



CITY OF PRINCE GEORGE

Prince George Business Retention & Expansion (BRE): 2015 Final Report

August 2015



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- Comparing various competitiveness variables between Prince George and other cities to assess areas for improvement, some of which have been included in the updated Business Investment Guide - completed
- Building relationships with all Prince George businesses through business license applications - completed
- Delivering and assessing the continued relevance of the Market Expansion Forum - completed
- Providing companies assistance with market analysis, including for export markets – partially completed
- Creating an *Employee Retention Best Practices Guide* tailored to the Prince George market – in development
- Delivering speaker series featuring representatives from prime contractor and engineering, procurement, and construction management (EPCM) companies – in development
- Delivering social media workshops catered specifically to industrial supply and service companies – in development

In June 2015, the City of Prince George decided not to renew the Economic Development Services Agreement with City of Prince George - Economic Development. Due to uncertainty about the future of BRE, some of the programs enumerated above were terminated and all interviews were ceased.

This report is thus based on the 22 interviews (representing 23 companies) that were completed in the spring of 2015 (of an original goal of 80). Although this is a very small sample size, the information collected through these meetings is valuable. CPG wishes to sincerely thank all participating business owners and managers for their time. It is hoped that this report will prove to be informative.



2. METHODOLOGY

2.1 Interview method

Interviews with businesses are at the core of any BRE program. Given CPG goals enumerated above, all interviews were conducted face-to-face. This method has many benefits, including: 1) an emphasis on relationship-building and 2) the collection of more precise data (interviewees tend to be more focused than phone or online surveys). Each interview lasted between 30 and 50 minutes. Most were held at the businesses' locations.

CPG also decided to complete informal interviews rather than formal surveys. The most notable reasons for using this technique were: 1) stressing the importance of a conversation around what businesses *want* to discuss, and 2) providing an opportunity for the interviewer to explain how CPG and other community organizations might be able to benefit the business. Needless to say, key interview questions were prepared for the purpose of the interviews. These were formed collaboratively between CPG, local and regional business service organizations, and the BC Ministry of International Trade.

2.2 Types of companies

To develop a BRE program for the breadth of the Prince George business community, CPG attempted for the number of interviewed firms from each sector to be roughly proportional to the prevalence of the sector in the city's economy (in terms of 2011 Census employment numbers). In addition, the number of interviewed firms varied between small, medium, and large businesses.

2.3 Data entry and software

Each interview was audio recorded and its data was input into Executive Pulse (sold as BC Business Counts in British Columbia), one of the leading BRE software systems.

2.4 Confidentiality

Company names, employee names, and all other information disclosed in the interviews were completely confidential. CPG agreed to only present aggregate findings in any BRE reports. Moreover, any CPG employee with access to the data signed a confidentiality agreement to this effect.

3. PROFILE OF INTERVIEWED COMPANIES

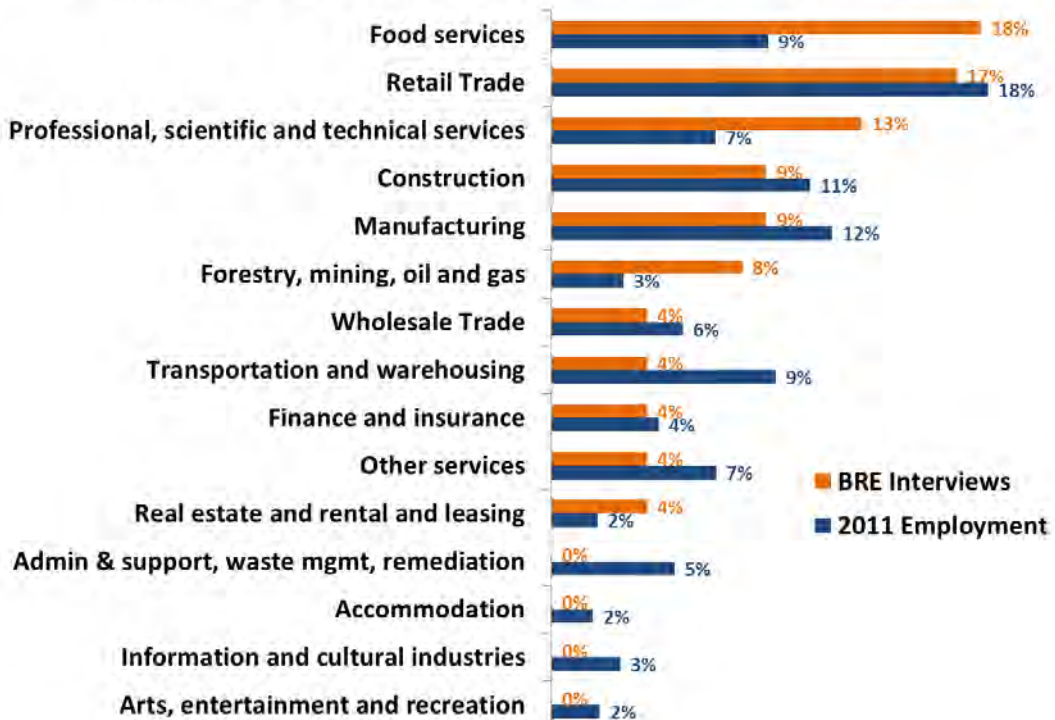
A total of 22 interviews were conducted in 2015, representing 23 local Prince George firms (one interviewee was the owner of two businesses).

As outlined in the introduction, the 2015 BRE interviews were suspended even though only one-quarter of the desired meetings had been held. The sample of businesses was therefore not as representative as initially envisioned.

3.1 Interviewed companies by sector

The following chart illustrates the number of companies interviewed based on their sector compared to the proportion of employment of each of these sectors within the Prince George economy (based on the 2011 National Household Survey).

Distribution of Interviews and Employment by Sector
(Employment Source: Statistics Canada, 2011 National Household Survey)





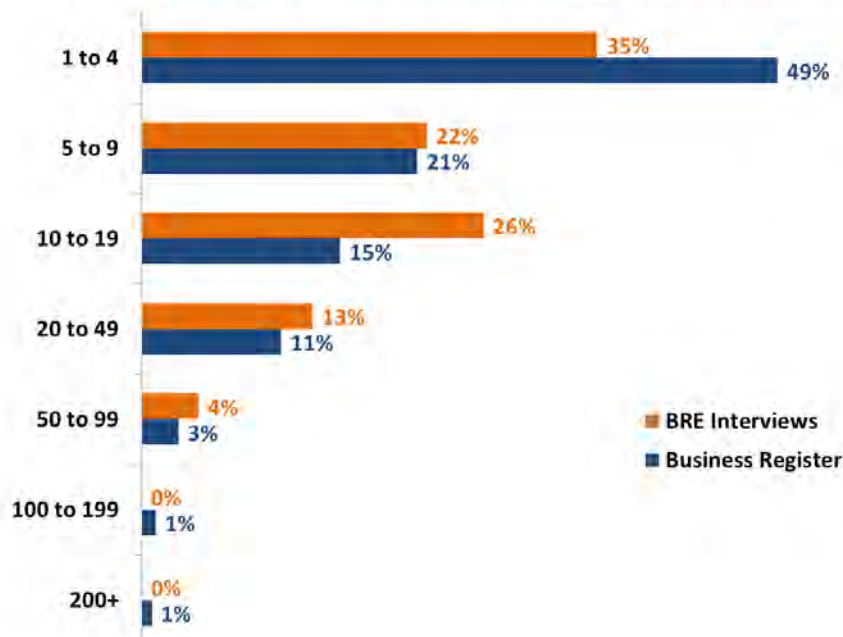
Despite the small sample size, the interviews roughly mirror the weight of the sectors within the Prince George economy, with some exceptions. Food services and Professional, Scientific, and Technical Services were over-represented, while Transportation and warehousing, and Admin & Support, waste management and remediation were under-represented.

Some sectors which are mainly government-owned or operated, such as health care, education, public administration and utilities were not included in the BRE. Other sectors which are not prevalent in the city of Prince George's economy, such as agriculture, were also omitted.

3.2 Interviewed companies by size

In terms of company size, the interviews approximately reflected the city of Prince George, according to data from the Statistics Canada Business Register. However, the 2015 interviews placed more weight on small businesses with one to four employees. This created some balance from the BRE interviews of 2014, when these types of businesses were under-represented.

Distribution of Interviews by Number of Employees
(Business Count Source: Statistics Canada Business Register, December 2013)



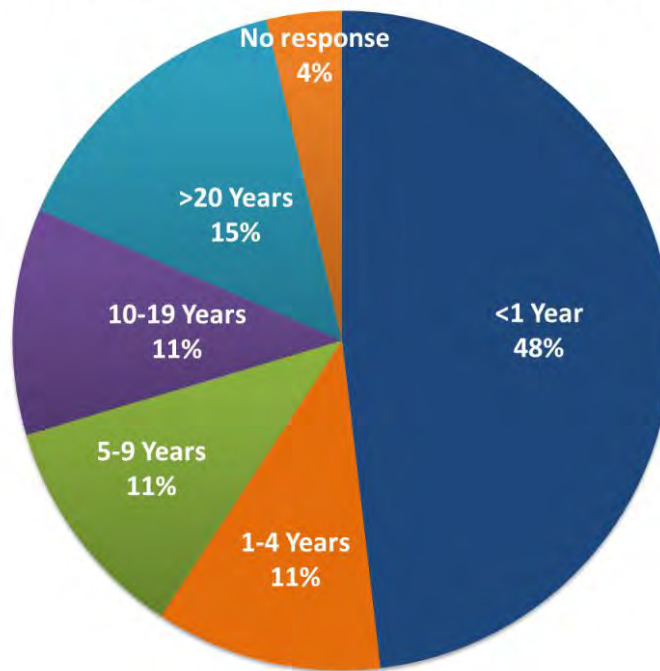


3.3 Length of time in business

Almost half of interviewed businesses had been in operation less than a year. The remaining categories were fairly evenly divided, with a sizeable representation from businesses which had operated for more than 20 years.

While future BRE programs should continue to ensure a representative cross-representation of businesses in this manner, it must be noted that new companies are well-suited to receiving help from IPG and learning about the business services available in Prince George.

How long has this facility operated? (n=22)

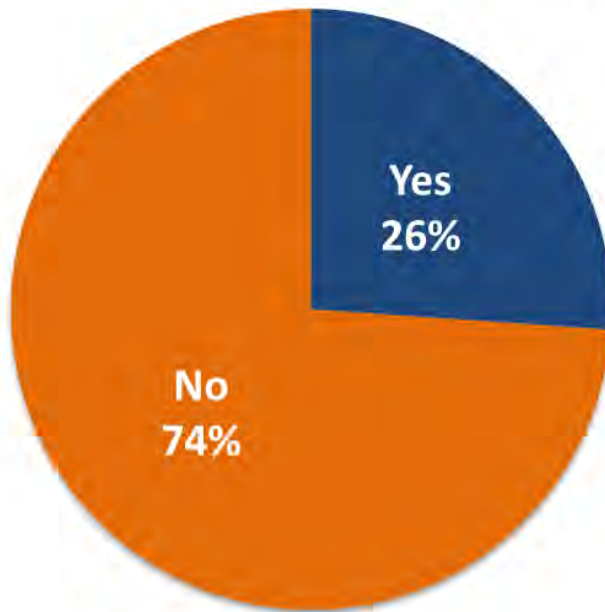




3.4 Other locations

About one quarter of interviewed businesses also had locations outside of Prince George. Most of these were in British Columbia, although a handful of interviewed businesses had operations elsewhere in Canada. Only one interviewed firm had international locations.

Does this company have another location elsewhere? (n=23)





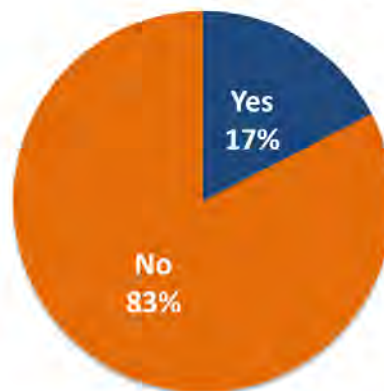
4. INTERVIEW RESULTS

4.1 Succession Planning

It is well-known that the population of Canada is ageing, and Prince George is no exception to this trend. As the baby boomer generation retires in ever greater numbers, the issue of succession planning has become extremely relevant locally and nationally. The following questions revolve around ownership or management changes within the surveyed firms.

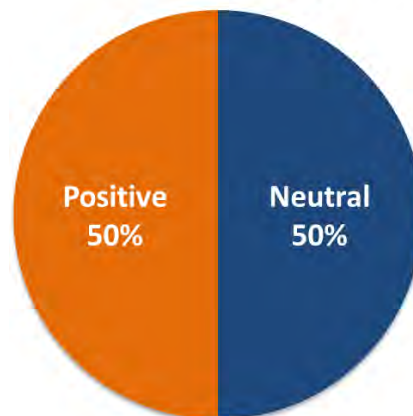
17% of interviewed managers or owners described a change in company leadership over the past 5 years.

Has the local facility changed owners or managers in the past 5 years? (n=23)



The impact of the change of leadership on the company was split evenly between neutral and positive. No businesses which had a shift in management described the transition as negative.

If Yes, describe the local impact of the change (n=4)

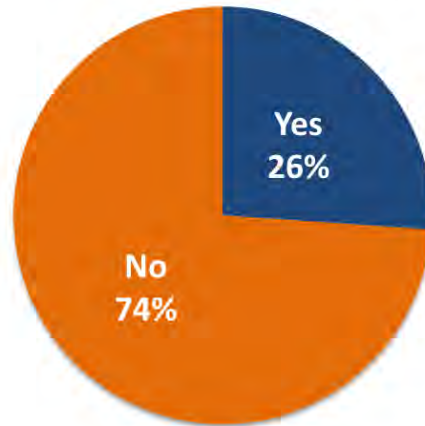




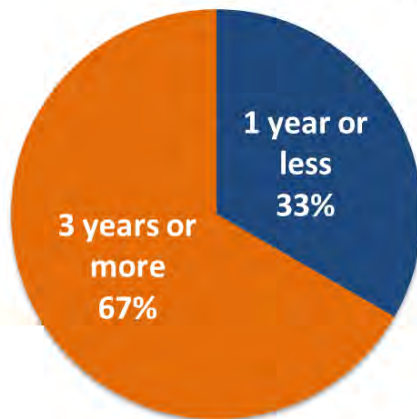
Among the interviewed businesses, just over one-quarter believed that an ownership change is pending for the company. This number is higher than that of 2014, when 17% of businesses expressed an imminent change in management.

In a notable adjustment from 2014, a greater proportion of the companies interviewed in 2015 believe that a change in leadership is less than one year away (from 10% to 33%). 67% of respondents said that the transition would occur in three years or more. Given the small sample size, it is impossible to say whether this is representative of the business community as a whole.

Is an ownership change pending for this facility? (n=23)



If Yes, what is the anticipated time frame? (n=6)

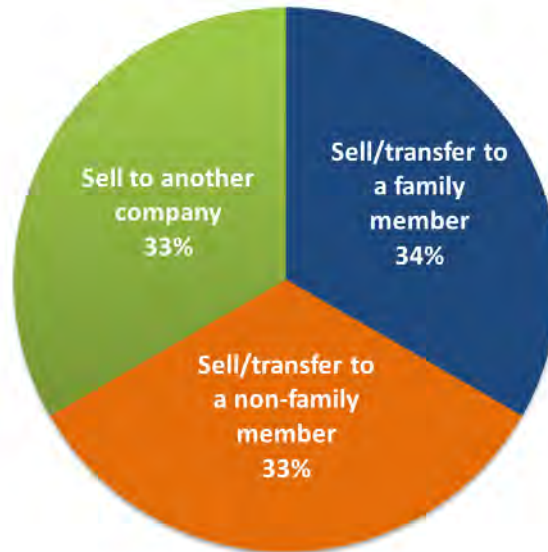


However, in these circumstances, some causes of this shift may be the general economic slowdown occurring nationally and in Prince George, or the nature of businesses interviewed in 2015 which were on average smaller than those interviewed one year before.



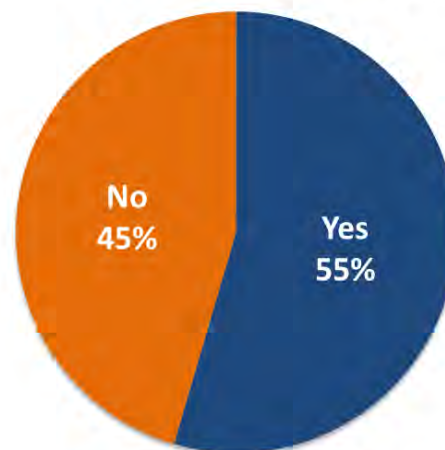
Those owners who discussed plans for succession were split evenly between three options: selling to another company, selling or transferring to a family member, and selling or transferring to a non-family member.

If Yes, how do you intend to exit the business? (n=6)



A significant proportion (55%) of interviewees noted that they had a successor in mind for the transition of ownership of their business.

Have you identified a successor to your business? (n=11)

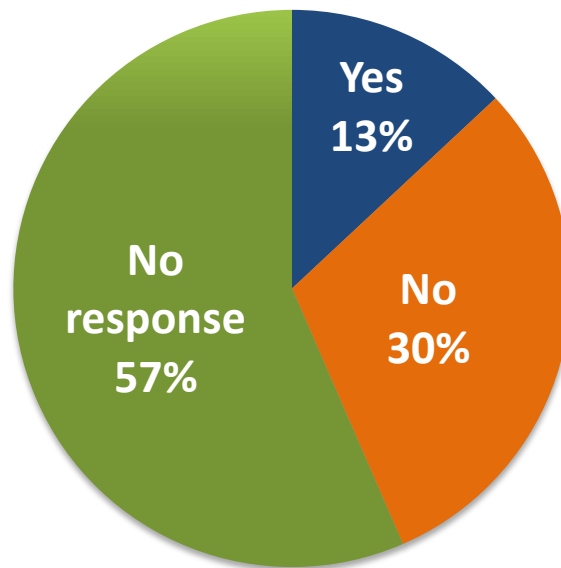


However, this designation of a potential successor did not reflect in the preparation of a formal succession plan. While 55% of businesses believed they had a potential successor in mind, only 13% had a formal succession plan in place.



In 2015, more business owners had a successor in mind yet less had an actual succession plan than in 2014. This may be due to the higher representation of smaller, family-led businesses in the 2015 sample.

Is there a formal succession plan? (n=10)





4.2 Employment

The majority of interviewed businesses described stable levels of employment. While the number of businesses with increasing historical employment was almost identical to those companies surveyed in 2014, those which expressed declining employment were double in 2015. This may be due to some companies interviewed in the mining sector in 2015 which

had been hurt by low commodity prices over the last couple of years (no mining companies were interviewed in 2014).

Historical Employment Trend (n=20)



That being said, a significant number of companies believed their staff numbers would increase in the next three years. This was mainly due to cautious optimism that prices would soon rise in the natural resource sectors, and that some of the major projects in Northern BC would begin construction (such as the LNG pipelines, Enbridge Northern Gateway, the ramping up of construction at Site C dam, and some new mines on the horizon).

Expected Change in Full-time Staff, Next 3 Years (n=19)

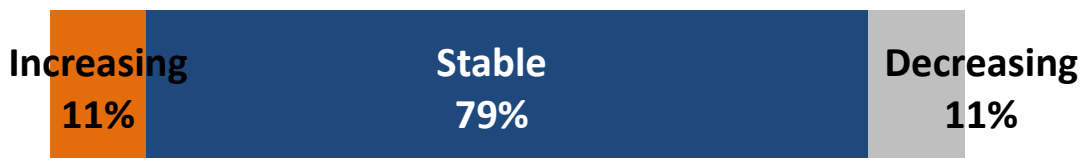




One of the biggest changes between the two years of interviews was the fact that companies had fewer unfilled positions in 2015 than they did in 2014. Notably, the interviews which took place in 2014 were completed prior to the large drop in oil prices. At that time, the Prince George unemployment rate was very low relative to the Canadian average and most companies were struggling to find employees of all stripes, from skilled tradespeople to general laborers.

Since the downturn in the oil and gas sector, companies have shed staff and more people have become available in the workforce. This is likely the reason why the number of unfilled positions was overwhelmingly stable among the companies surveyed in 2015, with an equal number of increasing and decreasing unfilled positions. In 2014, 34% of companies cited an increased number of unfilled positions.

Change in Number of Unfilled Positions (n=19)

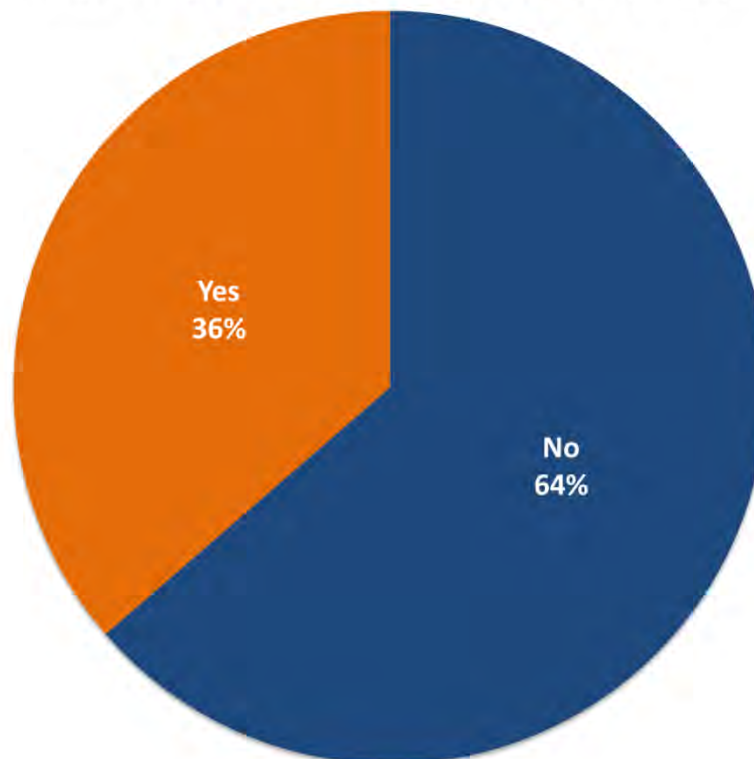




4.3 Employee Retention

36% of interviewed companies believed that retaining employees was a problem. Most of these firms found high rates of turnover among lower-paid and lower-skilled jobs. In 2014, many companies reported skilled laborers being lured to the lucrative oil and gas industry in Northeast BC and in Alberta, which seemed less the case in 2015. Overall, however, the number of companies citing retention as a problem was very similar in 2014 (39%) and 2015 (36%).

Is employee retention a problem? (n=22)





4.4 Sales

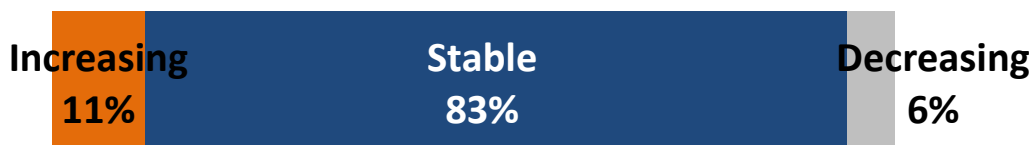
The surveyed companies were roughly equally divided between those who were experiencing an increasing market for their product and those who thought the market for their product was stable. These results are quite similar to those found in 2014.

Change in Market for Company's Product (n=18)



However, interviewed firms in 2015 were less inclined to believe that they were increasing their market share relative to their competitors. In 2015 only 11% thought they were taking business away from their competitors, although this proportion was 38% in 2014.

Change in Market Share (Relative to Competitors) (n=23)



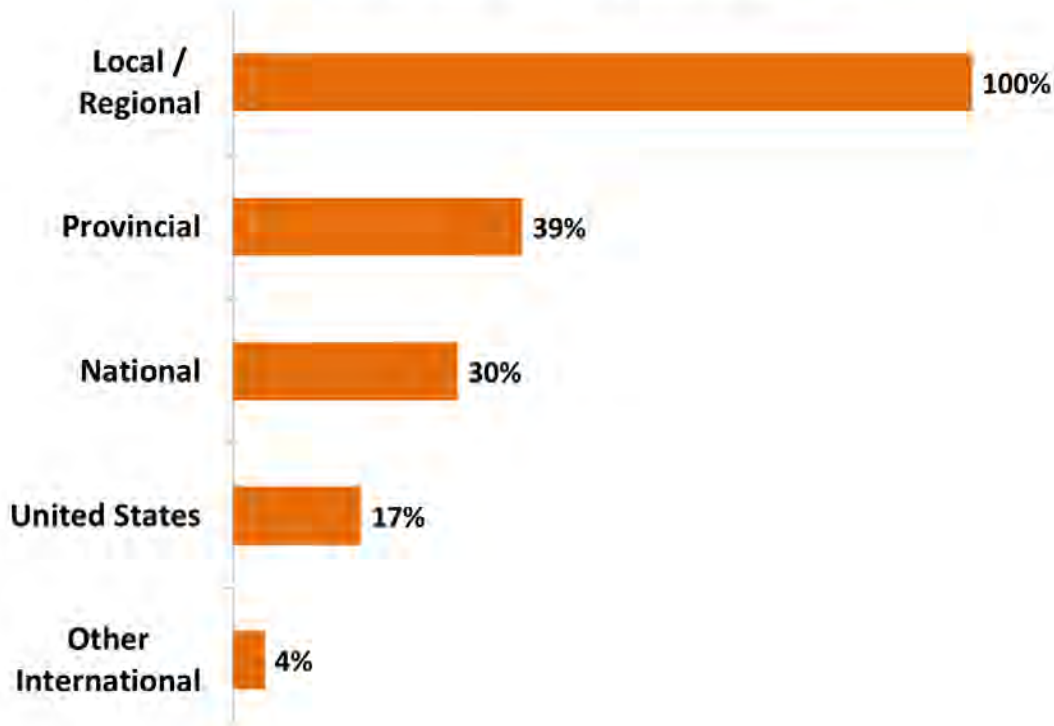


All companies surveyed provided goods and services to the Prince George and regional Northern BC market. However, these varied between firms which sold 100% of their goods and services in the region, to one company which only had 10% of its sales in Prince George and Northern BC

In addition, in 2015 all other categories increased, meaning more of the interviewed firms were selling more goods and services outside the region. While this is not indicative of a general trend (as the 2015 sample size is too small), it is interesting to note that a sizeable proportion of companies interviewed were selling to provincial (39%), national (30%), US (17%), and other international (4%) markets.

As the regional and Canadian economies ebb and flow, it is important for Prince George companies to expand their markets into other regions, provinces, or countries.

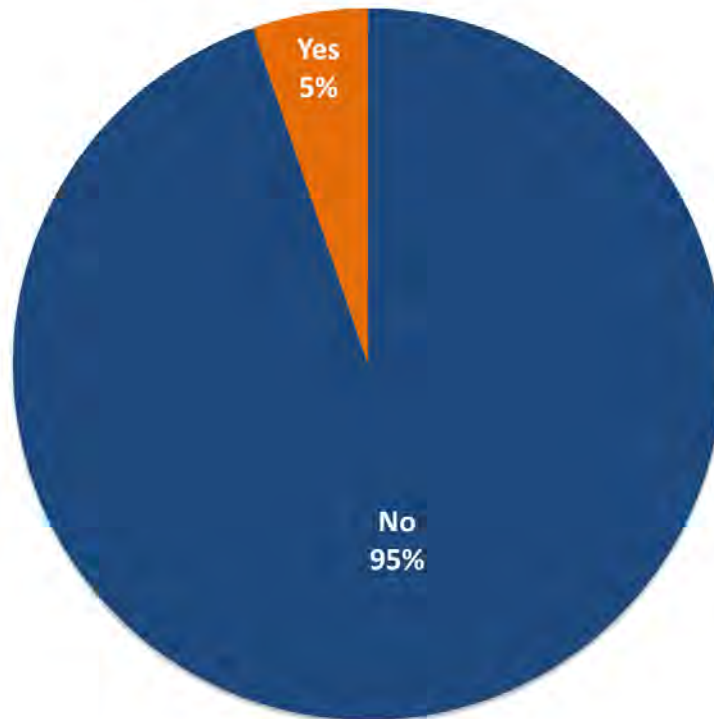
Destination for Products (n=23)





Of those companies which were not currently exporting their goods and services, only 5% expressed a desire to begin exporting within 5 years. This is the same figure as in 2014. The majority of companies interviewed were not interested in exporting as they believed the local and regional markets were enough to sustain the company. One company also highlighted marketing constraints as a potential barrier for export.

**If not exporting, plans to export in next 5 years?
(n=19)**



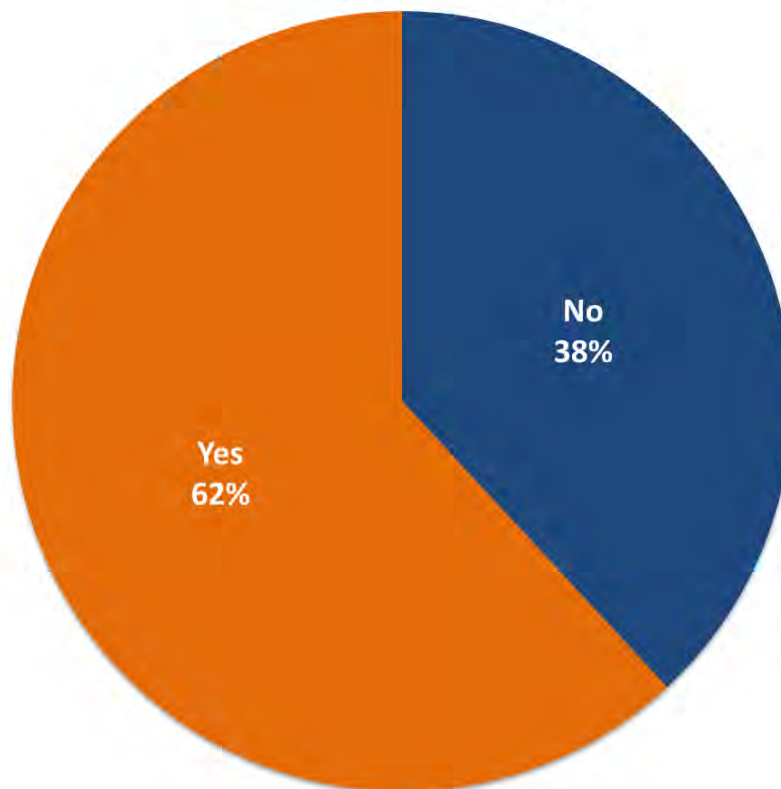


4.5 Expansion Plans

Despite the current economic slowdown, a significant number of companies interviewed expressed their desire to expand in the next three years. Similar to 2014, most companies wanted their expansion to be in Prince George. However, some of the expansions noted were quite small, including an additional piece of equipment and the use of a currently-empty space in a retail store.

In addition, some of the expansion plans noted were conditional on the uptake in the economy (though expected to occur within 3 years) and the construction of key projects in Northern BC, which are currently in various stages of approval or development.

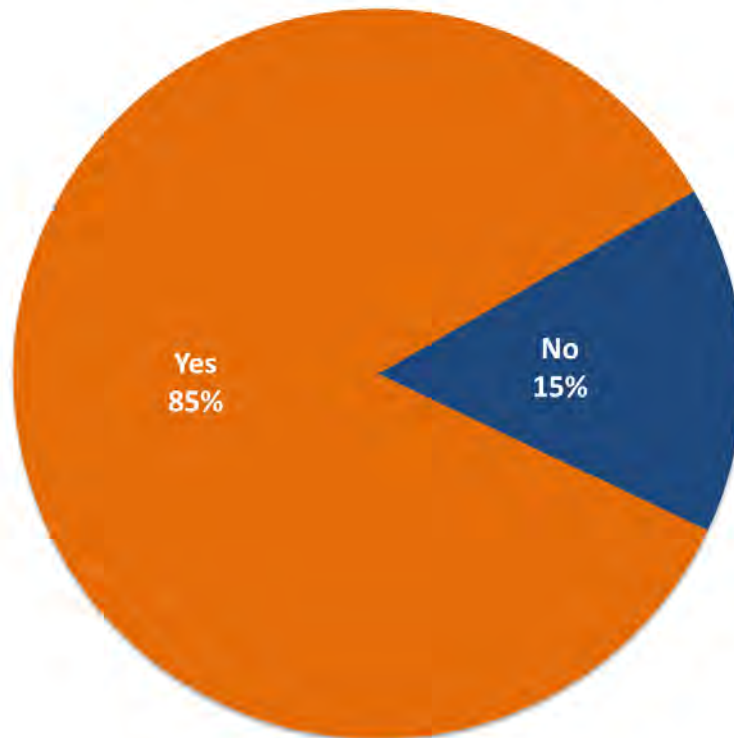
Company Plans to Expand in Next 3 Years? (n=21) (In terms of site expansion)





A high percentage of businesses eyeing expansion were planning their growth in Prince George. Many cited the excellent location of the city as a hub for various natural resource projects. In addition, those companies looking to expand elsewhere were mainly interested in the Northwest of the province, most notably the city of Terrace, which has experienced a lot of growth recently due to capital development in the region (particularly mining and LNG).

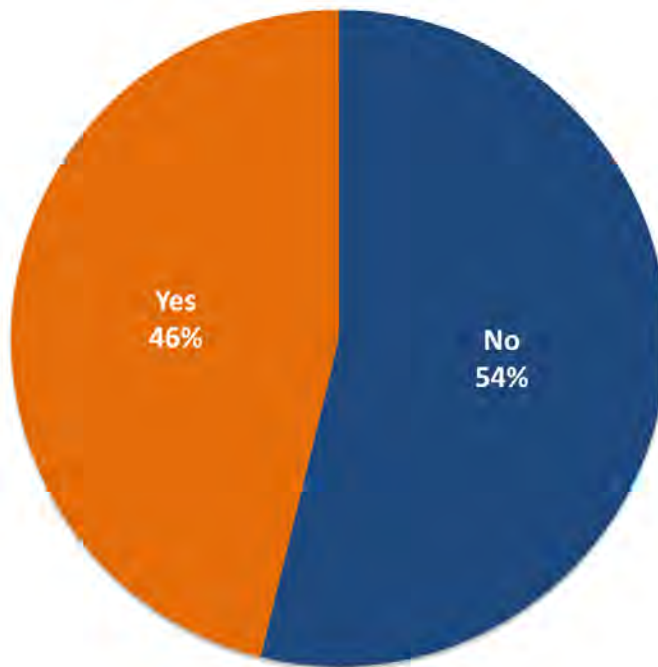
Will Expansion be in Prince George? (n=13)





Less than half of the companies interviewed considered their current site adequate for expansion, which is an increase from 2015. In terms of what local businesses considered to be major constraints on their potential expansion plans, 4 cited the lack of suitable premises.

Is Current Site Adequate for Proposed Expansion?
(n=13)





Identifying and accessing new markets was seen as the major barrier to expansion among the companies surveyed in 2015. Lack of skilled labor was the second most cited constraint, which mainly included specific skilled jobs such as specialized mechanics, electricians, and surveyors, among others.

Major Constraints on Expansion



4.6 Government Service and Related

Similar to 2014, the highest rated government services among the companies interviewed in 2015 were related to transportation and access.

Meanwhile, the lowest ratings were reserved to bureaucratic procedures such as inspections and development approvals. This particular group of interviewees had a high share of negative experiences in this regard. As the sample size is small, it may not reflect the majority of businesses' perceptions in Prince George. Both of these services ranked slightly higher (2.11 and 1.77 respectively) among the larger sample size in 2014.

Government Service & Related Ratings (4=Excellent, 3=Good, 2=Fair, 1=Poor)

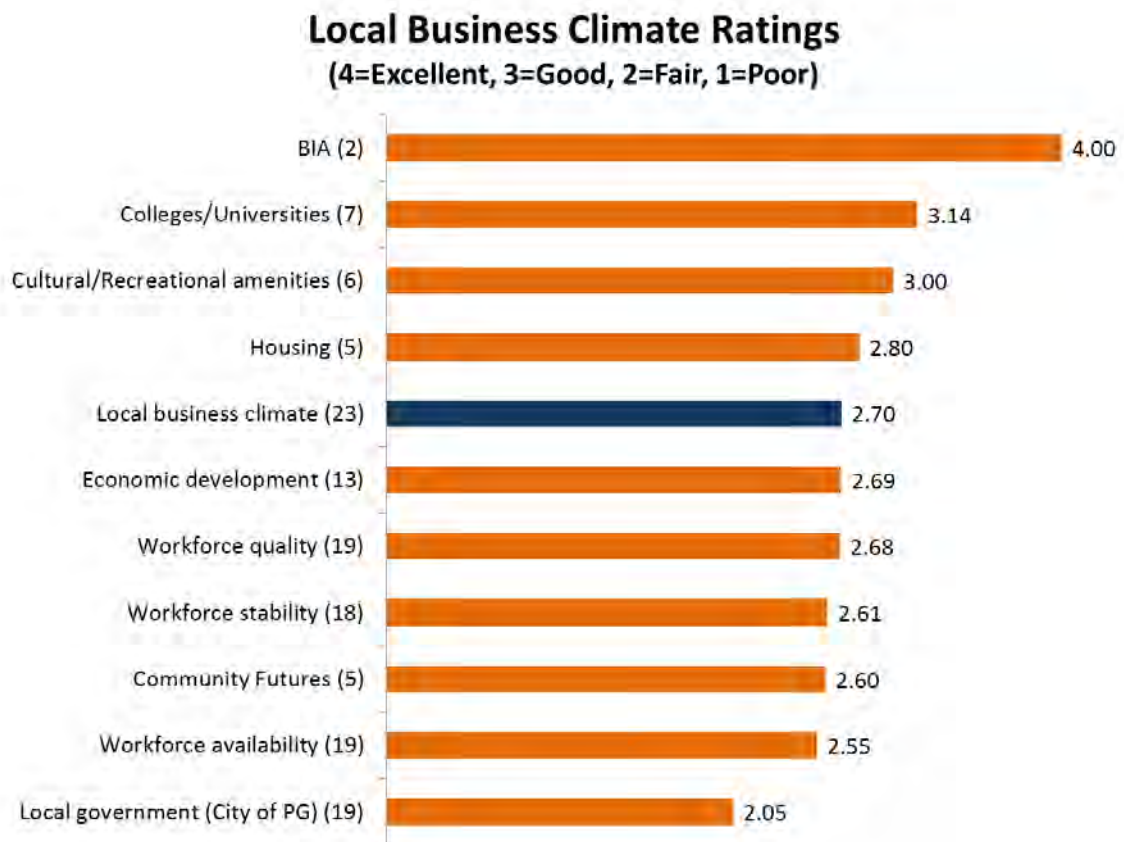


Please note that the value in parentheses indicates the number of companies which responded to each topic. Some services were not relevant to all interviewed companies.

4.7 Business Climate

The top-ranked business climate ratings included the BIA (Business Improvement Association, also known as Downtown Prince George), Colleges/Universities and Cultural Recreational Amenities. However, these issues were not rated by all of the businesses surveyed. For example, the BIA has a perfect score of 4 although it was only discussed by two companies. The higher the number of responses, the more nuanced the results (most sit between “Fair” and “Good”).

The overall business climate in Prince George (2.70) was ranked between “Fair” and “Good”, and saw a decrease from its 2014 level (2.97). This change may be due partly to the downturn in the oil and gas sector and its spillover effects.



Please note that the value in parentheses indicated the number of companies which responded to each topic. Some business climate topics were not relevant to all interviewed companies.



67% of surveyed firms believed that the business climate was better today than 5 years ago while 14% felt it was worse. These results are slightly less positive than in 2014, when 76% of firms said it was better today and only 4% said it was worse. The companies which believed that the business climate was worse today were within the mining, transportation and food services (drinking establishment) sectors.

Today's Business Climate vs. 5 Years Ago (n=21)



Companies were still optimistic about the future in Prince George, though less than they were in 2014. 70% of companies believed that the business climate would be better in 5 years than it was today (compared to 89% in 2014) and 4% said it would be worse (compared to 1% in 2014).

Business Climate 5 Years From Now vs. Today (n=23)



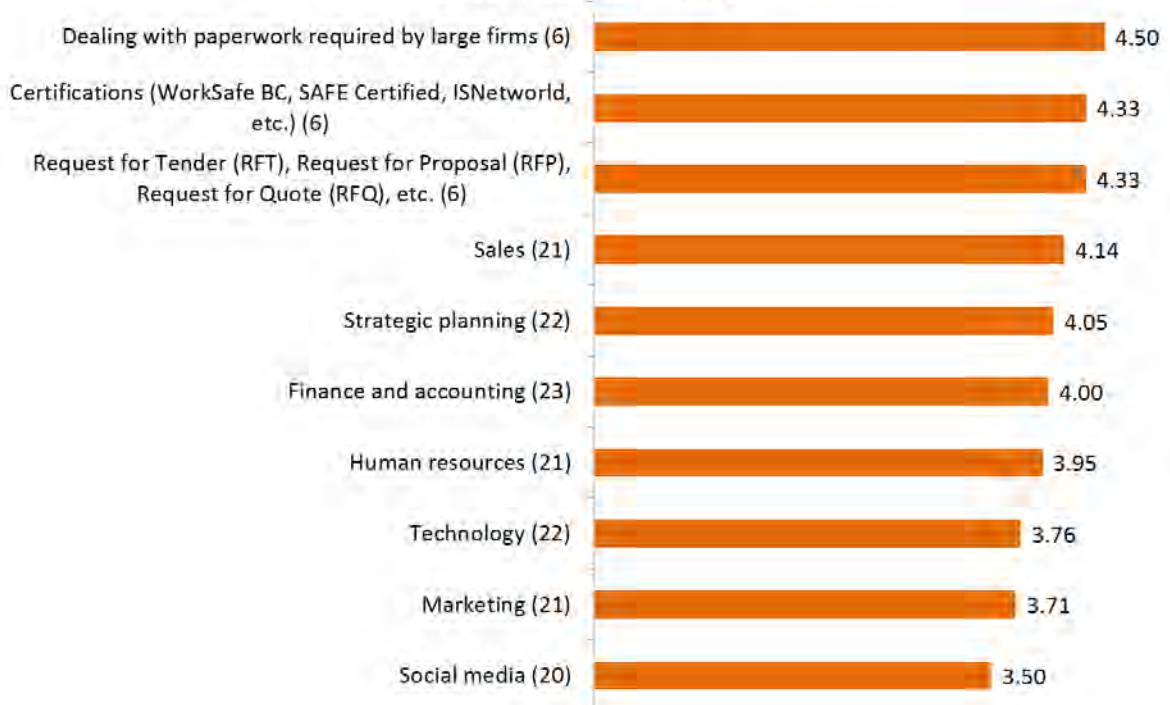


4.8 Firm Capacity

The following chart gauges the comfort level of companies - either with their in-house knowledge or with hired external personnel - with certain key elements of doing business. Some of the higher-ranked issues included Dealing with paper work required by large firms, Certifications, and Request for Tender (RFT), Request for Proposal (RFP), Request for Quote (RFQ), etc.

Many companies do not have to regularly contend with these aspects of doing business, which is the reason for their low response rate. However, it is interesting to note that those companies which must commonly accomplish these tasks are genuinely quite comfortable with them (although they often admit they are a necessary evil). These results are very similar to those found in 2014.

Firm Capacity/Comfort Level
(5=Very Comfortable, 4=Comfortable, 3=Average, 2=Uncomfortable, 1=Very Uncomfortable)



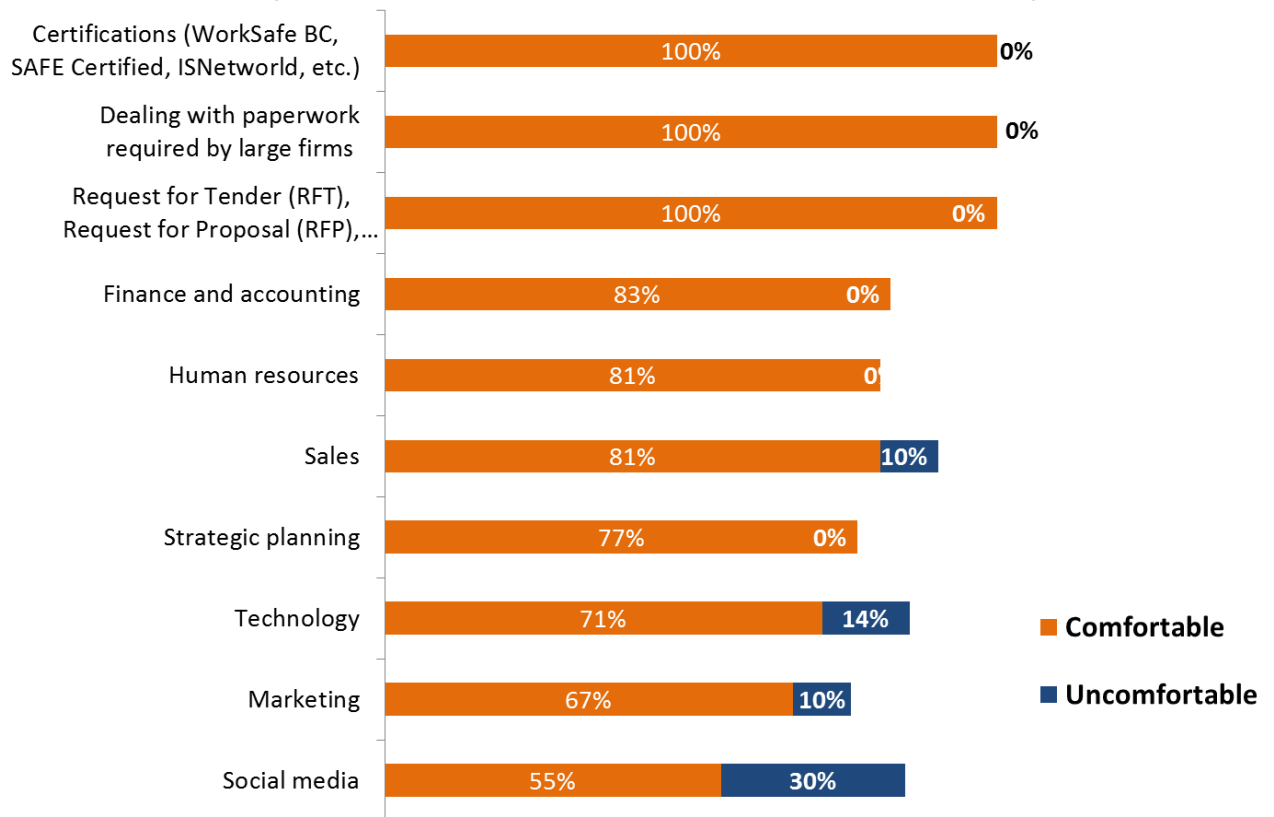
Please note that the value in parentheses indicated the number of companies which responded to each topic. Some firm capacity topics were not relevant to all interviewed companies.



The following chart directly compares the comfortable and uncomfortable results of the business climate topics. Most companies are clearly comfortable with many aspects of doing business while some have room for improvement. As in 2014, a number of companies were uncomfortable with Technology, Marketing, and Social Media. In 2015, some companies also admitted their lack of knowledge in Sales, which was not the case in 2014.

Firm Capacity/Comfort Level

(Rated 4/5 Comfortable vs. Rated 1/2 Uncomfortable)

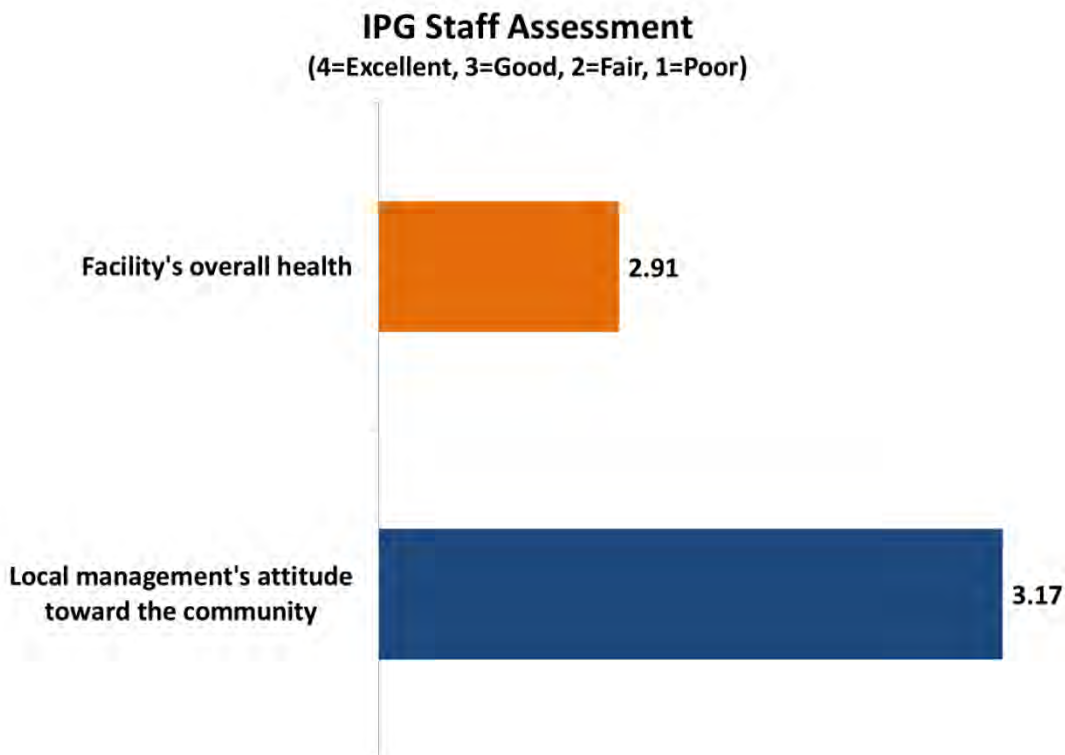




4.9 Overall Assessment

The following charts represent CPG staff’s assessments of the companies, which were completed following the interview. Overall, most companies ranked close to a “Good” in terms of their overall health (2.91). However, this was slightly lower than in 2014, when the average health was a score of 3.11. Only two companies were believed to be in poor health.

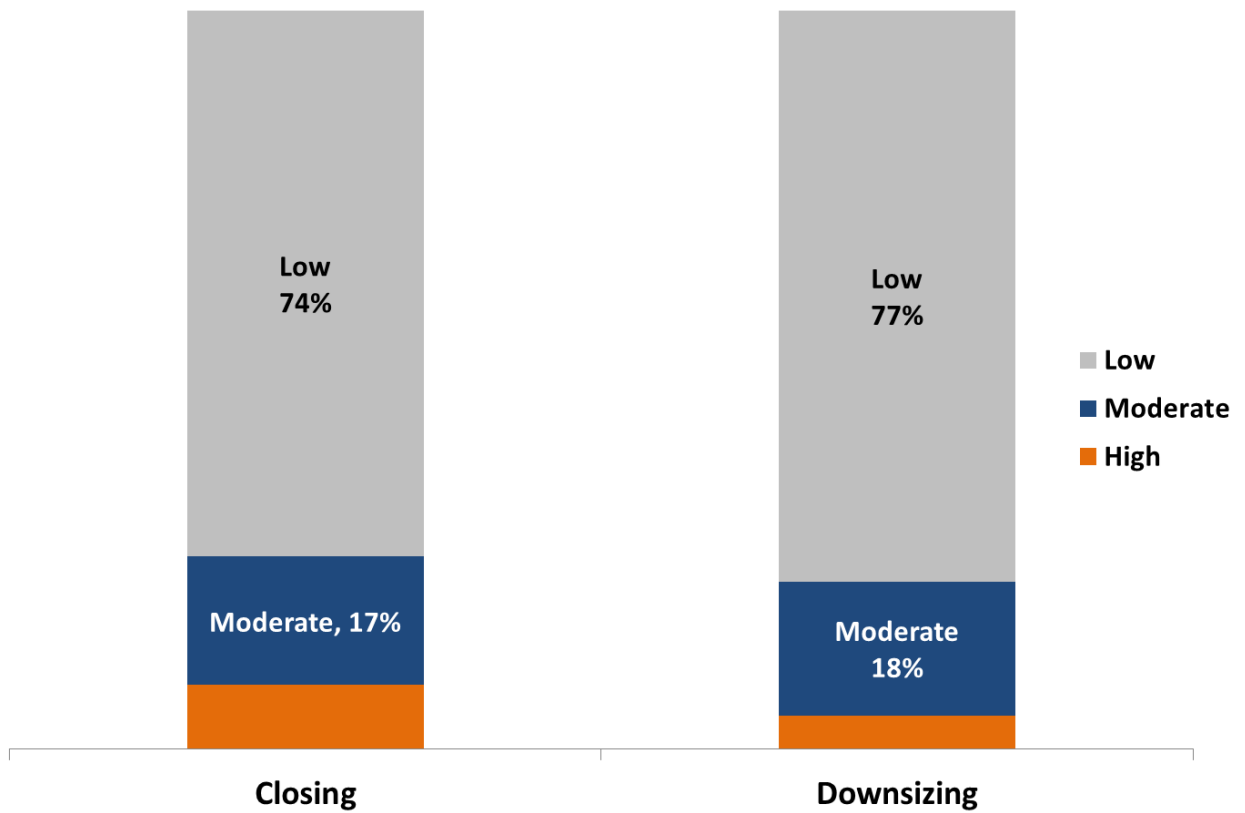
The local management’s attitude toward the community was also slightly lower, from 3.49 in 2014 to 3.17 in 2015. No managers scored “Poor” in this regard.





In a similar trend among the companies interviewed in 2015, the perceived risk of a company closing or downsizing also increased slightly over 2014. The findings mirror the general downturn in the Prince George and Canadian economies.

Risk of Closing or Downsizing in Next 1-3 Years





5. CONCLUSION

In conclusion, the results of the report, although from a small data set, imply a slowdown in economic activity in Prince George. BRE will thus remain more pressing than ever as a potential economic downturn looms. In this case, the “Retention” part of BRE is critical: a city must (to the best of its abilities) create an environment where businesses can be successful. To do so, it must listen to its business leaders.

Therefore, it is hoped that BRE will remain a centerpiece of economic development in Prince George. Focusing attention on incumbent companies which already contribute to a city’s tax base is one of the main ingredients of economic success. In addition, helping local businesses thrive and expand in a particular area often requires less municipal resources than attracting new corporations from elsewhere.

While investment attraction should remain a part of any economic development strategy, municipalities such as Prince George must not lose focus of the key drivers of growth. After all, existing businesses produce more than three-quarters of all new jobs in a city. These firms must be heard, and given the tools to prosper.