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The best cities for small business

CFIB study

Derek Sankey, Financial Post

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Downtown Moose Jaw

Courtesy of Moose Jaw REDA

Big cities are bad for small business, according to recent findings. If you're an entrepreneur, the best places in Canada to start and operate a successful company are found away from the glare of big-city lights. Large metropolitan centres, it turns out, are not the only engines of economic growth, at least for small business.

Entrepreneurs in smaller cities, particularly those in Western Canada, actually have the best opportunity for success, according to a study by the Canadian Federation of Independent Business (CFIB).

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Most Canadians live in large metropolitan centres, but everything from tax policies on small business to the regulatory burden has left the country's smaller cities better positioned for small-business growth, says Catherine Swift, president and chief executive of the CFIB.

"The large urban centres have had the luxury for a long time of cranking up the taxes on their business cores, but as they have enlarged, the [smaller centres] are much more business-friendly." she says.

The report - Communities in Bloom: Canada's Top Entrepreneurial Cities - is the result of an examination of 12 main factors in three key areas that affect the likelihood for entrepreneurial success among cities with populations greater than 25,000.

Ted Mallet, CFIB's chief economist, poured over data with his research analyst from Statistics Canada and the organization's own quarterly "business barometer" surveys of its members from the past year to rate more than 100 cities.

"There are secrets to success, and the more you see startups and small businesses operating in your community, the better off the whole community is going to be," Mr. Mallet says. "Medium-sized cities really depend on small and mid-sized enterprises to succeed and grow, so you shouldn't be surprised that they rank higher than the large cities."

In the area of policy, the CFIB looked at their members' ranking of costs associated with the local government and the ratio of commercial property taxes to residential tax rates, decision-makers' awareness of the small business sector and the "paper burden" from government regulation.

In its "perspective" criteria, it relied on its members' feedback on the business performance outlook, hiring plans for full-time workers and local economic performance.

The third area researchers were concerned with was the presence of small businesses, including the number of startups, businesses per capita, the number of self-employed and industry employment diversity.

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In Lloydminster, which straddles the Alberta-Saskatchewan border, business owners have watched as both provinces' economies have boomed in part from small companies that cater to large energy corporations.

"It finished at the top of the list by a fair margin because it has a good presence of small business owners, a fairly decent startup rate, an optimistic business sector □ and examples of good poli-cies," Mr. Mallet says. The western theme was

one that repeated itself as Saskatchewan's economy takes over from Alberta as the top-performing economy in Canada. "It's no surprise to see a lot of residents and business owners within those cities giving high points □ to the fact their businesses are performing quite well," he says.

In fact, four of the top ten jurisdictions were located in Saskatchewan -Lloydminster, Saskatoon, Regina and Moose Jaw. "Saskatchewan in general has had a rebirth not just because of its resources but a sea change at the provincial level on policy," Mr. Mallet says.

Strong economic activity fuelled by the energy industry, combined with small business-friendly policies, also placed Grande Prairie and Fort McMurray on the list, while communities in B. C. included Parksville on Vancouver Island and the recreational and retirement boom town of Kelowna.

The mining city of SeptIles in Quebec also made the list along with the only other jurisdiction from Eastern Canada -the suburban 905 region of Toronto, including all of its communities such as Richmond Hill, Markham and Mississauga.

"The international entrepreneurship development model shows there is always a fairly decent hotspot of entrepreneurship in the suburban areas around downtown major city cores," Mr. Mallet says, a sentiment echoed by Ms. Swift. "Businesses are leaving the downtown core because it is so expensive," she says.

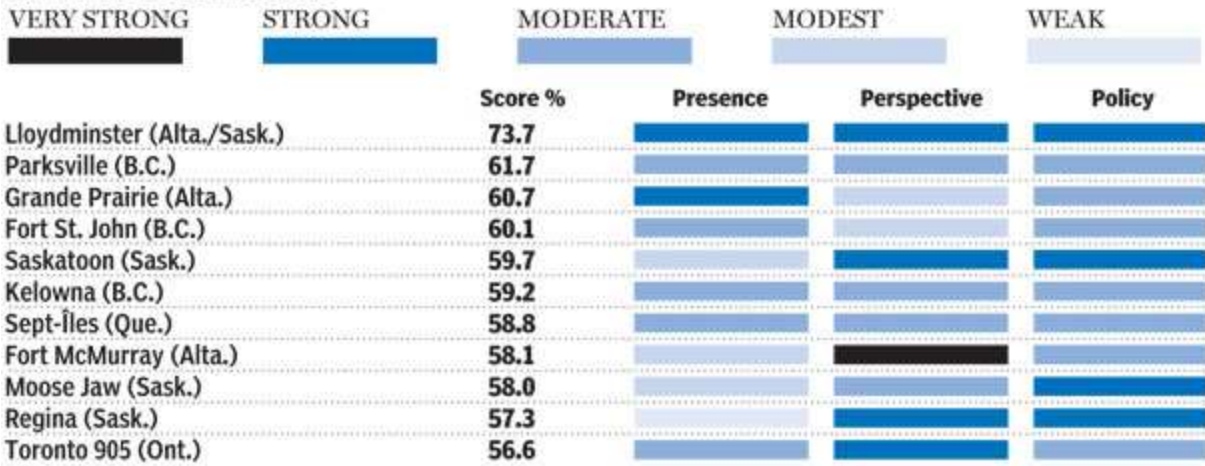
While it can't be forgotten that individual business owners ultimately make or break any venture, Ms. Swift notes that when determining where to start a company, it's also important to weigh key economic factors with business and tax policies that will impact its ability to grow.

"At least take a look at the different criteria that makes a community positive, negative or neutral for the establishment of a business," Ms. Swift says. "It can mean the difference between success or failure."

ENTREPRENEURIAL HOTSPOTS

The FP/CFIB survey examined 12 main factors in three key areas that affect the likelihood for entrepreneurial success among cities with populations greater than 25,000 to find the business friendliest cities in Canada.

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