This research is almost half devoted to product improvement (47%), 9% for process

improvement and 25% for new product development (Figure 30). Despite the high response rate for local R&D, only 24% reported they are using local academic institutes for that research (Figure 31).

Figure 29: Location of R&D (N=20)

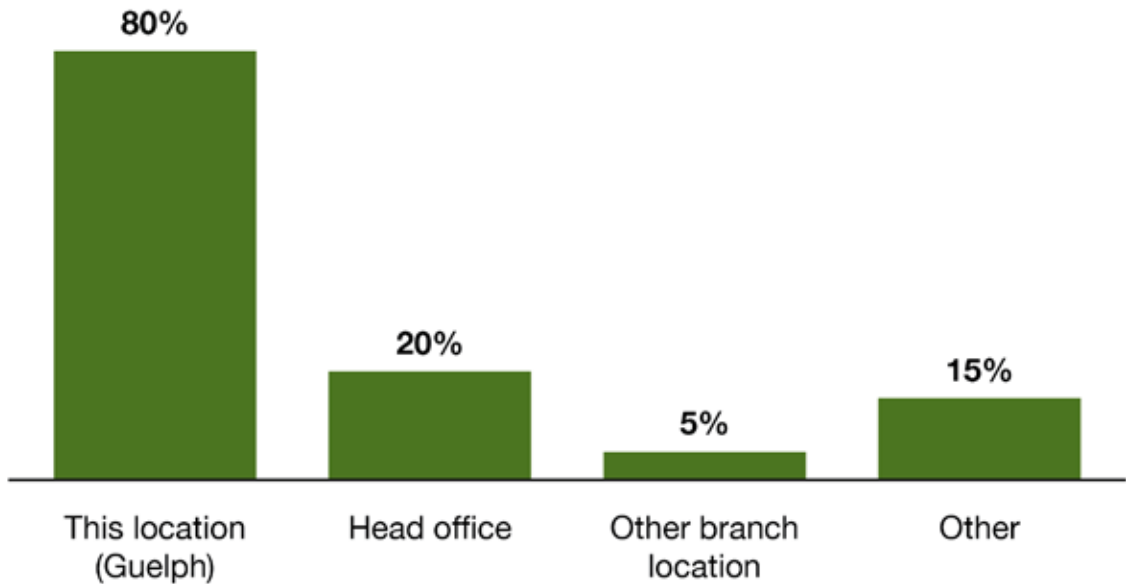


Figure 30: Average R&D budget placement:

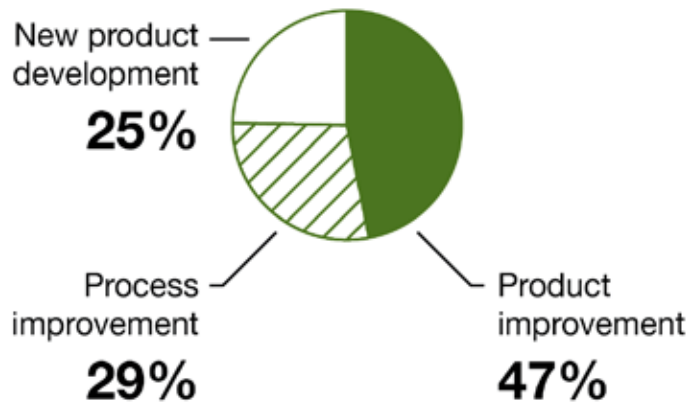
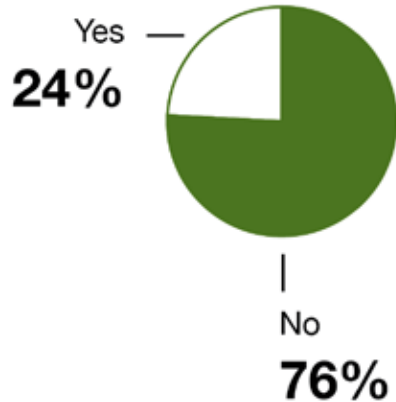


Figure 31: Utilization of local academic institutes (N=21)



When looking at export activity of surveyed companies, 74% indicated that they currently export. Of those companies, 47% export more than 50% of their products and 90% of export activity is to the United States. Figures 32 and 33 show a further breakdown in export activity.

their product's components, while over a quarter outsource more than 50% of their products or components. Those components that manufacturers indicated as purchasing outside the region were mostly specialized products or raw materials not available locally.

When looking at outsourcing, Figure 34 shows that 59% of manufacturers surveyed outsource less than 10% of

Figure 32: Exports as a percentage of total business (N=21)

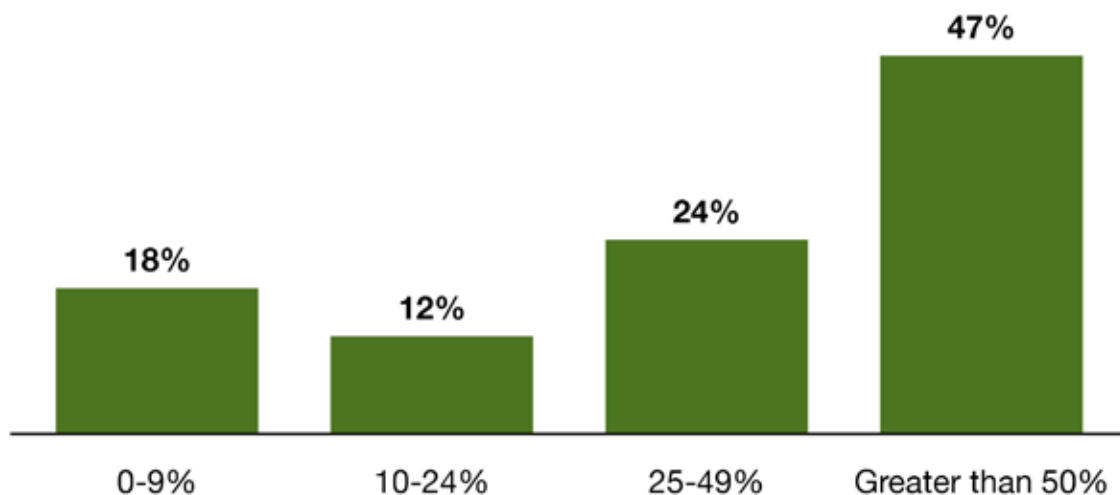


Figure 33: Export location (N=11)

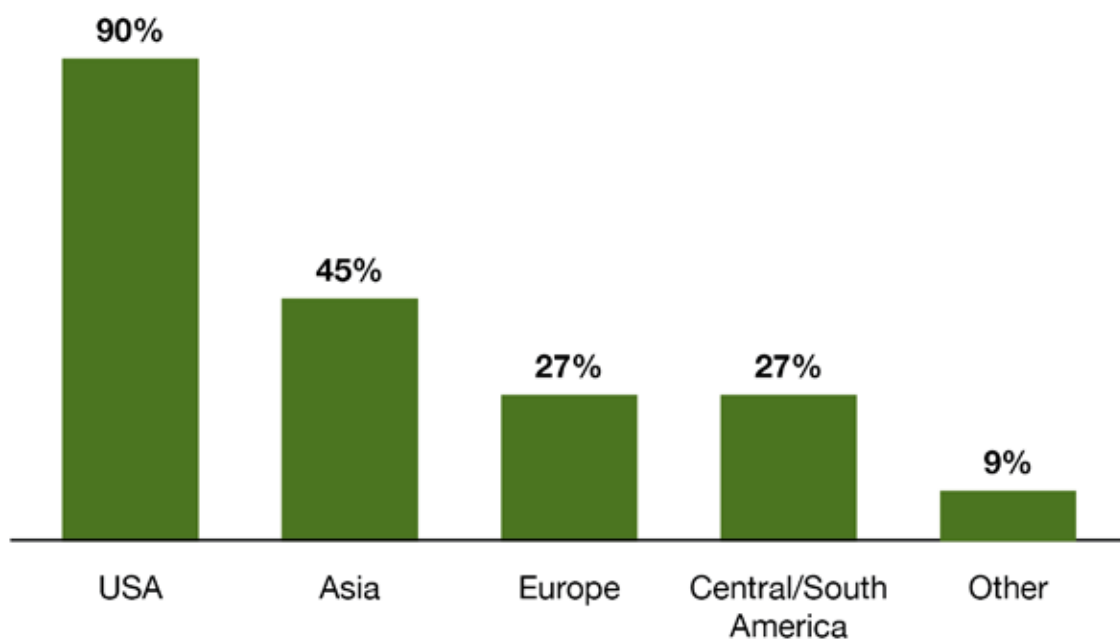
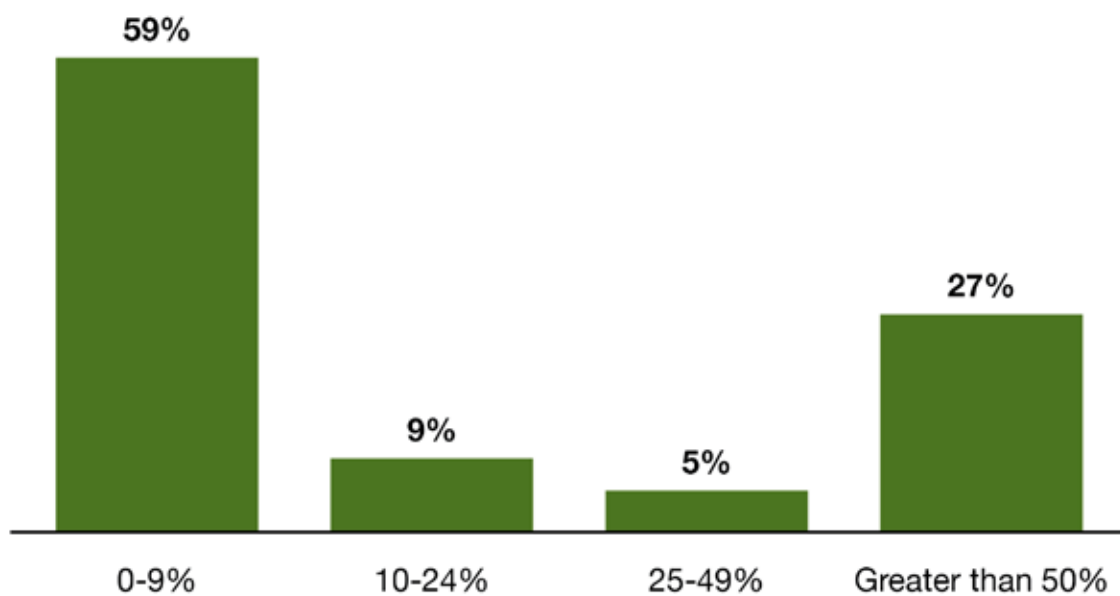


Figure 34: Product components outsourced (N=20)



Priority Areas 41

2018/2019 Priorities

On June 21, 2017 the Grow Guelph Task Force held a retreat to review and reflect on the results of the 39 Guelph business surveys. The objective of the retreat was to identify key areas of focus for the Task Force over the next two years by looking at all qualitative and quantitative feedback (including open ended questions and comments).

The Task Force grouped feedback into the four established priorities: business

development, innovation, workforce development and business climate.

Key areas of focus were developed from business feedback within those priorities to guide the Grow Guelph Task Force organizations in the development and delivery of various programs and services, as well as influence policies that support the retention, growth and profitability of local business.

Key areas of focus are as follows:

Business Development

- Support for all types and stages of business growth (start up to large-scale)
- Creation of space for business growth (shared space, incubation space, land and buildings)
- Access to international and domestic markets
- Rapid access to financial support
- Forums where business catalysts and enablers can connect
- Workshops and seminars on relevant issues that affect business

Innovation

- Opportunities for academia and business to connect and collaborate
- Incentives that support innovation and process improvements
- Efficient use of local production capacity
- Foster systems and processes for innovation

Workforce Development

- Connect employers with available workforce
- Skilled labour supply and attraction
- Global talent access
- Youth career development
- Apprenticeship, coop, in-house training

Business Climate

- Business engagement in municipal matters and strategy development
- Leverage new, and improve existing transportation networks
- Connect business with available real estate
- Create a welcoming business environment
- Incentives for all stages of business growth

Notes

