Elgin County
Manufacturing Business Retention and Expansion Survey Report

December 2014

Contents

1 Introduction

As the horizon of the County of Elgin's Economic Development Strategy 2011– 2014 draws to a close it is essential to evaluate how business retention and expansion efforts in the County have progressed. The 2011–2014 Economic Development Strategy had spelled out the importance of instituting a business retention and expansion (BR+E) program to ensure the needs of enterprises continue to be met and to grasp what is required to address identified challenges. This study is a direct outcome of that recommendation, having already been done in a number of sectors including agri-food and tourism. It is an essential ingredient in improving communications and fostering a better and deeper relationship with local businesses. The information gleaned from the process is vital to the strategic allocation and mobilization of resources to support the retention and expansion of businesses and in the attraction of future businesses to the region.

While Provincial trends identified in the Strategy indicated the manufacturing sector to be stagnating, Elgin`s was seen to have grown, albeit modestly. With manufacturing holding the highest proportion of businesses of any industry in Elgin County, it is incumbent upon the County to prioritize the continued reassurance of the sector's enterprises. Moreover, because manufacturing in Canada was one of the most impacted sectors during the recent economic recession, it is all the more pertinent that a barometer of general manufacturing business health in the County be measured.

A detailed series of business visitation surveys was undertaken by the County to obtain sentiments from local manufacturers in regard to BR+E. The survey comprised qualitative and qualitative feedback. While some results are easily relatable or categorized, other feedback is more context-specific or subjective from the perspective of the respondents. Consequently, at times qualitative responses result in *prima faci* contradictory observations, but it is because of the subjective reality from which respondents are answering that these scenarios arise. For example, while many respondents understood proximity to the Highway 401, infrastructure and markets as being advantageous to conducting business in Elgin County, many others also noted that distance from highway 401, infrastructure or markets was disadvantageous. These results speak to the importance of understanding the nuanced perspectives respondents are drawing from within the region. The more answers can help the County grasp the needs and aspirations of local manufacturers, the more the County can be in a position to help the business environment through its programming and services. Having multiple perspectives on the same idea can therefore help the County to identify a path forward that is most beneficial to all.

1.1 Summary of Key Findings

Interview surveys conducted with 34 manufacturers located in Elgin County revealed the following key findings:

- Many businesses surveyed were family owned (85%), with 79% of owners from the area, and only 12% having additional locations outside the County. Most companies indicated that between 75 and 100% of their workforce are from the County, meaning there are more locals working local jobs than people from outside the region.

- The largest age group of businesses surveyed was 3 to 10 years old (32%). This age group represents the critical ‘5 year’ mark by which the highest attrition rate typically occurs in businesses. Only 5 of these 11 businesses had succession, business, or marketing plans in place. Moreover, while 32% of businesses surveyed were over 25 years old, less than half of these had succession plans, despite the ages of the companies. Overall, only a quarter of all businesses surveyed had succession plans, leaving them exposed to the effects of unforeseen changes in upper management or ownership. These figures also reflect a general need for awareness and capacity building in regard to these different forms of strategic planning as identified in the Economic Development Strategy..
- While nearly 75% of businesses consider Elgin County a good or excellent place to do business, 48% were concerned about the availability of skilled labour upon the ability to expand, and 44% were concerned with business taxes making the process more difficult.
- No businesses surveyed expect to close within the next three years, but three expect to downsize, all for differing reasons; retirement, declining business in the sector, and lack of contracts. One other company expects to relocate within the County.
- Most business expansion is expected in the Aylmer area, followed by Central Elgin, but the types of businesses expecting to expand are varied, with the largest proportion being miscellaneous forms of manufacturing, followed by food related manufacturing or fabricated metal product manufacturing.
- The most common reason for business expansion was increased demand, with a large number of businesses already in the process of expanding or planning to do so as soon as possible. Respondents identified cash flow and finance as the largest barriers to this objective. On the positive side, most businesses believed expansion would lead to an increase in workforce, additional product, additional investment in equipment and technology, and process improvements.
- Many businesses are helping to minimize economic leakage[1] by relying on local businesses and services to meet their needs, with 19 of 23 respondents indicating there were no products or services they required that were not already in the County. Two businesses mentioned relying on with St. Thomas for supplies or services and another relied on parts and inventory from the United States.
- Because all business is local, the survey probed the extent to which different markets ranging from local to international contributed to business revenues, finding the farther away the market is, the lower the range of revenue respondents expected from that market. Once the market moves beyond the provincial level, 50% of businesses or greater derive less than 20% of their revenue from the market in question. Moreover, respondents anticipate little change in the distribution over the next three years, with the exception of moderate increases in Province-wide revenue of about 15%.
- Over 60% of businesses anticipate a need for more employees over the next three years. Five businesses expect an increase of fewer than five employees, and another four

[1] Economic leakage refers to the process of sales revenue from goods and services being diverted from the place of purchase to outside of a specified geographic area.

would require between six and 15. Three more expect increases of greater than 20 employees. Only one business indicated there would be a decrease, and that this would affect three employees.

- Most businesses rated labour force availability and quality as good or excellent, but those that rated them as poor tended to be large employers. Companies are most interested in health and safety, supervisory, quality assurance, and sales and marketing skills development. Yet, most companies also identified affordability, relevance of available programs, and loss of productivity during training periods as high ranking barriers to delivering skills development programming.
- While many positive attributes were identified by respondents as advantages to conducting business in Elgin County, many of these same attributes were seen by others as disadvantages. While many respondents praised the location of the County given its proximity to Highway 401, markets, or suppliers, respondents also identified the location of the county as a challenge because of distances from these same things. Similarly, while some praised the local labour force, many also were unsatisfied with it or identified it as a disadvantage. Finally, while some people acknowledged the approachability and helpfulness of local government, others listed issues associated with property or business taxes, or a general dissatisfaction with local government and red tape. While identified advantages can be useful to know when things are done right, disadvantages identified need to more fully be explored beyond the confines of the existing survey results to better understand these points of frustration.

2 Project Organization, Methodology and Data Analysis

This report summarizes the results of a business visitation survey conducted with 34 manufacturers from across the County of Elgin. The businesses were selected based on various sub-sectors within the manufacturing sector, representing a diversity of operations, sizes and locations within local municipalities.

The survey was a tool used to gather information from businesses in the County of Elgin with the intention of discerning the critical issues relevant to business retention and expansion. It was undertaken by the County between April 1st and November 5th of 2014.

The survey was structured to identify issues in key areas such as:

- Business Climate
- Future Plans (downsize, relocate, expand/renovate, close)
- Business Development
- Markets
- Finances
- Workforce Development
- Training
- Local Community Advantages and Disadvantages

Within these key areas there are 68 detailed questions with the results summarized in the next section and cross-tabulated[2] to better understand survey responses. The tool used for analysis was Microsoft Excel. The survey tool was designed by the County's consulting team to be an easy-to-use template that would facilitate data entry, as well as data analysis. Some questions required discrete answers from pre-determined lists (with options to identify additional or other answers), while others were open-ended questions that elicited qualitative responses.

[2] Cross-tabulation refers to the investigation of one question based on the response of another question.

3 Survey Findings

3.1 Company Information

Of the 34 respondents that participated in the survey, the largest proportion was from Aylmer (32.4% or 11 respondents), with strong representation also from Central Elgin (20.6% or seven respondents), Bayham (14.7% or five respondents), and Malahide (also 14.7% or five respondents). The lowest participation was in Dutton Dunwich (2.9%), where only one respondent participated in the survey. The distribution of participation by municipality is summarized in Figure 1.

FIGURE 1: MANUFACTURING PARTICIPANT OPERATIONS BY LOCATION

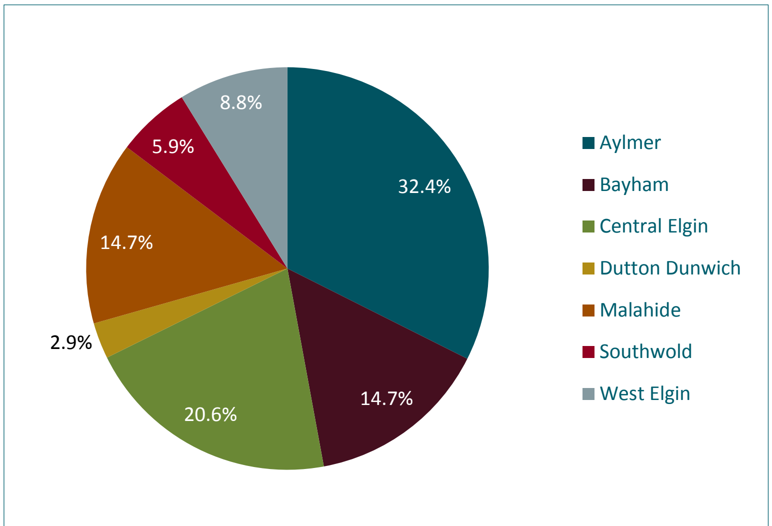
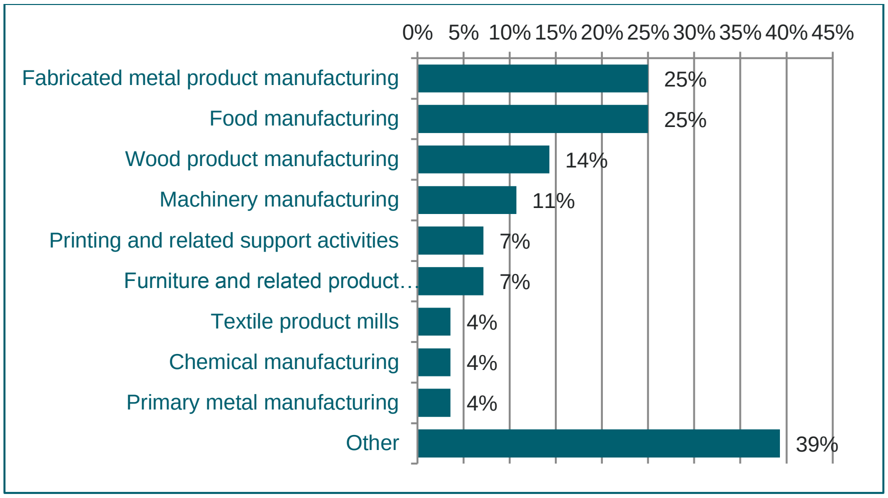


Figure 2 provides an overview of the types of manufacturing that respondents were involved in. 28 responses were provided in total. The single largest categories were tied at 7 (25%) respondents each for fabricated metal product manufacturing and food manufacturing. Wood product manufacturing (four respondents), and machinery manufacturing (three respondents) are also categories where more than three companies have business dealings in the same sub-sectors. A large proportion of respondents (39% or 11 respondents) also self-identified as “other” forms of manufacturing, and their complete list is provided in the text box adjacent to Figure 2.

FIGURE 2: TYPES OF MANUFACTURING



Other:

- Renewable fuel production
- Rubber products
- Building products
- Concrete manufacturing
- Grain Storage and marketing
- Free standing processing plant, meat packing
- Plumbing, heating and air conditioning
- Automotive tooling and parts
- Automotive packaging
- Musical instrument manufacturing

Diversity of Products from Elgin County's Respondents in the Manufacturing sector

Elgin County has a diversity of businesses offering many products, but there are five where multiple overlaps exist within the same product types among survey respondents:

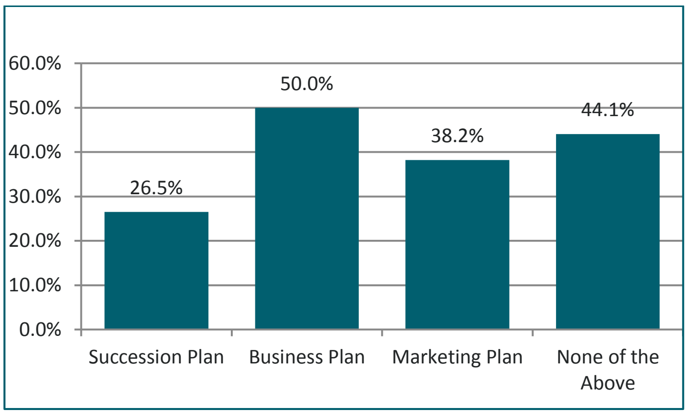
Product types	Companies
Building materials	5
Automotive manufacturing or accessories	3
Furniture/cabinets	3
Commercial print	2
Honey and related products	2

In addition, there were many unique products being manufactured, including: motor cycle accessories, milled and lathed items, welded products, billiard tables, dehydrated vegetables and fruits, ice cream, sausage, preserves, pet treats, grain products, food processing equipment, ethanol and related products, heating and air conditioning products, rubber mats (multiple applications), re-useable packaging, and guitars.

As shown, Elgin County has a mix of businesses associated with the manufacturing sector that participated in the survey. Of the 34 businesses, 79% (27 respondents) of owners hail from Elgin County and 85% (28 respondents) are family operated. In addition, 88% (30 businesses) are headquartered in the County, with 9% (three businesses) being elsewhere in Ontario, and 3% (one business) somewhere else in Canada. Furthermore, 73.5% (25 businesses) do not have locations outside the County, while 26.5% (nine businesses) have at least one. Overall, the above information indicates that most businesses are locally owned and administered, with few having locations outside of the County.

Respondents were asked to indicate if they had a succession plan, business plan, or marketing plan, and the answers to each of these are summarized in Figure 3. The results indicate that while only 26.5% of respondents (or nine businesses) had succession plans and only 38.2% (13 businesses) had business plans, 50% (17) of them had business plans. Nonetheless, the fact that 44.1% (15 respondents) indicated having none of the above kinds of strategic plans, suggests there is a need for awareness and capacity building in these regards. All three companies employing more than 100 employees have succession, business and marketing plans, meaning it is mostly small and medium sized companies that may require help in these areas. Seven out of 34 companies in all had all three types of plan.

FIGURE 3: PERCENT OF BUSINESSES WITH STRATEGIC PLANS



Digging a little deeper, only five out of 11 businesses between three and 10 years old have succession, business, or marketing plans. In addition, five out of the 11 businesses older than 25 years old do not have succession plans in place; leaving them vulnerable to problems should unexpected changes occur in upper management or ownership.

Figure 4 provides an overview of the number of employees different businesses employed. Of the 30 responses, 73% of businesses (or 22 businesses) had fewer than 20 full time employees. Four businesses indicated the only employees in the company were the owners, one of which was only working part time. Eight businesses had between one and two full time employees, while another five employed between 20 and 49 full time employees. Three businesses employed more than 100 full timers.

FIGURE 4: NUMBER OF BUSINESSES EMPLOYING DIFFERENT NUMBERS OF EMPLOYEES IN ELGIN COUNTY

Employees	Full Time	Part Time	Seasonal
Owners only	3	1	0
1-2	8	6	1
3-4	4	2	0
5-9	3	2	1
10-19	4	0	1
20-49	5	1	0
50-99	1	0	0
100+	3	0	0

The largest number of respondents had operating spaces of between 5,000 and 10,000 sq.ft (10 total), followed by those with spaces of between 10,000 and 20,000 sq.ft (seven). The distribution respondent's business sizes by space are summarized in Figure 5.

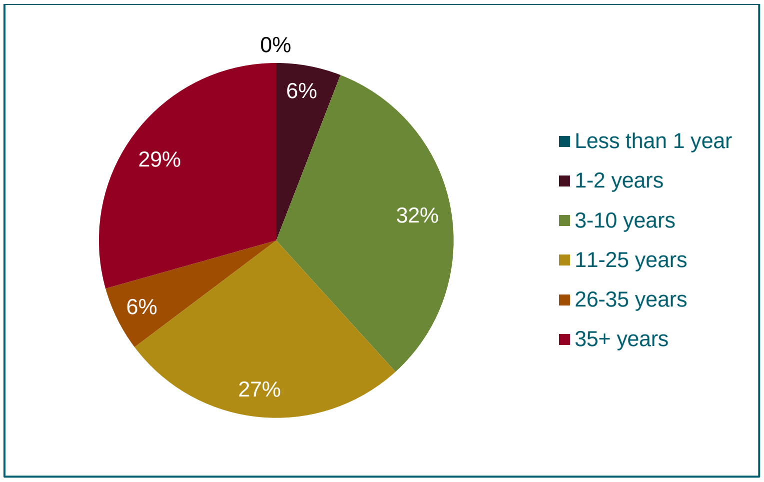
FIGURE 5: SIZE OF BUSINESS SPACE

Size of Business Space	Number of Enterprises
Less than 2 500 sq ft	2
2 500 - 5000 sq ft	5
5 000 - 10 000 sq ft	10
10 000 - 20 000 sq ft	7
20 000 - 50 000 sq ft	2
More than 50 000 sq ft	6

3.2 Business Climate

This section provides an overview of Elgin County's general business climate. Over half of survey respondent's indicated their businesses were less than 25 years old, with 11 having existed for between three and 10 years and another nine being between 11 and 25 years old. The overall ages of respondents' businesses are summarized in Figure 6. Of note is that nearly 30% (10 businesses) were over 35 years old, with three further indicating the business has existed for more than 100 years. Few businesses surveyed were younger than two years old.

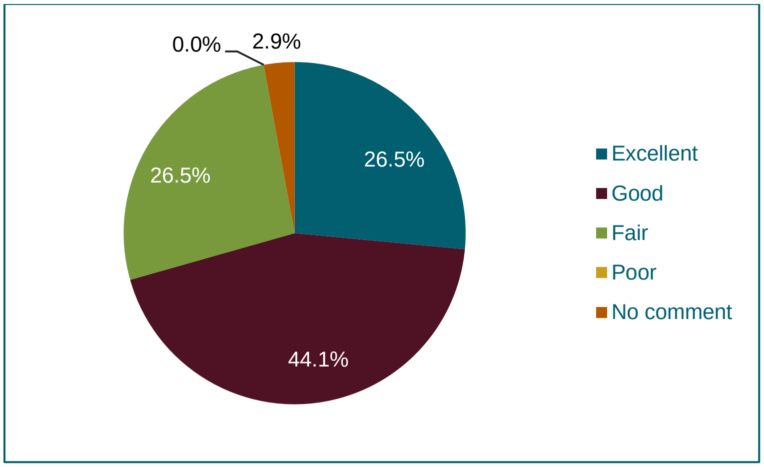
FIGURE 6: AGE OF THE BUSINESS BY PROPORTION OF TOTAL RESPONDENTS



Note: Total respondents answering the question were 34.

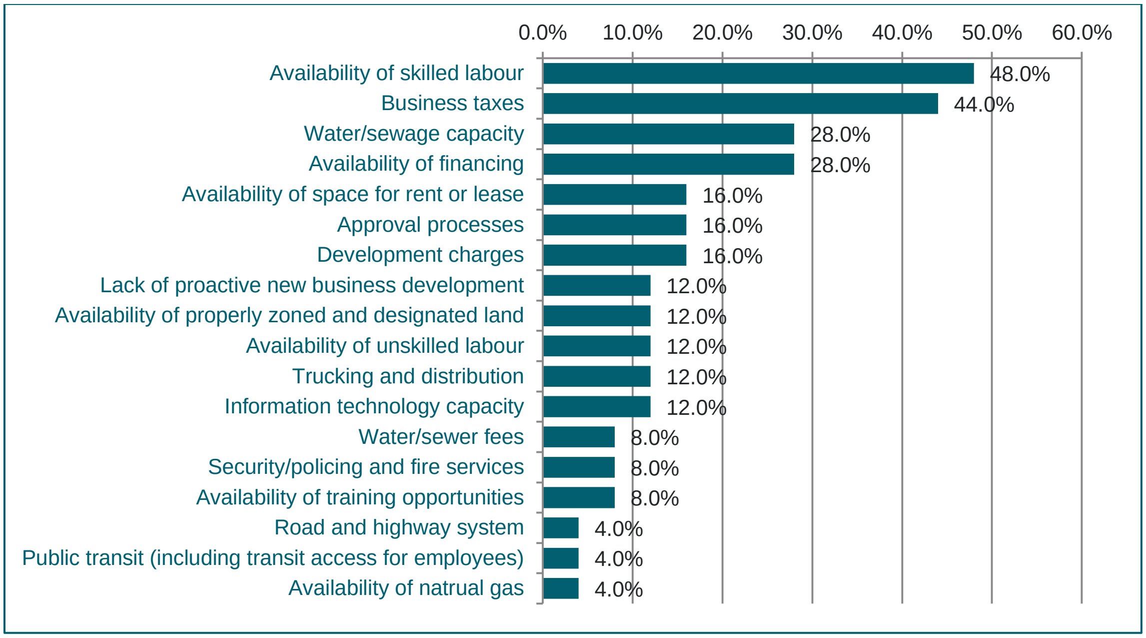
As Figure 7 illustrates, nearly three quarters of businesses consider Elgin County to be a good or excellent place to do business (24 businesses). No businesses indicated it was a poor place to do business, and only one respondent indicated “no comment.” While no respondents indicated it was a poor place to conduct business, several did leave comments that suggest discontent with certain aspects including high taxes, difficulty finding skilled labour, building permit application processes or expansion. One person however did explain that he or she found the community and municipal government to be very supportive.

FIGURE 7: GENERAL IMPRESSION OF ELGIN COUNTY AS A PLACE TO DO BUSINESS



Respondents were asked to select a list of barriers they believed had an effect on the expansion of a business in Elgin County, and 25 respondents volunteered their choices, as summarized in Figure 8. The highest rated barrier was availability of skilled labour, selected by 48% of respondents (12 in total), followed by business taxes (44% or 11 in total), and water/sewage capacity and availability of financing (each 28% or seven respondents). Four businesses (or 16% of respondents) also selected available space for rent or lease, approval processes, and development charges as barriers to expansion. The remaining barriers were selected by fewer than four businesses each.

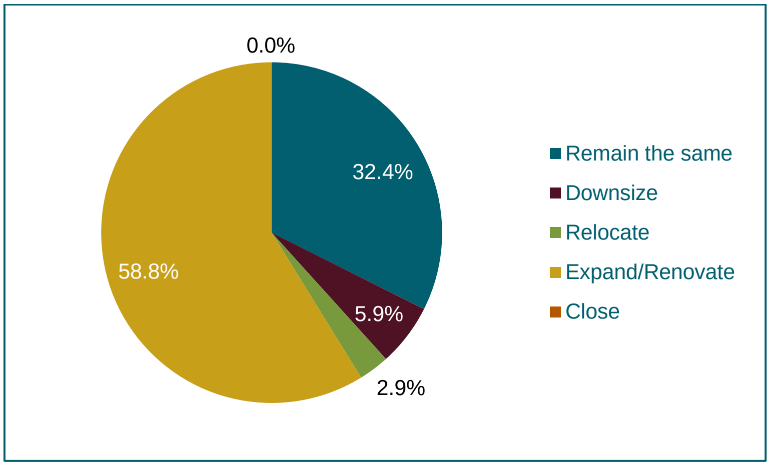
FIGURE 8: PRECENTAGE OF FACTORS WHICH ARE BARRIERS TO EXPANSION OF A BUSINESS



3.3 Future Plans

This section provides a review of predicted future prospects for surveyed companies over the next three years. A primary question asked if respondents' businesses were expected to remain the same, downsize, relocate, expand/renovate or close, as shown in Figure 9. Of the 34 businesses, 20 (58.8%) expected to expand or renovate, 11 (32.4%) expected to remain the same, two companies (5.9%) expected to downsize, and only one expected to relocate. No businesses expected to close. Each of these results is further elaborated below, with subsequent observations.

FIGURE 9: PERCENTAGE OF PLANNED BUSINESS UNDERTAKINGS WITHIN THE NEXT 3 YEARS



3.4 Future Plans – Close

No respondents indicated their businesses would close. Given that this survey was of a limited number of respondents, it cannot be concluded that no manufacturing businesses will close in Elgin County, but the research does provide compelling evidence that if there are manufacturers that plan to close, their numbers are likely low.

3.5 Future Plans – Downsize

Of the 34 respondents, three identified they would likely be downsizing over the next three years. Three different reasons were given for why they would be downsizing, shown verbatim below:

- “Looking to sell business. Retirement age.”
- “Lack of contracts”
- “Lack of business in the solid residential hardwood flooring business”

All three respondents indicated the downsizing would result in decreases in workforce, two of them indicated it would result in decreases in product lines, and one indicated it would result in a decrease in the export of goods or services. When asked if they required assistance, nothing was specified by any respondent even though one business mentioned it would need help.

3.6 Future Plans – Relocate

One business indicated it would be relocating outside its current township, but it would be staying within Elgin County. Specifically, the business would like to be closer to Aylmer. The business is compelled to relocate because its current location is being sold, and the respondent indicated it would accept help identifying a new location, but otherwise no assistance was needed.

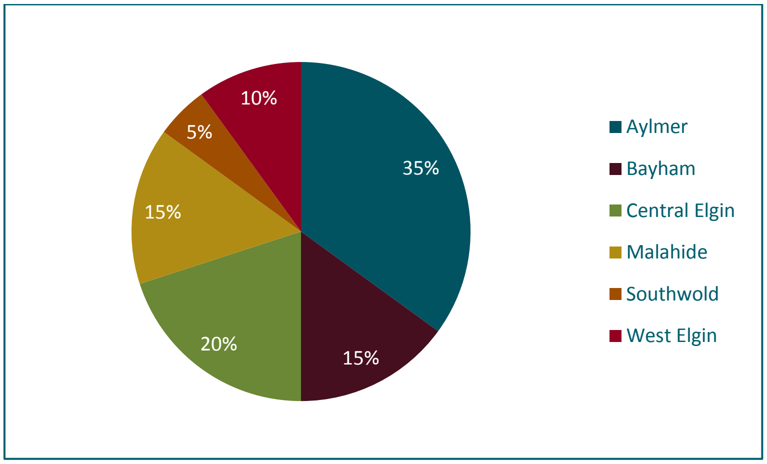
3.7 Future Plans – Expand/Renovate

Because plans to expand or renovate were listed as an expectation by 20 businesses, some deeper analysis was undertaken.

3.7.1 Business Profile

Expansion or renovation is expected by at least one company in each municipality except for Dutton Dunwich, with the highest concentration being in Aylmer (35% or seven businesses), followed by Central Elgin (20% or four businesses). Figure 10 illustrates the distribution of areas where businesses are expecting to expand or renovate.

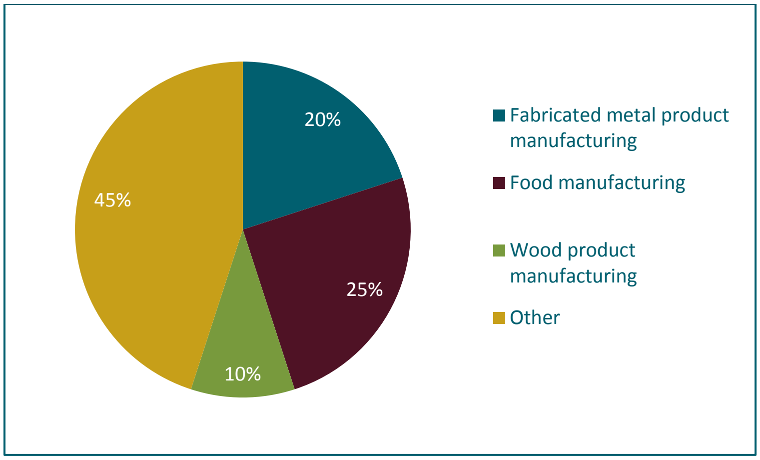
FIGURE 10: LOCATION OF BUSINESSES PLANNING TO EXPAND OR RENOVATE



Note: Total respondents were 20.

Figure 11 shows which types of businesses are expanding or renovating, where food manufacturing leads the field constituting 25% of expecting expansions or renovations (five businesses). Many businesses that do not fit into an exclusive category are also expecting expansion or renovations, which together constitute 45% (nine businesses). They are summarized in the adjacent box.

FIGURE 11: TYPES OF MANUFACTURING THAT PLAN TO EXPAND OR RENOVATE



Other:

- Machinery manufacturing
- Musical instrument manufacturing
- Plumbing, heating, air conditioning products
- Printing
- Renewable fuel production
- Textile product mill
- Chemical manufacturing
- Concrete Manufacturing

3.7.2 Examining Plans to Expand or Renovate

Reasons for Expansion or Renovation

Of the 20 respondents anticipating expansion within the next three years, 11 indicated their primary reason was due to increased demand, six indicated it was due to a new product, and three due to a new market. Three more people gave “other “responses; expanded canned products, organic growth and acquisition, and expansion into an additional trade included in the business.

Timing of Expansion or Renovation

Expected timing of expansion or renovation varied, with eight indicating it was already underway, another two indicating it would be beginning as soon as possible, five more within the next 12 months, two within the next 18 months and another two more within the next two years. In essence, more than a third of the respondents considered their expansions to already be underway. One respondent even expected consecutive expansion over each of the next three years.

Barriers to Expansion or Renovation

Respondents were asked to list any problems or difficulties associated with their expansion or renovation. Of the 17 that answered the question, six indicated there was no problem or barrier. Three people gave responses associated with cash flow and finances, and another two identified the competitive market and economy. The remainder gave unique responses associated with the following:

- Problems of customer support / building client base
- Bureaucratic delays in processing
- Infrastructure
- Time requirements
- Updating equipment and distribution

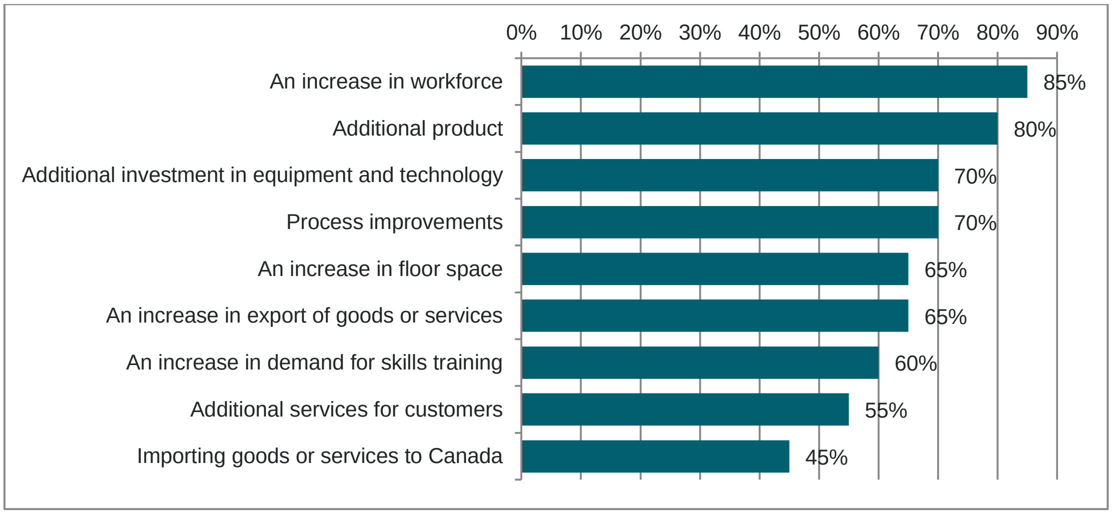
- Utilities

As these results demonstrate, most perceived barriers are context specific and rooted in the day to day dealings of operating a business effectively. While some are generalizable, most are unique to the specific needs of the enterprise.

Outcomes of Expansion or Renovation

Expansion or renovation is expected to have a number of positive ramifications, as Figure 12 summarizes. Most significantly, 85% of respondents (or 17 businesses) indicated their expansions would lead to an increase in workforce. Digging a little deeper, two of the three largest employers are expecting to hire more workforce (the third did not answer the question). Also, 80% of businesses (16 in total) will have additional products as a result. Rounding out the top four ramifications, 70% (14 in total) expected to be investing in equipment and technology and 70% also expected process improvements.

FIGURE 12: WILL YOUR EXPANSION LEAD TO ...?



Expected Land or Building Requirements for Expansion or Renovation

Of the 20 respondents that are expanding or renovating their business, 15 (75%) require additional land, another four do not require more land (20%), and one was not sure. Most respondents did not elaborate on how much larger a property or building they required. Moreover, those that did respond were vague as to whether they were referring to land size or building size (or square feet or acres); however there were several clear specifications:

- 4,000 sq.ft
- 9,600 sq.ft.
- 12-15,000 sq.ft.
- 10,12,000 sq.ft.
- 1-2 acres
- 6 acres

- 1-2 acres

In addition to these specified needs, one person mentioned requiring “several acres,” another noted he or she needed sewage and water, not necessarily land, and finally, one mentioned trying to purchase the neighbouring property, but did not specify the size.

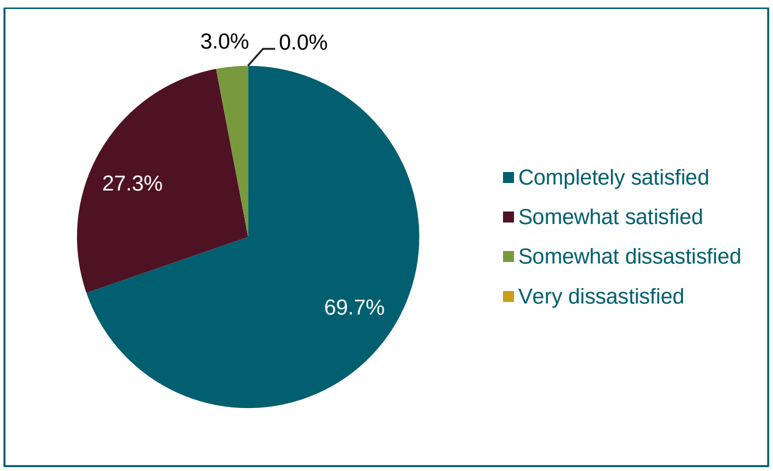
3.8 Business Development

This section presents information concerning the factors that impede or enhance business operations among manufacturing respondents.

Satisfaction with Current Location

When asked to grade their level of satisfaction with their current location of business in the County, over two thirds (69.7% or 23 businesses) indicated they were completely satisfied, with another 27% (nine businesses) being somewhat satisfied. Only one respondent (3%) had an adverse response to the question, indicating “Somewhat dissatisfied.” No businesses were very dissatisfied.

FIGURE 13: LEVEL OF SATISFACTION WITH CURRENT LOCATION IN ELGIN COUNTY

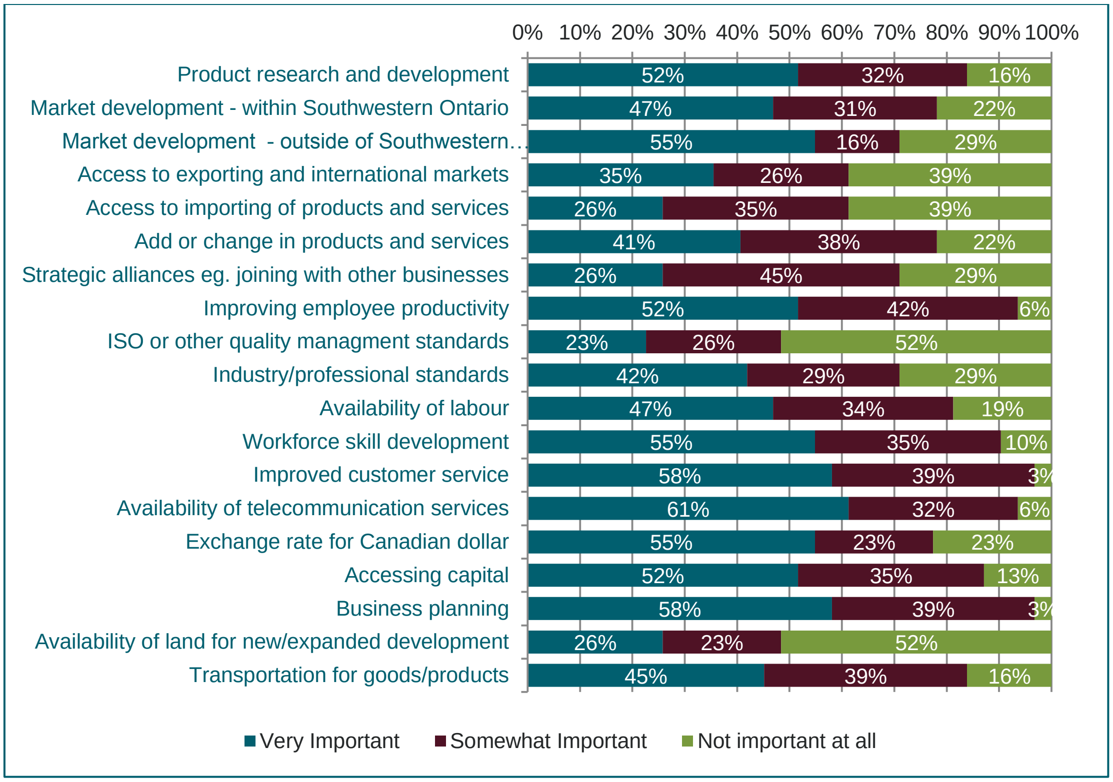


Respondents were asked if there were products or services they would like to purchase locally that are now being purchased outside of the area. Of 23 responses, 16 indicated there were none that they needed, three more explicitly stated they buy all products or materials locally, two more mentioned a need for resources in St. Thomas and one more relied on parts and inventory from the United States. Essentially, 19 of 23 businesses buy locally, including the three largest companies in the survey.

Respondents were then asked how important a series of issues associated with running a business were to the competitiveness of their businesses. Responses are summarized in Figure 14**.** The factors that businesses placed the most importance upon by selecting *very important* were:

- Availability of telecommunications services
- Business planning
- Improved customer service
- Improving employee productivity
- Accessing capital
- Product research development

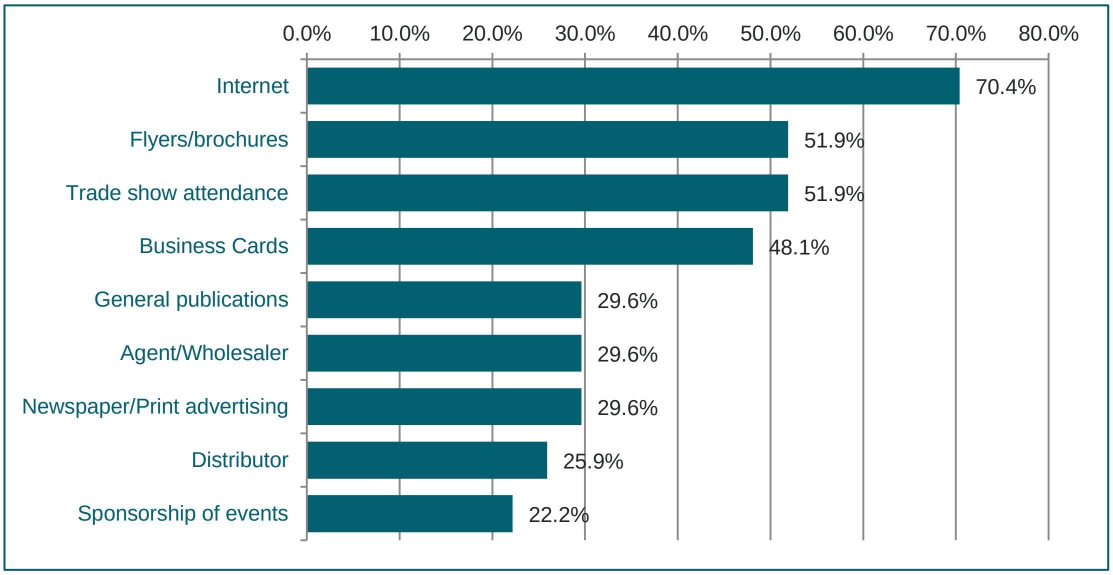
FIGURE 14: IMPORTANCE OF DIFFERENT FACTORS IN ENSURING A BUSINESS REMAINS COMPETITIVE



Accessing the Marketplace

Respondents were asked how they currently market their products or services. The most common marketing channel was via the internet (70.4%, or 19 respondents), followed by flyers or brochures and trade show attendance, which each was selected by 51.9% of respondents (or 14 in total).

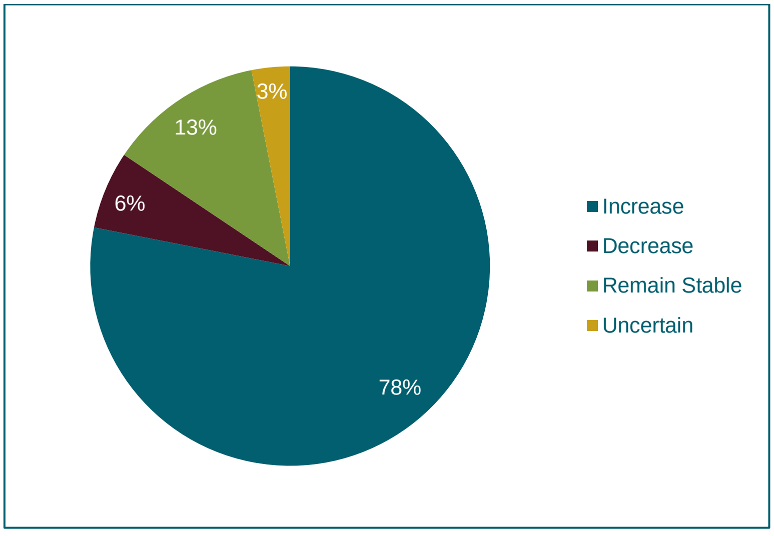
FIGURE 15: HOW DO YOU MARKET YOUR PRODUCTS/SERVICES?



3.9 Business Development – Financial

Respondents were asked to estimate how sales would progress over the next three years (Figure 16). Of 32 people that answered the question, only one was expecting a decrease in sales over the next three years. Further analysis showed that respondent expected a decrease of less than 5%. The vast majority of respondents (79% or 25 in total) expect to see increases in sales over the period.

Figure 16: Anticipated Sales over the next Three Years



For those businesses expecting increases, the largest proportion (47.8% or 11 businesses) expect increases of between 11 and 25%, followed by 21.7% (or five businesses) that expect increases of 26 to 50%. Combined, over 75% of businesses anticipating increases in sales expect increases greater than 10%.

When asked what companies' expectations were for total dollar sales compared to last year (Figure 17), 63% of respondents (or 19 in total) expected higher dollar sales than the previous year, with 20% (or six in total) estimating they would remain the same. Only one respondent expected them to be lower. Taken together, these results compared to those exploring sales over the next three years, suggests respondents are more cautious about projecting increases over the short term compared to longer terms.

FIGURE 17: EXPECTATION FOR TOTAL DOLLAR SALES COMPARED TO LAST YEAR

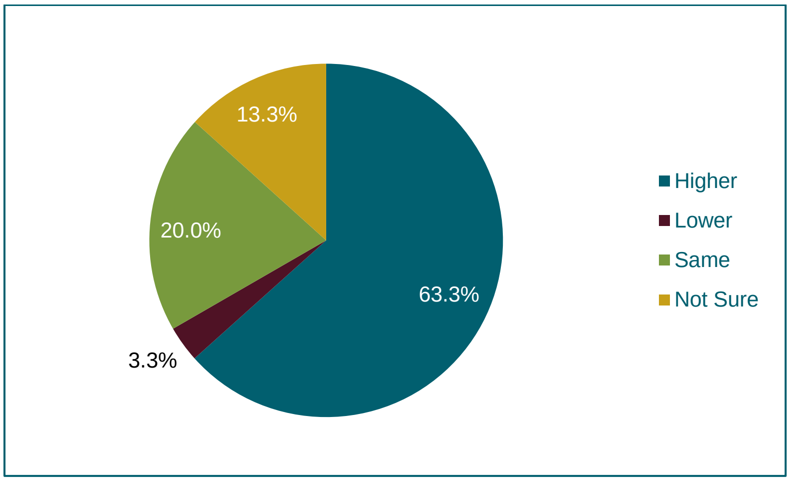
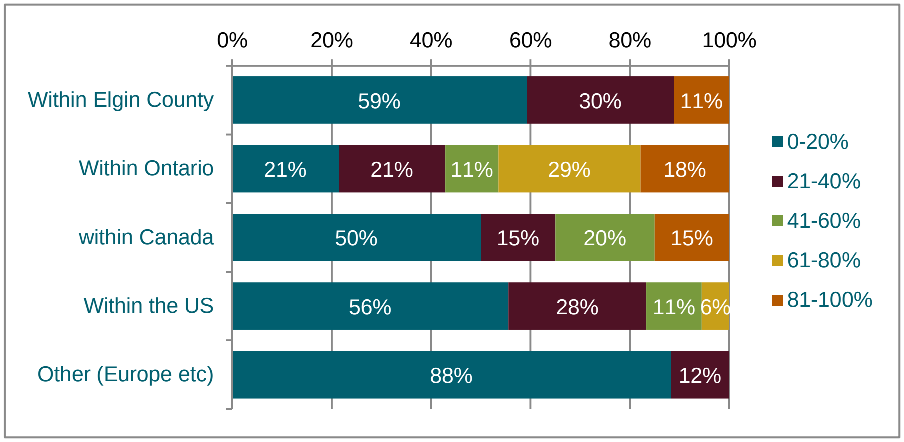


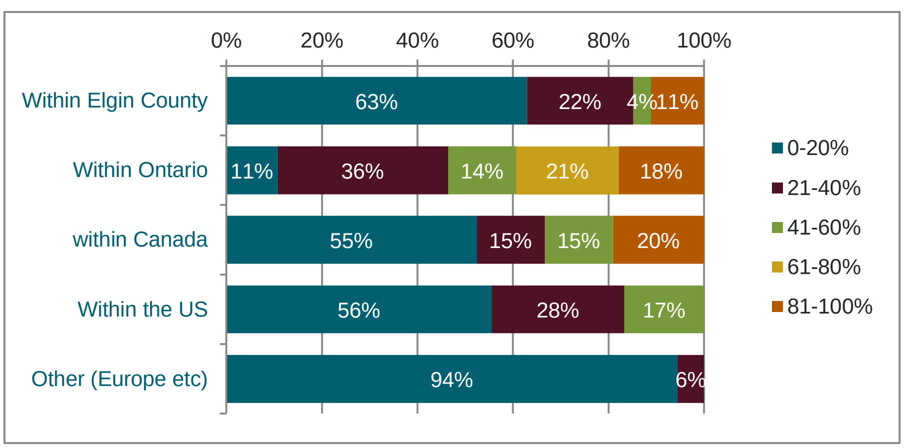
Figure 18 looks at different scales of markets, starting at the local, and progressing to the international arena. For each category, respondents were asked to indicate the proportion of their revenue which is derived from that market. At the local level of the 29 businesses that offered responses, 59% (or 16 businesses) indicated that 0 to 20% of business revenue comes from within Elgin County, 30% (or eight businesses) indicated that 21-40% of revenue is local, and only 11% (or three) estimate their local revenue is between 81 and 100%. For those whose revenue comes from elsewhere in Ontario, the distribution is much more uniform than for local revenue, with the hot spot being 29% of businesses (or eight in total) drawing between 61 and 80% of their revenue from elsewhere in Ontario. The farther away from local the market becomes, the larger the share of respondents that choose the lowest revenue range, with 88% of businesses (or 15 out of 17 businesses) deriving 20% of their revenue or less from 'other' markets such as the European Union or Asia.

FIGURE 18: WHAT IS THE APPROXIMATE PERCENTAGE OF YOUR CURRENT BUSINESS REVENUES IN EACH OF THE FOLLOWING MARKETS?



A follow up question asked what anticipated business in the same distribution of markets would be like in the next three years (Figure 19). The largest change is an increase in revenues derived from within Ontario constituting between 21 and 40% of revenue to 36% from 21%, while also seeing a decline of those revenues between 0 and 20% by a total of 10%. Overall, most businesses do not anticipate major changes in their revenues from other markets. Most changes are expected to be less than 10% in a given category and percentage range, aside from those discussed above.

FIGURE 19: WHAT DO YOU ANTICIPATE THE APPROXIMATE PERCENTAGE OF YOUR BUSINESS REVENUES WILL BE IN THE NEXT 3 YEARS IN EACH OF THE SAME CATEGORIES?



Financial Plan

Respondents were asked if they had a financial plan. Of the 31 responses, 15 (48%) had financial plans and 16 did not. Of the 15 that had one, five (33%) updated it quarterly, nine (60%) did so annually, and one person did so every four to five years.

3.10 Workforce Development

As discussed previously, the distribution of different sizes of business by number of employees is summarized in Figure 4 on page 9. The figure is revisited once again as an introduction to a larger discussion about workforce development. As mentioned, most businesses are small, with 19 out of 34 businesses employing fewer than 20 full time employees. In addition there are three businesses that have no employees and are run completely by the owners, as well as one business owner that only works part time at the business in question. Nonetheless there are also five businesses employing between 20 and 49 full timers, one employing between 50 and 99, and three employing greater than 100.

What these numbers show is that there is a wide range of company sizes, many small, but several large, and the diversity of company size may reflect the diverse needs of employers and employees.

Digging a little deeper, only five out of 11 businesses between three and 10 years old have succession, business, or marketing plans. In addition, five out of the 11 businesses older than 25 years old do not have succession plans in place; leaving them vulnerable to problems should unexpected changes occur in upper management or ownership.

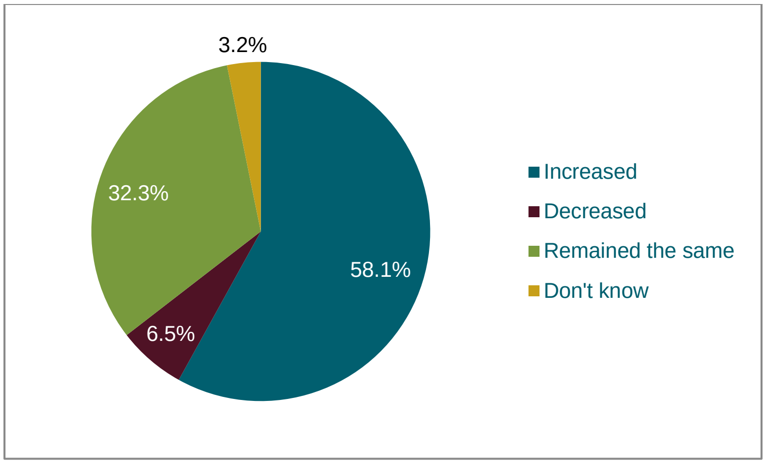
FIGURE 4: NUMBER OF BUSINESSES EMPLOYING DIFFERENT NUMBERS OF EMPLOYEES IN ELGIN COUNTY

	Full Time	Part Time	Seasonal
Owners only	3	1	0
1-2	8	6	1
3-4	4	2	0
5-9	3	2	1
10-19	4	0	1
20-49	5	1	0
50-99	1	0	0
100+	3	0	0

Only two businesses surveyed were unionized environments, and both of them employed more than 100 full time workers.

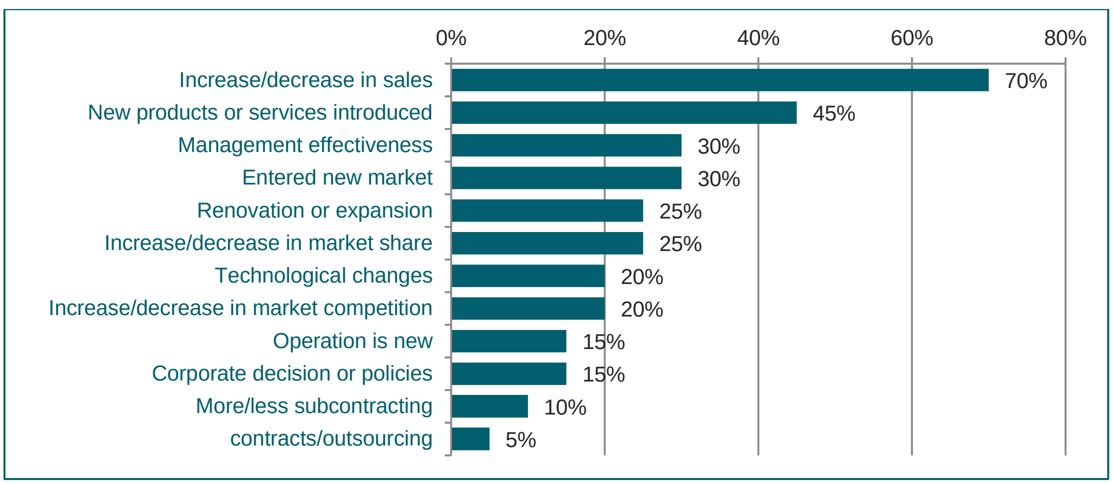
Of 31 businesses, 18 (58.1%) indicated that they increased the number of employees over the last three years (Figure 20). Six businesses indicated increasing between 1 and 5 employees, three more indicated between 11 and 15, and finally, four more indicated increasing by 21 or more. Only two respondents saw declines in the number of employees, and 10 (32.3%) respondents indicated the number of employees remained the same.

FIGURE 20: CHANGES TO BUSINESS EMPLOYMENT IN THE PAST 3 YEARS



Respondents were then asked to select which factors they believed were responsible in the change in employment (Figure 21). Of the 20 that responded, the most commonly identified factor was increase or decrease in sales (70% or 14 responses), followed by new products or services introduced (45% or nine responses).

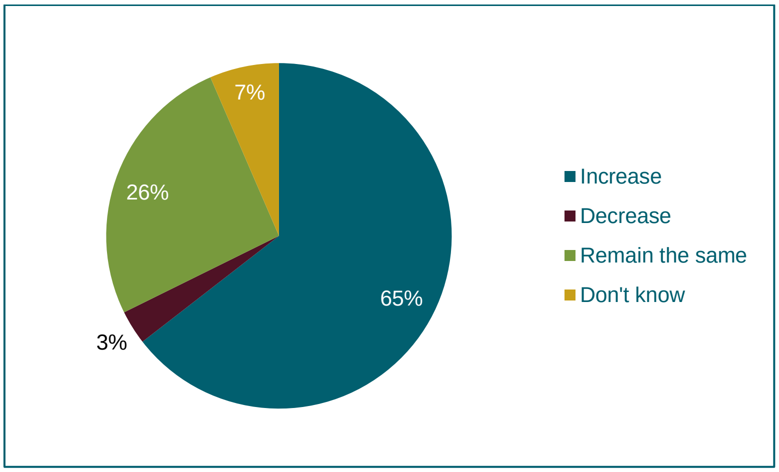
FIGURE 21: FACTORS RESPONSIBLE FOR CHANGE IN EMPLOYMENT



Businesses were then asked to indicate how their workforce would change within the next three years, to which 31 provided responses. Figure 22 illustrates that 20 businesses (65%) expect to expand employment over the period. Of those, five businesses indicated they would likely increase by fewer than five employees, and another four indicated likely increases of between six and 15. Three more were expecting increases of greater than 20 employees.

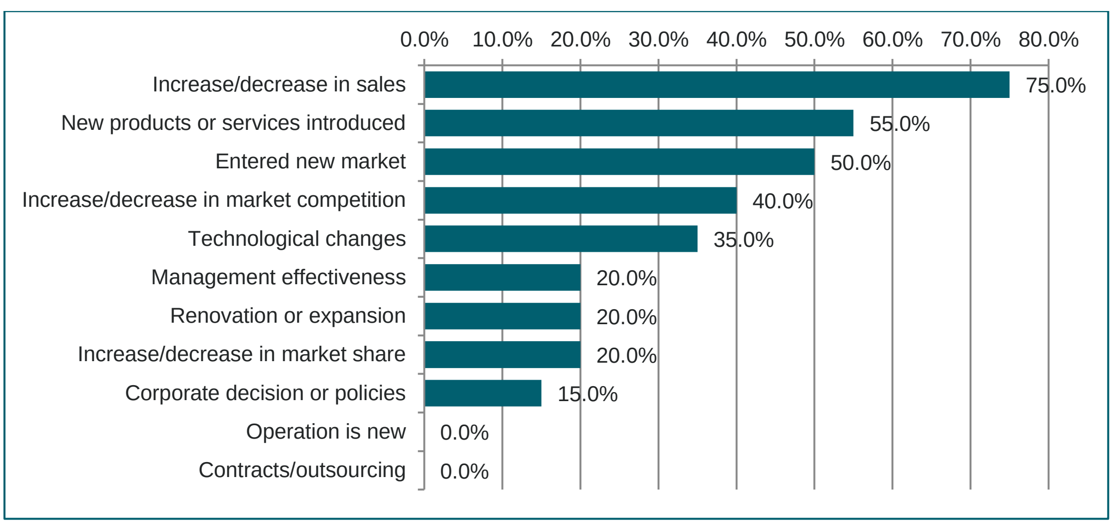
One ambiguous response simply indicated it would double its workforce. Only one business indicated there would be a decrease, and that this would affect three employees. The company currently employs between 11 and 20 full-timers. Eight businesses expect to maintain the same number of employees. Finally, two were unsure.

FIGURE 22: EXPECTED CHANGES TO BUSINESS EMPLOYMENT OVER THE NEXT 3 YEARS



As with the question that probed the subject over the past three years, another question asked what factors would most likely be responsible for the expected change (Figure 23). Increases or decreases in sales was once again the most common factor (75% or 15 respondents), followed by new products or services introduced (55% or 11 respondents). In both these categories there was an increase in uptake, again suggesting greater optimism over the coming three years compared to the past three years.

FIGURE 23: WHAT FACTORS ARE RESPONSIBLE FOR THIS CHANGE? (CHECK ALL THAT APPLY)



Where do manufacturing sector employees live? Are they from Elgin County?

Respondents were asked what percentage of their employees lived in Elgin County. Of 31 respondents, 19 (61%) employ between 75 and 100% of their employees from within the County. Another 10 (32%) employ between 50 and 74%. One person each indicated either less than 50% or zero local employees. The respondent that indicated zero employees only works part time and has no other employees. Overall, the figure indicates that most businesses in manufacturing employ the majority of their workforce locally, which means that employee incomes are also more likely to be spent locally. A drawback of the data for this question is that it only provides percentages, rather than solid numbers, which makes it impossible to identify residual amounts. Deeper analyses could have been conducted had firm numbers been presented of the exact number each company had that lived within the County.

Availability/Quality of workers within Elgin County

Respondents were asked to grade the availability and quality of the labour force. Only two respondents of 31 believed availability to be poor; however those two respondents employ between 20 and 49 people and greater than 100 people respectively. Both companies were also older than 10 years old. One was in fabricated metal manufacturing while the other was in doors and windows. Thus, they require larger and potentially more adequately skilled workforces, possibly with specific trade backgrounds. Three companies out of 30 said that the quality of workers was poor, including the same two that rated availability poorly. The additional manufacturer was affiliated with wood manufacturing and employs between one and two fulltime employees and a part-timer. There was no consistency concerning where these different dissenters are located within the County.

Of 31 respondents, 22 (71%) rated workforce availability as good or excellent, and 18 (60%) rated workforce quality as good or excellent. The subsectors and locations of those that rated the characteristics as ‘fair’ varied with no consistently identifiable themes. The size of the company varied also, with three employing between 1 and 2 fulltime employees, two more employing between 10 and 19, and the others having differing ranges of higher amounts up to and including a company employing more than 100 fulltime employees. Overall, the larger the organization, the more likely it will encounter issues with satisfaction in workforce availability and quality.

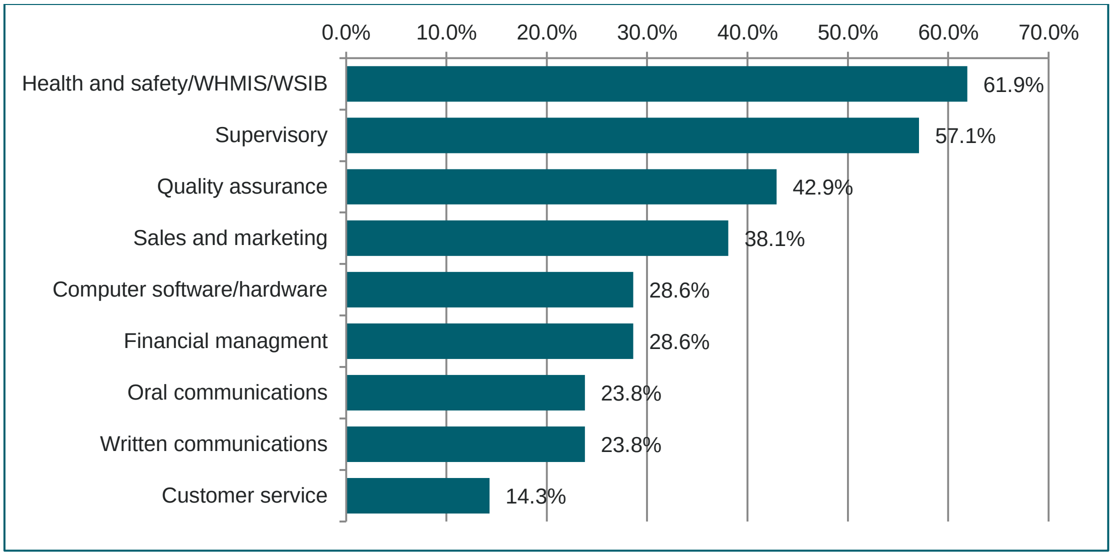
FIGURE 24: SATISFACTION WITH LABOUR FORCE

	Excellent	Good	Fair	Poor
Availability	6	16	7	2
Quality	8	10	9	3

To understand where shortcomings may lie in workforce development, several questions probed a little deeper. Figure 25 investigates the extent that companies are interested in different skills development categories. The largest interest is in the following kinds of skills development:

- Health and safety/WHMIS/WSIB
- Supervisory skills
- Quality assurance
- Sales and marketing

FIGURE 25: LEVEL OF INTEREST IN VARIOUS SKILLS DEVELOPMENT CATEGORIES



When probed further, 27 businesses (93%) indicated they provide some kind of in house skills development. No other form of training was even half as common, with the second most popular, customized training, being provided by only 11 respondents (38%). Some less common forms of training were community college, online training, distance education and 'other'.

Investing in skills development can be a source of concern for a number of reasons. Of 21 respondents, 10 (47%) indicated cost was an area of concern, eight (42%) indicated there was no relevant training available, as did the same number indicate they were worried about loss of productivity during the training period. The fact that the question led to an attrition of 13 respondents, may also suggest some indifference to the subject.

3.11 Local Community

This section turns a critical gaze upon the county as a whole according to representatives from the manufacturing sector. Their feedback addressed specific advantages and disadvantages to doing business in Elgin County, and was followed up with determining ways that some of the disadvantages could be addressed.

Advantages of Doing Business in Elgin County

Respondents were asked to list three advantages to doing business in the County. Many did not provide three, but there was often at least two. When all the responses are pooled, some common themes emerge. A total of 72 responses were given.

- **Location** in terms of geographic proximity to markets, transportation infrastructure, or suppliers (all mentioned many times)
- **Location** also mentioned by many, but also not elaborated upon
- **Labour** and availability of labour
- **Wise government spending** or **good governance**
- Positive attitudes toward the **population base**
- Good or positive **quality of life**
- **Loyal customer base**
- **Small town charm** and “friendly community”
- **Cost effectiveness** for business

Disadvantages of doing Business in Elgin County

Respondents were also asked to provide three disadvantages associated with Elgin County. A total of 53 responses were given.

- “**Empty**,” “**rural**” or “**open space**” adjectives used as disadvantages
- **Location as a disadvantage** centres around “rural’ and ‘remoteness’ themes associated with transportation infrastructure and markets
- **Small population**
- **Small business market**
- Little or no **business incentives** from local government
- Problems with **local government as a source of frustration or as being slow**
- **Property taxes**, mentioned several times, but especially in Aylmer twice
- Costs of **utilities** or getting access to utility infrastructure
- Access to **skilled labour-force**
- Access to **technical schooling** options locally

Programs to address Elgin County’s perceived disadvantages

As a follow up to the question about disadvantages, a further question asked which types of initiatives people thought would help address these issues. Only 13 people provided responses to the question. Based on those results, respondents were most interested in getting help with the following:

- Website development help
- Joint advertising and marketing
- Attraction of related supply and service industries
- E-marketing
- Access to capital seminars
- Business networking sessions
- Workforce planning, training and attraction
- Comprehensive list of local businesses and services

In addition, other responses were to reduce taxes and “red tape.” The latter of which was mentioned in regard to multiple levels of government.

4 Next Steps

Business visitation surveys have given some important insight into the realities and short-term expectations of local manufacturers in the County of Elgin. A number of key themes have emerged from the survey results, each deserving of consideration as the County moves to strengthen its manufacturing sector. These themes are presented below along with suggested next steps for the County. Many of the suggested next steps echo notions identified either specifically or more generally in the County of Elgin Economic Development Strategy and Action Plan 2011-2014.

Support for Small Family Owned Businesses

As was the case in other sectors where BR+E surveys have been undertaken by the County, a large segment of manufacturers were family owned (85%) and many (65%) employed fewer than 20 full time employees. Thus, it is clear a large contingent of existing manufacturers is small sized and often family-run. Support for these small-scale operations would address a large cross-section of manufacturers' needs associated with a variety of issues.

Next Steps:

- Identify opportunities to target small businesses directly, such as through news updates which contain content directly relevant to small businesses or relaying information about workshops and learning opportunities suitable to the demographic in a specially designated newsfeed or section of outgoing news updates.
- Get the word out! Let Elgin's small business owners know what specifically the County can help them with. Dedicate specific space on the Elgin website for small businesses and use that space to showcase programming and resources that the County has in place to help them and be prepared to refer business to Partners that are better able to help when appropriate. Also showcase success-stories and encourage mentorship opportunities.
    - Work with Partners identified in the Business Support section of the Elgin County website to identify the reasons why businesses most often contact them so the site can better steer small businesses toward Partners that are the best fit.
    - Ensure appropriate County staff is aware of resources supplied by different Partners so that inquiries made by telephone or in person can be answered efficiently and confidently.

Support Businesses in Strategic Planning

Survey results demonstrated a large proportion of businesses did not have any form of strategic plan (i.e. succession, business or marketing). Overall, succession plans were only in place in just over a quarter of survey respondents' businesses. While only 32% of businesses surveyed were older than 25 years old, fewer than half of them had succession plans in place. The broader concern illustrated by these findings is that a large portion of manufacturers do not have formal ideas and strategies about how to manage, grow, and eventually transfer or sell their businesses. Without these important resources in place businesses may be overlooking important considerations. With 85% of businesses being family run, owners must be cognizant of how best to prepare for the different phases of businesses' lifecycles, what is anticipated and needed, and who is needed to guarantee a strong future with minimized risk. As this was also an issue in other sectors, such as tourism and agri-food, it is clear many businesses would benefit from knowing a little more about these concepts and their relevance.

Next Steps:

- Work with Elgin's Business Resource Centre and other partners, including chambers of commerce, to help local manufacturers become familiar with the concepts of succession planning, business planning, e-marketing planning, and financial planning and why they are important.
- Work with Elgin's Business Resource Centre to continue to develop workshops that target these different needs.
- Provide a series of short video pod-casts that answer basic questions about these kinds of planning and why they are relevant to businesses. Make sure these videos have contact information to refer businesses to the ideal person or partner-organization for additional information or to find out about upcoming workshops.

Need for Skilled Labour

Issues associated with attracting skilled labour materialized at various points in the survey. Availability of skilled labour after business expansion was one concern. Also, while most manufacturers surveyed deemed the availability and quality of labour to be good or excellent, some larger employers, often employing more than 50 employees were less generous with positive sentiments, signalling that as the demand grows with the size of the organization, to some extent there begins to be difficulty in attracting the labour required for specific jobs. Moreover, when all survey respondents were asked to identify three disadvantages to conducting businesses in Elgin, labour was often included in respondent's lists. With over half of expanding manufacturers anticipating a need for more employees over the next three years, it is apparent that overall labour force demands in manufacturing can be expected to increase in parallel. This demonstrates the need to anticipate employer needs with respect to their labour force. This will be most acutely felt in roles where specific skills are sought. The County must therefore become aware of the current and anticipated skills gaps, and then act to mitigate them.

Next Steps:

- Coordinate with Elgin Middlesex Oxford Workforce Planning and Development Board to ensure their resources are being fully leveraged by the County.
- Coordinate with Elgin Middlesex Oxford Workforce Planning and Development Board to identify gaps in the local labour market information. Take measures to addresses these gaps in local information. Consider the following approach:
    - The Workforce Development Board (WDB) servicing Northumberland, Peterborough, Kawartha Lakes and Haliburton recently developed a new framework to monitor and report out on local LMI. This assignment led to the

development and integration of a series of tools, which support a leading edge and robust LMI web portal. This portal has been designed to serve the needs of regional job seekers, employers, employment service providers, economic developers, educators. Users of this portal have labeled it “the **new gold standard for LMI monitoring and reporting**”. A live version of this web portal can be found at: http://www.wdb.ca/labour-market-gateway/.

Training Needs and In-house Training

Manufacturers in Elgin County generally want to be able to improve the skill levels of their employees, most particularly in regard to health and safety, supervisory skills, quality assurance and sales and marketing; however companies are also faced with the reality that such skills development will carry upfront costs that carry risks. Respondents specifically pointed to costs of training courses and loss of productivity during training periods as barriers to investing in training and development. In this context, employers are discounting the importance of a well-trained work force. More awareness is required by these firms, and likely the broader manufacturing sector, about the merits of ongoing professional development and training.

Next Steps:

- Coordinate with Elgin Middlesex Oxford Workforce Planning and Development Board to promote the importance of this training by highlighting the resulting long-term savings, increases in efficiency and quality, and greater workforce satisfaction.

Business Taxes

The prospect of expanding businesses is great news for the manufacturing sector in Elgin County. Many businesses are interested in expanding within the next three years, with a large proportion indicating expansions are already underway or will occur as soon as possible. Despite the interest, manufacturers indicate that business taxes remain a barrier to expansion. The costs of expansion materialize in different ways and anticipating some of these challenges in advance gives businesses a leg-up in the process. Since most businesses are critical of increases to taxes or levies, Elgin County (and by extension the member municipalities) must remain competitive in this area and re-assure businesses of their return on investment.

Next Steps:

- Conduct semi-regular benchmarking of regional business costs (business taxes, development charges, impost fees etc.) inside Elgin County’s municipalities and in comparator communities.
- Ensure business taxes, development charges, imposed fees and related costs of expansion remain competitive.
- Remind businesses what their taxes are doing for them and show how they are being put to work.

Business Expansion and Access to Capital or Finance

With over 60% of manufacturers expecting to expand within the coming three years access to capital and finance becomes an important consideration in ensuring smooth and manageable growth. Helping businesses identify opportunities for capital or finance can be an important BR+E resource. This can be as simple as pointing them toward partner-organizations that specialize in providing advice on these matters or organizing workshops that provide tips to maximizing the prospect of obtaining finance or sourcing grants. There is an opportunity to dove-tail capacity building opportunities with broader business planning workshops or information sessions.

Next Steps:

- Work with Elgin's Business Resource Centre to incentivise expansion opportunities, especially if expansions lead to increases in employment.
- Connect local businesses with grants and programming that may assist in expansion efforts.
- Cross-pollinate business planning workshops and information sessions with capital, financing and best practice capacity building opportunities with local partner organizations.

Local and Really Local

Most manufacturers and businesses rely on other businesses in Elgin for their supplies and service needs, signaling a high degree of local market integration. The effect minimizes economic leakage, which is what occurs when revenue made in a given geographic area does not remain there. Eglin businesses are often proud to indicate they 'buy local,' but the term local can have different connotations. In future business visitation surveys the concept of 'local' requires clearer elaboration so that national chains which may have one or more stores in the County can be distinguished from truly locally run or locally owned businesses.

Next Steps:

- Refine the visitation survey to distinguish 'local' business supplies and services, perhaps by way of categories with mutually exclusive boundaries.
- Continue to support and encourage "locally" sourced materials and services.

Employment Lands

Most respondents expecting to expand in the County are in Aylmer, followed by Central Elgin; with smaller expectations in other municipalities and none in Dutton. The County is in a position to identify and promote investment ready opportunities to help local business expansion, and while it would be good policy to do this in all municipalities, these findings suggest a more targeted approach. There may be a need for infrastructure developments or improvements to suit increased servicing requirements in specific areas.

Next Steps:

- Identify and promote investment ready opportunities within the County. Increase internal efforts and examination of growth potential in Aylmer and Central Elgin.

- Examine the County's 2011 Employment Lands Strategy to ensure alignment between industrial aspirations and current zoning framework. Advise industry if their plans do not align with the Employment Lands Strategy.

Uncertainty of Growth Sub-Sectors

Survey results indicate that many manufacturers are associated with wood or metal fabrication or food manufacturing. While these sub-sectors constitute a large proportion of the existing sample, it is unclear to what extent the distribution mirrors the broader manufacturing sector's distribution in the County. There is an opportunity for Elgin County to fine-tune its understanding of the manufacturing sector by drilling a little deeper into the distribution of sub-sectors and ensuring that future visitation surveys more proportionately represent these distributions.

Next Steps:

- Conduct a manufacturing sector profile and identify sub-sectors/growth trends.
- Conduct visitation surveys to manufacturers based on distribution of different sub-sectors.