Kootenay Industry to Industry Initiative (Ki2i)

BLUEPRINT for ADVANCEMENT

of the

Manufacturing and Technology Industry Sector

in the

East Kootenay Region of BC

April 15, 2008

Project Consultants:
Norm Carruthers, Norm Carruthers Consulting
& Andrew Earnshaw

KRREA
KRIC
KOOTENAY ROCKIES INNOVATION COUNCIL
Community Futures East Kootenay
BRITISH COLUMBIA
Ministry of Economic Development
Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

SUMMARY

Background

The Kootenay Rockies Regional Economic Alliance (KRREA), Community Futures East Kootenay (CFEK), Kootenay Rockies Innovation Council (KRIC), and the BC Ministry of Economic Development (MED) have come together to develop a strategy that will stimulate the manufacturing and technology sectors in the East Kootenay[1]. The region encompassed by this effort is southeastern BC from the Alberta border west to Creston and from the US border north to Golden.

This Industry Development Plan process has been a two part study, the first being an inventory of manufacturing and technology businesses in the region. This inventory incorporated a survey of a sample of these firms providing basic corporate information, as well as data on profitability, sales, local purchases etc. and issues facing each company. This first phase, conducted by Ference Weicker & Company Ltd., produced a Phase I report in July, 2007.

The second phase incorporated in-depth interviews of industry and community stakeholders, best practices research, the development of strategy and a regional Industry Development Plan for the manufacturing and technology sector. This work was undertaken by Norm Carruthers Consulting, in conjunction with Andrew Earnshaw. In addition to guiding the consultants work on Phase 2, the “Working Group” (consisting of the four project partners: KREEA, CFEK, KRIC and MED) also undertook some investigations on the potential use and state of mapping and Geographical Information Systems in the region. This Blueprint for Advancement, with the related Backgrounders, is the final product of Phase 2 of the project[2].

Guideposts
page 1

The Blueprint commences with an explanation of the project’s Guideposts. These guiding axioms are the fundamental, foundational building blocks to the Blueprint’s recommended actions. They were developed over the course of Phase 2 through the project team’s analysis, research and practical learning activities.

[1] Blueprint Backgrounder 1 – Project Purpose and Scope; Funding provided by Western Economic Diversification Canada
[2] Blueprint Backgrounder 2 - Project Methodology

The fifteen Guideposts are:

1. Communities can influence their economic destiny through Economic Development.
2. Manufacturing and technology industries are premium economic development foci for the East Kootenay.
3. Business retention and expansion (BRE) is the priority focus for ED practitioners advancing this initiative.
4. Business attraction (BA) is still important, but must be focused on community needs.
5. Successful BRE requires precise targeting of specific high-growth firms.
6. The small size of the sector in the region makes individual attention to firms feasible.
7. Timely injections of capacity are how ED practitioners assist existing businesses to grow.
8. Firms respond best to direct, 1–1 assistance.
9. Special attention must be paid to issues of personnel and market development.
10. Major firms are not prime targets of ED practitioners, except to the extent they can help other initiatives.
11. East Kootenay ED practitioners must collaborate for synergistic gains at the local and regional levels.
12. Cooperation between firms and local governments is also crucial, as most are too small to have much impact on development individually.
13. ED practitioners, like the firms they are assisting, must add capacity over time.
14. It is the ED practitioner's imperative to be forward-thinking and advocate on issues that businesses and communities may not be fully aware they have.
15. GIS requires a substantial investment in data, systems and people to be an effective ED tool.

Actions
page 7

These Guideposts are the departure point for the Blueprint's three core action recommendations:

page 8
I. Developing the Knowledge Base: Comprehensive Industry Development Database

page 10
II. Growing Internal Economy: Specialized Assistance through an Integrated Case Management Approach

page 12
III. Strengthening Community Foundations: Regional Advocacy Initiatives

For each Recommendation, a long term vision is provided. Detailed actions, including starting points that will lead to immediate success without substantial new resources, and priorities requiring incremental funding, are also described in full.

Relationships
page 14

The Blueprint concludes with a diagrammatic representation of how the initiatives are inter-related in the short and longer terms, supporting each other, resulting in optimum gains in growth of the manufacturing and industry sector.

Backgrounder
page 16

A separate document of Background information, relevant to this Blueprint, was also prepared. Its Table of Contents is included as an Appendix to this report. The Backgrounder includes extensive information about project methodology, the best practices and GIS research, the interview guides, interviewees and learnings for both industry and local government, the focus group results and an inventory of the non-industry players involved or potentially involved in economic development for the region. The Working Group has sole access to the Phases I and II survey database to protect contributor confidentiality. Their intent is to analyze the database further.

GUIDEPOSTS

Guidepost: — **Background, Rationale, Implications:**

1 Communities can influence their economic destiny through Economic Development.

Research into the efficacy of the practice of Economic Development (ED) shows that with sufficient

- desire for change,
- vision,
- planning and
- follow-through,

communities can manifest desired future states in the nature and make-up of their economies.[3] Communities do not need to accept the status quo, or what “natural” economic forces bring to them.

2 Manufacturing and technology industries are premium economic development foci for the East Kootenay.

When comparing the outcomes that result from ED practitioners stimulating various sectors of the economy, development of value added manufacturing and technology industries generates some of the greatest returns.[4] Outcomes include:

- stable, year round employment;
- high wage jobs;
- substantial multiplier effects in the service sector;
- incremental external dollars flowing into a community, either via new outputs or via import substitution;
- broad distribution of resources and benefits; and
- political “wins” as existing community residents benefit from changes.

They also broaden and deepen the local economy, augmenting tourism and the amenity housing market associated with tourism draws, the dominant “natural” economic growth sectors in the East Kootenay communities. (It could be argued from Best Practices research that tourism and service provision do not warrant stimulation to the same extent as manufacturing and technology as they bring fewer positive outcomes to communities.)

3 Business retention and expansion (BRE) is the priority focus for ED practitioners advancing this initiative.

Ninety percent of all incremental jobs in a community come from existing business within that community, not from the outside.[5] Accordingly, the majority of ED practitioner time should be focused on growing existing businesses, not attracting new ones.

At one time, the dominant ED strategy was to attract firms that exported their products out of the region, the theory being that wealth would be left in the community. However, communities seeking to attract a major new business usually must compete for that business with many other communities, resulting in the “winner” being the cheapest offer, and the “spoils” being a business that requires cheap inputs, like low wage employees, or minimal contributions to community tax rolls, who will leave if these advantages are not maintained.[6]

---

[3] The reader is encouraged to go to search engine www.google.com and type in the search string: economic development best practice case study

[4] www.google.com, search string: economic development impact value added manufacturing technology

[5] http://www.bls.gov/opub/mlr/1982/09/art1full.pdf

[6] http://www.littletongov.org/bia/economicgardening/

Guidepost:		Background, Rationale, Implications:
4	Business attraction (BA) is still important but must be focused on community needs.	While lesser emphasis should be placed on business attraction than on retention and expansion, attracting new businesses can't be neglected, particularly in areas with high amenity migration values. These efforts should focus on: • import substitution[7] - targeted recruitment of new businesses with the capacity to immediately provide services that are currently being purchased outside the area by existing businesses and/or residents; and • amenity migrants[8] – welcoming individuals with capital, intent on moving to the area full time and establishing (or better yet re-locating) high margin manufacturing and technology businesses.
5	Successful BRE requires precise targeting of specific high-growth firms.	Most existing businesses contribute very little to incremental growth in jobs and revenues in the community's economy[9]. The vast majority of growth is generated by as few as 5% to 10% of total firms, called "gazelles" (or similar terms) in ED literature. [10] These fast growing companies should be the ED practitioner's priority target with respect to BRE efforts and injections of capacity. Gazelles are firms that have reached a threshold level of sales and employees (implying they have the finances, administrative systems an critical mass to be sustainable) and have established a record of growth over several years. A second type of firms is also of interest: "renaissance firms", those that are undertaking a significant expansion of capacity and are thus poised for imminent growth. ED practitioners achieve focus by assessing growth patterns of firms, degree of business re-investment, and entrepreneurial temperament of key managers[11]. Identification of gazelles is not based on an assessment of business ideas or "potential" markets; assessment based on these latter criteria should be left to private markets.
6	The small size of the sector in the region makes individual attention to firms feasible.	The project's database of industry participants identifies 313 firms. The sector is highly concentrated with the top 3% of firms accounting for 71% of the employment.[12] The top 20% of employers account for 88% of employees. Most firms are small; 45% have 5 or fewer employees[13].

[7] http://www.ruralfutures.ca/localeconomics.htm
[8] http://www.banffcentre.ca/mountainculture/mtnconferences/am/default.asp#schedule
[9] Blueprint Backgrounder 6 – Best Practices Research: Targeting Firms
[10] http://www.synchronist.com/PDF/WhatsAGazelle.PDF
[11] Blueprint Backgrounder 6 – Best Practices Research: Targeting Firms
[12] The largest employers (in all sectors) in the region are well known. For example, Kootenay Business annually identifies the largest 125 employers in the East West Kootenays and Kootenay Boundary, and the smallest of these has only 20 employees (see the January-February 2008 issue, vol. 24 #1).
[13] Blueprint Backgrounder 5 - Industry Sector Analysis

Guidepost: **Background, Rationale, Implications:**

6 (continued)

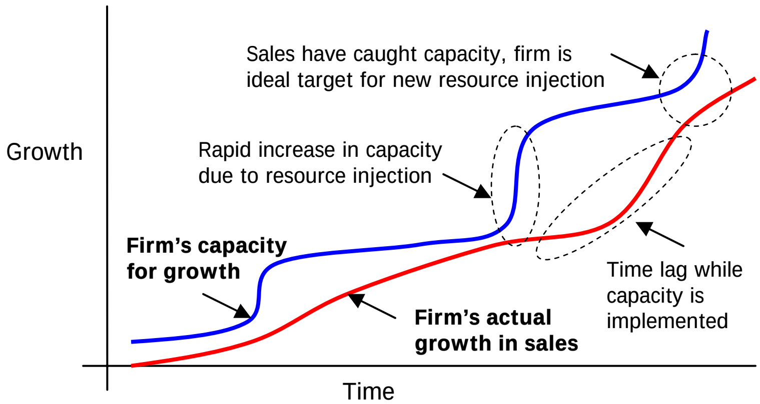
The definition of gazelles and renaissance firms varies by region. For this region, the following definition is recommended:

- Gazelles – firms with more than 5 employees and $250,000 in annual sales and annual sales increases of 20% or more for three consecutive years;
- Renaissance firms (potential gazelles) – 10 or more employees, annual sales of at least $500,000 and planning a significant capital investment to increase capacity (not simply replacing existing equipment).

In this project, using slightly modified criteria (data limitations), 22% of the 313 firms, or just 69 firms, were identified as ED targets. With the stricter criteria of three years of significant growth, the list would be shorter. In addition, many of these are service providers, supporting primary and secondary manufacturers. The actual number of true primary and secondary manufacturers[14], a higher value focus for ED practitioners, is even smaller.

7 Timely injections of capacity are how ED practitioners assist existing gazelles to grow.

Relationship between Capacity & Sales Growth



Sales of growth firms typically follow a curve (lower, red line in diagram). A graph of that same firm's capacity to grow (upper, blue line) appears more like a set of stairs, with "jumps up" to a new level of capacity every time there is an injection of new production capability, knowledge, skills, or staff (key hires). Sales curves follow behind capacity curves, as it takes time for new capacity to be implemented and manifest as increased sales.

ED practitioner's efforts to support existing businesses to increase their sales and profits (thereby generating incremental economic benefit for the community) should focus on these times of openness to "capacity injections". What is needed are targeted, time limited and expert resources that prepare a business to make the "step up". Examples include specific market intelligence, HR and marketing skill development, or accessing consulting expertise.

[14] http://en.wikipedia.org/wiki/Secondary_sector_of_industry

Guidepost:		Background, Rationale, Implications:
8	Firms respond best to direct, 1-1 assistance.	Key managers of gazelles want capacity assistance delivered on their terms, one-on-one.[15] Many of the manufacturing/technology firms in the East Kootenays produce very unique products and their needs are unique – whether they are in strategic planning, marketing, personnel related capabilities, improved financial or administrative systems or other company-specific needs. Generalized information services, reading materials and generic workshops or training opportunities already exist. More specific training often can't be provided on an economical basis in the East Kootenays as the audience is simply too small. Moreover, most firms are too small for key staff to take much time off for training or educational opportunities elsewhere.
9	Special attention must be paid to issues of personnel and market development.	The two greatest capacity impediments for gazelles are acquisition and retention of personnel (key hires), and access to market intelligence.[16] Developing a deep capacity within the region's ED practitioners to provide capacity assistance around these two issues will provide the greatest return on investment for firm-based BRE interventions.
10	Major firms are not prime targets of ED practitioners, except to the extent they can help other initiatives.	On an economic and employment basis, large firms are by far the greatest forces in the manufacturing and technology sectors in the East Kootenays.[17] Regional ED practitioners do not have the capacity to support and/or influence these firms as they do gazelles. Large firms often have a national presence and are either too sophisticated, or too dependent on commodity markets, to be impacted by ED practitioners.[18] However, where the needs of large firms may be leveraged to provide benefits to smaller firms and gazelles, ED practitioners should cultivate these relationships. Examples include: • provide the critical mass of audience to warrant bringing in specialized expertise on a topic of concern to the region; • funding initiatives of mutual interest (e.g. labour market initiatives); and • providing ED practitioners with ideas for import substitution business attraction targets.

[15] Blueprint Backgrounder 10 -, Results of Industry Interviews
[16] Blueprint Backgrounder 10 - Results of Industry Interviews
[17] Blueprint Backgrounder 3 & 4 – Results of Phase I Interviews – Ference Weicker; Industry Sector Analysis
[18] Blueprint Backgrounder 10 - Results of Industry Interviews

Guidepost:		Background, Rationale, Implications:
11	East Kootenay ED practitioners must collaborate for synergistic gains at the local and regional levels.	The East Kootenays is a large geographic region with a small population (approx. 60,000), and limited resources dedicated to economic development initiatives. The full-time-equivalent of the number of paid individuals working full or part time on these issues is approximately 12. Many of these individuals have important responsibilities unique to their communities and beyond the direct scope of this report.[19] Thus, limited resources exist to achieve the goals' inherent in this Blueprint. Synergistic results (the whole being greater than the sum of the parts) must be gained by collaborative application of regional resources.
12	Cooperation between firms and local governments is also crucial, as most are too small to have much impact on development individually.	Just as the ED community is too small to have all needed skills and capabilities, the same can be said for most companies, local governments and First Nations. Cooperation and collaboration are needed to have the critical mass to develop these needed skills and capacities. For example, as more firms share information on their activities and issues through the database that has been developed, the ED community can better identify the resources needed and bring them into the region. If companies continue to operate in isolation, these resources will be very slow to develop. The theme of the April 2008 meeting of the Association of Kootenay Boundary Local Governments was "working together works" is an indication that local governments are recognizing the same needs.
13	ED practitioners, like the firms they are assisting, must add capacity over time.	Collaboration (as per Guidepost 11, above) requires social capital. There is limited social capital between ED players in the region, given physical and cultural differences between communities, four-year window political strategy, intermittent municipal commitment to economic development, and turnover of ED staff[20]. In addition, the experience and expertise of ED practitioners across the region varies, based on individual's own work histories. These factors require project proponents to have reasonable beginning expectations regarding collaboration. Initial "victories" associated with the project must offer positive learning experiences for all participants, increasing the general capacity of the region's ED practitioners to do good work, and increasing the social capital between individuals. This focus will increase the level of regional collaboration over time, and thereby increasing the synergistic gains for the region's economy.

[19] Blueprint Backgrounder 11 – Results of Local Government Interviews
[20] Blueprint Backgrounder 10 – Local Government Inquiry

Guidepost:		Background, Rationale, Implications:
14	It is the ED practitioner's imperative to be forward-thinking and advocate on issues that businesses and communities may not be fully aware they have.	Business owners and managers tend to be very busy people – coping with a myriad of day-to-day problems to the best of their abilities. Local politicians face similar demands. When querying these parties regarding the issues they face, responses will be limited to issues within the sphere of influence or consciousness of the individual.[21] Key issues may come to the attention of ED practitioners that the majority of stakeholders don't verbalize, but it is clear that addressing this issue on a region-wide basis would result in a high Return on Investment for communities. ED practitioners have a responsibility to advocate for these issues. Examples include (but are not limited to): • access to true broadband • improved transportation and shipping infrastructures • land use – land availability – ALR reform • use of GIS tools for market research
15	GIS requires a substantial investment in data, systems and people to be an effective ED tool.	Mapping and Geographical Information Systems (GIS) can be powerful visual presentation and analytical tools for both local governments and economic development practitioners. The East Kootenay region lags behind much of the rest of the province in terms of having geographically referenced information as well as the systems and people to use this information for a variety of purposes, including economic development. The municipalities generally have basic AutoCAD systems (without digital platforms) for managing their underground utilities while the RDEK and Ktunaxa Nation both have more sophisticated systems but the former's data cannot be linked to a GIS system because of the absence of a PID number/field. Strong local government collaboration is needed to address this gap in the region as much of the GIS potential will be lost without consistent and interactive capabilities across the region.

[21] Blueprint Backgrounder 11 & 10 - Results of Local Government Interviews, Results of Industry Interviews

ACTION RECOMMENDATIONS

Summary

Flowing from the Guideposts above, three core areas of recommendation are offered. They are:

I. Developing Knowledge Base: Industry Development Database – A robust web interface, capturing all resource information critical to development of the sector, accessible to all.

II. Growing Internal Economy: Specialized Assistance through an Integrated Case Management Approach – Coordinated meetings of ED practitioners and appropriate resources, identifying individual high growth firms and developing customized strategies to support their growth.

III. Strengthening Community Foundations: Regional Advocacy Initiatives – A broad council of ED practitioners, industry and community leaders working strategically and collectively to address issues of regional importance related to advancement of the sector.

For each Recommendation, a long term vision is provided. Then details about starting points – actions that will lead to immediate success without substantial new resources of time or money – are described in full. Each section concludes with measured and prioritized action steps that lead to the long term vision, assuming incremental resources can be secured to facilitate this process. Where appropriate, recommendations also provide suggestions for the ED practitioner or community resources best positioned to take the lead, or become involved, in each action step.

While the ED practitioners must take the lead in implementing these recommendations, the businesses and local governments have important roles as well. Table 1 summarizes potential involvements of these key stakeholders:

Table 1
Roles of East Kootenay Stakeholders

Stakeholder	Developing Knowledge Base	Specialized Assistance	Regional Advocacy
ED Practitioners	• Analyze to identify common issues and needs • Develop confidentiality controls • Develop responses to issues	• Develop roster of resources to address identified needs • Regularly evaluate assistance to ensure it is having desired impact	• Develop delivery capability • Initiate collaborative identification of advocacy issues • Marshall necessary resources
Businesses	• Share company information and issues on an on-going basis – this is vital	• Analyze internal needs • Utilize assistance offered by ED practitioners	• Recognize impact and importance of advocacy efforts • Offer corporate participation on advocacy issues
Local Governments (including First Nations)	• Provide overview data regarding businesses • Develop land base, bylaws & GIS to facilitate ED priorities	• Help ED practitioners identify types of assistance needed • Business referral	• Offer government participation on advocacy issues

I. Developing the Knowledge Base: Comprehensive Industry Development Database

Long Term Vision

Effective, sustainable economic development requires a robust web accessible database of firms in the region. An established and trusted organization hosts the Industry Development database, but ownership of the data is shared across the region's ED practitioners, on behalf of the region at large. The business community recognizes the value of the ED efforts to strengthen the regional economy and willingly provides necessary data on an ongoing basis.

Information is maintained on:

- All manufacturing & technology businesses in the region and their needs/issues,
- ED practitioners,
- Capacity injections (resources, consultants, programs etc.) for businesses,
- Market intelligence for the region,
- Opportunities for import substitution and business attraction, and
- Business attraction assets by community.

The site is true Web 2.0[22], with its value growing as users contribute to it. Different levels of information access, and simple interfaces for user contributions of data, are made available to unique audiences through public and password protected portals. Specialized portals are developed for ED practitioners, such as a unique sub-database of gazelles. Data download, GIS and other high level data analysis tools are readily available for broad use.

Relevant Guideposts

2. Manufacturing and technology industries are premium economic development foci for the East Kootenay.
6. Successful BRE requires precise targeting of specific high-growth firms.
7. Injections of capacity are how ED practitioners assist existing businesses to grow.
11. East Kootenay ED practitioners must collaborate for synergistic gains at the local and regional levels.
12. Cooperation is essential as both firms and local governments are too small to have much impact on development on their own.
13. ED practitioners, like the firms they are assisting, must add capacity over time.

Starting Point

The project partners' current Access database is a powerful starting place for this initiative. The initial data and relatively accessible Access interface is an excellent platform to validate arguments required for Regional Advocacy Initiatives, develop contact lists for outreach of all kinds, and derive general information about the nature of the sector.

CFEK is best positioned to coordinate the database initiative with the assistance and involvement of other parties. The overall responsibility aligns with the CFEK's broader mandate of business development. Other players such as the College of the Rockies with its Gateway web site or the Columbia Basin Trust with its State of the Basin initiative may be better positioned to host and maintain the Access data file, under an agreement worked out with the project partners. The selected organization must have sufficient capacity to manage the data and maintain confidentiality.

[22] http://en.wikipedia.org/wiki/Web_2

First Action Steps – Limited Incremental Resources

I. Data Validation: While the existing data is of great use, a community by community effort is required to "clean up" the business data, and identify firms not yet captured. This process involves in-community meetings with local ED practitioners, municipal staff, Chamber Managers etc. Non-sensitive data (anything publicly available) is shared with community members in exchange for validation and improvement to the core data set. The process occurs over a six month period, taking advantage of existing travel and meeting schedules of Working Group members, who share the responsibility.

II. Additional Resources: Initiative participants working on the Integrated Case Management Initiative (below) develop a broad list of resources, consultants, opportunities and tools. These assets are captured in the Access database. Likewise, the project partners' existing databases of ED practitioners and key contacts are added to the file.

III. "First Blush" Gazelle Identification: Using existing data, and information gathered during Data Validation from community members, businesses with gazelle and renaissance characteristics (growth rate, minimum size, investment plans) are identified.

IV. Re-analysis: Following the Data Validation, the Phase I analysis (as per Ference Weicker final report) should be redone using the updated and smaller pool of firms in the database.

Next Action Steps – Working Towards the Vision

A. Regular Update of Database of Firms: The work completed to date on this initiative's database is an excellent starting point, but must be maintained. Particular emphasis lies on critical information like contacts, descriptors (employment, sales, local purchases, etc.) and barriers to growth. At least one-third of the businesses are contacted each year, so that the information on each firm is updated every three years. This process is facilitated on-line, with phone call back-up.

B. Dbase Online for Project Partner Remote Access: A password protected web interface with the same functionality as Access is identified and made available to project partners. This greatly increases capacity for dbase to be used by partners for data acquisition, while distributing responsibility for updates. (Note: KRIC may be positioned to lead this component without incremental resources together with either the College of the Rockies or the Columbia Basin Trust being the host.)

C. Dbase Access for all ED practitioners in Region: Read-only and downloadable access to the data is made available to ED professionals and local government players fulfilling this function. Data available is limited to non-sensitive fields with edit access reserved to locally posted data only. Reports available are driven by needs of Integrated Case Management and Regional Advocacy Initiative participants.

D. Broad Community Access and Contributions Enabled: Sophisticated interface allows dbase to be enriched by interaction with broad community, who are accessing information and contributing data. True Web 2.0 capacity is achieved. [23]

E. High Level Data Tools Implemented: GIS[24] and other capabilities are added to the web interface.

[23] http://en.wikipedia.org/wiki/Web_2
[24] Blueprint Backgrounder 12 - GIS Readiness

II. Growing Internal Economy: Specialized Assistance through an Integrated Case Management Approach

Long Term Vision

A panel meets quarterly to discuss capacity injections (technical assistance) for individual firms that fit the criteria for the region's manufacturing and technology gazelles and potential gazelles. The panel is comprised of the business development specialists in the region, supported by "elder statespersons" from the business community (who formerly led gazelle-type businesses), and resourced from time to time by local ED practitioners and consultants with capabilities in specific issues. Robust codes of confidentiality allow basic information regarding key challenges and growth limitations of individual firms to be discussed amongst panel members, ensuring the best minds are considering all the options with respect to the most appropriate capacity injections to be applied.

Contact and follow-up with gazelles is shared amongst the panel's ED practitioner members. Coordinated efforts track the cost/benefit of the process with respect to incremental growth and impacts in the region.

Note: Requests for assistance by other firms are not ignored. These firms can receive help from the individual ED practitioners through their normal program delivery. Collective efforts, however, are focused on targeted firms.

Relevant Guideposts

1. Communities can influence their economic destiny through Economic Development.
3. Business retention and expansion (BRE) is the priority focus for ED practitioners advancing this initiative.
5. Successful BRE requires precise targeting of specific high-growth firms.
6. The small size of the sector in the region makes individual attention to firms feasible.
7. Injections of capacity are how ED practitioners assist existing businesses to grow.
8. Firms respond best to direct, 1-1 assistance.
9. Special attention must be paid to issues of personnel and market development.
11. East Kootenay ED practitioners must collaborate for synergistic gains at the local and regional levels.
12. Cooperation is essential as both firms and local governments are too small to have much impact on development on their own.

Starting Point

The foundations of this initiative exist in the current work of the Basin Business Advocates program (sponsored by the CBT and administered by Steele, O'Neil and Associates), the values, mandates, practices and staff capacity of which are focused on provision of timely capacity injections to businesses. The work of CFEK, the Kootenay Aboriginal Business Advocate Society (KABAS) and especially IRAP (National Research Program) with its existing client base are similarly aligned.

This initiative takes these existing efforts to the next level, through synergistic collaboration, professional development, and an expansion of the circle of ED practitioners and community members providing capacity injections. Most importantly, it maximizes the return on these efforts to the region's economy, by targeting resources to gazelles, which are most likely to generate incremental sales growth as a result of capacity injections. It also builds broad regional partnerships and thinking.

At the outset of this initiative, quarterly meetings (to coincide with existing Regional ED meetings) are held to initiate the process of providing capacity injections to gazelles. This early stage "panel" includes existing regional ED practitioners:

- KRREA (coordinator)
- KABAS
- Basin Business Advocates
- CFEK
- IRAP

with support resources drawn from other organizations and individuals active in business support and development (e.g. community based and First Nations EDO's, KRIC, College of the Rockies, MED, the Ktunaxa Nation Council, etc.) as needed.

First Action Steps – Limited Incremental Resources

I. Capacity Injections: This initial "panel" begins by developing and sharing an inventory of all the possible assistance or capacity injections that can be offered to businesses in the region. Particular attention is paid to identifying resources related to personnel and market development.

II. Gazelle Identification: Based on publicly available information (incl. the Working Group's dbase), and hence without compromising the integrity of any panel member's client relationships, a list of known gazelles is developed and discretely shared with broader ED stakeholders in the region.

III. Gazelle Outreach: The panel explores options to provide capacity injections with individual business owners, without discussing sensitive (non-public) information about any one business.

Next Action Steps – Working Towards the Vision

A. Confidentiality Protocols: Systems, checks and balances are developed that allow individual panel members to engage in deeper conversations about the challenges faced by individual businesses. As a result, the panel is able to collectively problem solve, and offer more appropriate and relevant capacity injections to gazelles. Best practices for this process are borrowed from experts in Integrated Case Management in the social service sector.[25]

B. Mentoring: Coordinated and strategic linking of gazelles to mentors (often each other) occurs. This may be done in parallel with networking opportunities (see Regional Advocacy below).

C. Panel Coordination: Incremental funding is secured for coordination of the initiative, in expectation of imminent increases in workload (steps D. on)

D. Nurture a Community of Expertise: Structured professional development opportunities are created for providers of assistance to gather, network and learn specific skills relevant to their work. This could be done in conjunction with CBT Symposia, CFDC ED Forums etc.

E. Expand Panel Membership: The panel is expanded to include the wisdom of senior business advisors, previous owners of gazelle-type firms, etc.

F. Open the Panel: With proven confidentiality protocols in place, strategies are developed that facilitate community members "outside" the panel's membership to participate in panel meetings to discuss individual businesses. This could include consultants, community based ED practitioners, key managers of gazelles, etc.

G. Evaluate and Track Successes: Systems are put in place to track growth of gazelles involved in the process, and query key managers regarding the extent to which growth is attributed to capacity injections from the panel.

[25] http://www.childwelfare.gov/famcentered/casework/case_mgmt.cfm

III. Strengthening Community Foundations: Regional Advocacy Initiatives

Long Term Vision

A broad Council of ED practitioners, industry and community leaders is working collectively on a range of advocacy initiatives, all inter-related by their goal of advancing the manufacturing and technology industry sector, and thereby strengthening the local and regional economies. New advocacy issues arise and are widely embraced through use of the Industry Development Database, work of the panel undertaking Integrated Case Management, and through regular gatherings of key sector players.

Sub-committees of interested parties are formed on an ad-hoc basis to undertake specific initiatives. Some initiatives are regionally based, others focus on sub-regions, but all are supported by the consortium.

Relevant Guideposts

1. Communities can influence their economic destiny through Economic Development.
2. Manufacturing and technology industries are premium economic development foci for the East Kootenay.

10. Major firms are not prime targets of ED practitioners, except to the extent they can help other initiatives.
11. East Kootenay ED practitioners must collaborate for synergistic gains at the local and regional levels.
12. Cooperation is essential as both firms and local governments are too small to have much impact on development on their own.
13. ED practitioners, like the firms they are assisting, must add capacity over time.
14. It is the ED practitioner's imperative to be forward-thinking and advocate on issues that businesses and communities may not be fully aware they have.
15. GIS requires a substantial investment in data, systems and people to be an effective ED tool.

Starting Point

This effort is already underway. It began with the formation of KRREA and continues with the Regional Economic Development Group meetings that KRREA and CFEK are coordinating. The initial Council exists in the form of the KRREA Board of Directors. This group brings both industry and local governments to the table, offering more resources for advocacy than ED practitioners alone.

The next step(s) are essentially bringing consciousness to the branding, synergistic collaboration, and social capital building that is occurring within existing and new advocacy initiatives. At any gathering of individuals working on any effort underway that benefits the sector, effort is made to highlight the inter-connectivity of all other activities. Examples include a variety of complementary resources and activities[26], including:

- KRREA Infrastructure Sub-Committee
- Regional Work Force Advisory Council
- Community Futures economic development forums

One or two new efforts that will have substantial appeal (attract ED practitioner involvement) across the region are commenced. Specifically, a basic Import Substitution Initiative is recommended.

KRREA is the logical coordinator for this effort, supported by others when feasible.

---

[26] Blueprint Backgrounder 14 – Economic Development Players in the East Kootenays

First Action Steps – Limited Incremental Resources

I. The Panel develops a prioritized list of strategic advocacy initiatives together with action plans for the highest priorities. (These plans need to dovetail with any other advocacy initiatives in the region.)

II. Advocacy Culture development in ED Practitioners: At any gathering of ED practitioners, time limited, "quick victory" advocacy topics and activities are strategically introduced. Examples include ad hoc letter writing, provision of resources to individual communities, requesting representation on provincial and national advisory panels, submissions to research panels, liaison with key academic researchers in rural policy development, etc.

III. Quarterly E-mail Newsletter: A basic email newsletter highlighting the core activities of the region's ED practitioners, on a community and regional basis, is produced. Content development is shared amongst practitioners. Copies are distributed widely to all core ED stakeholders using Industry Development Dbase contacts. Production qualities: basic, point form text, simple email only.

IV. Basic Import Substitution Initiative: At the next ED practitioners' meeting, a simple strategy to contact the purchasing departments of the top 15 foundational companies (the large employers) in the region and interview them regarding import substitution opportunities, is developed and implemented. Responsibility for interviews is shared amongst teams of participants. Results are tabulated and shared at subsequent meetings and strategies are developed to realize on opportunities.

Next Action Steps – Working Towards the Vision

A. Core Initiative Linkages: Structured linkages are established between Industry Development Database and Integrated Case Management efforts.

B. Coordination Funding: Incremental funding is secured for coordination of the initiative, in expectation of imminent expansion of Advocacy activities and related support requirements.

C. Strategic Planning: Yearly strategic planning sessions for the Council are hosted. Past successes are celebrated, and new initiatives are prioritized, action planned, and committed to.

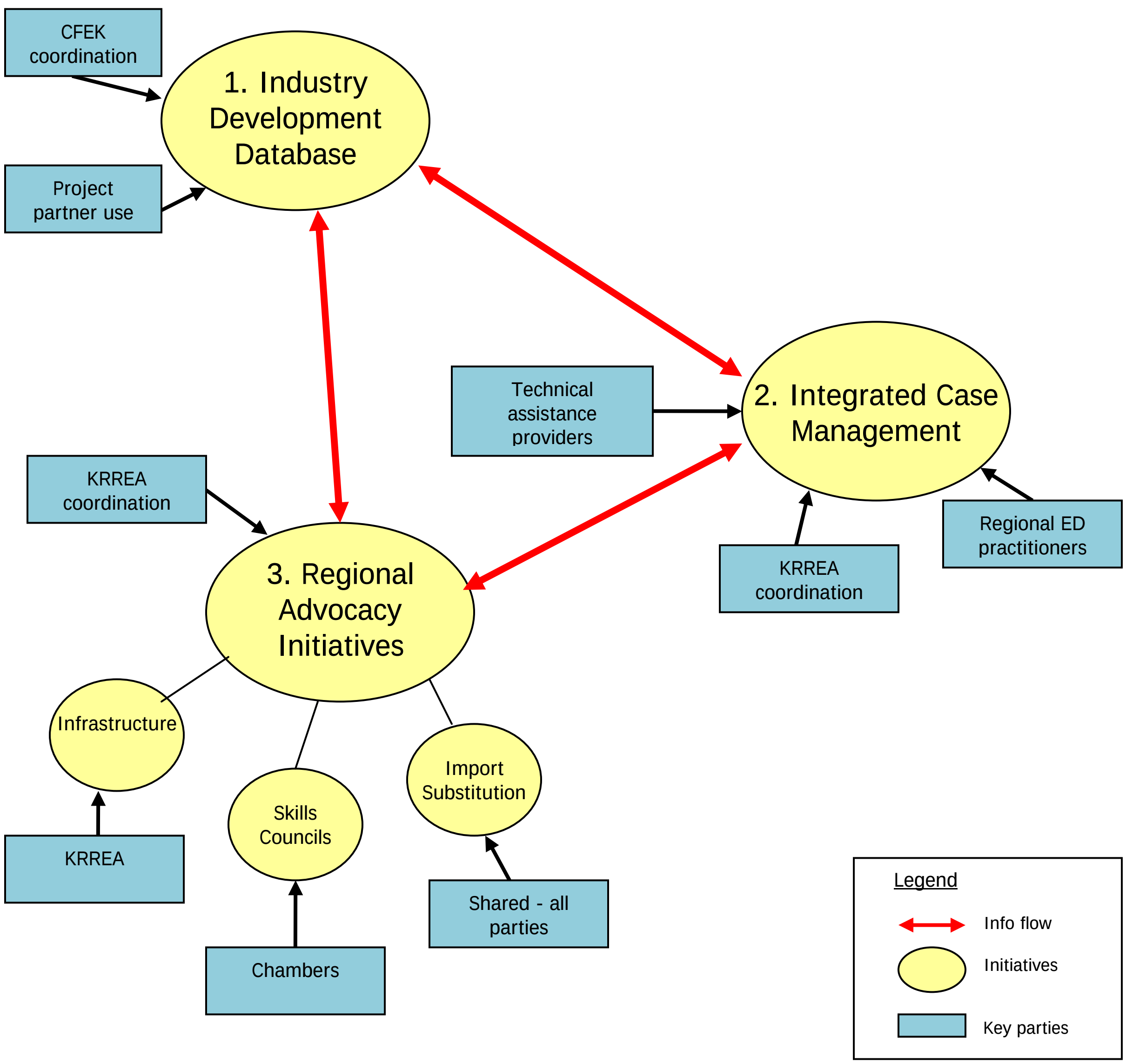
D. Council Composition Review: The Council regularly reassesses whether the right people are at their table. After a track record of successes is established, it should be easier to convince key players to participate.

E. Newsletter Development: Graphic presentation is improved. Content is expanded beyond "what's happening" to learning and professional development tools and articles.

Relationships Between Initiatives

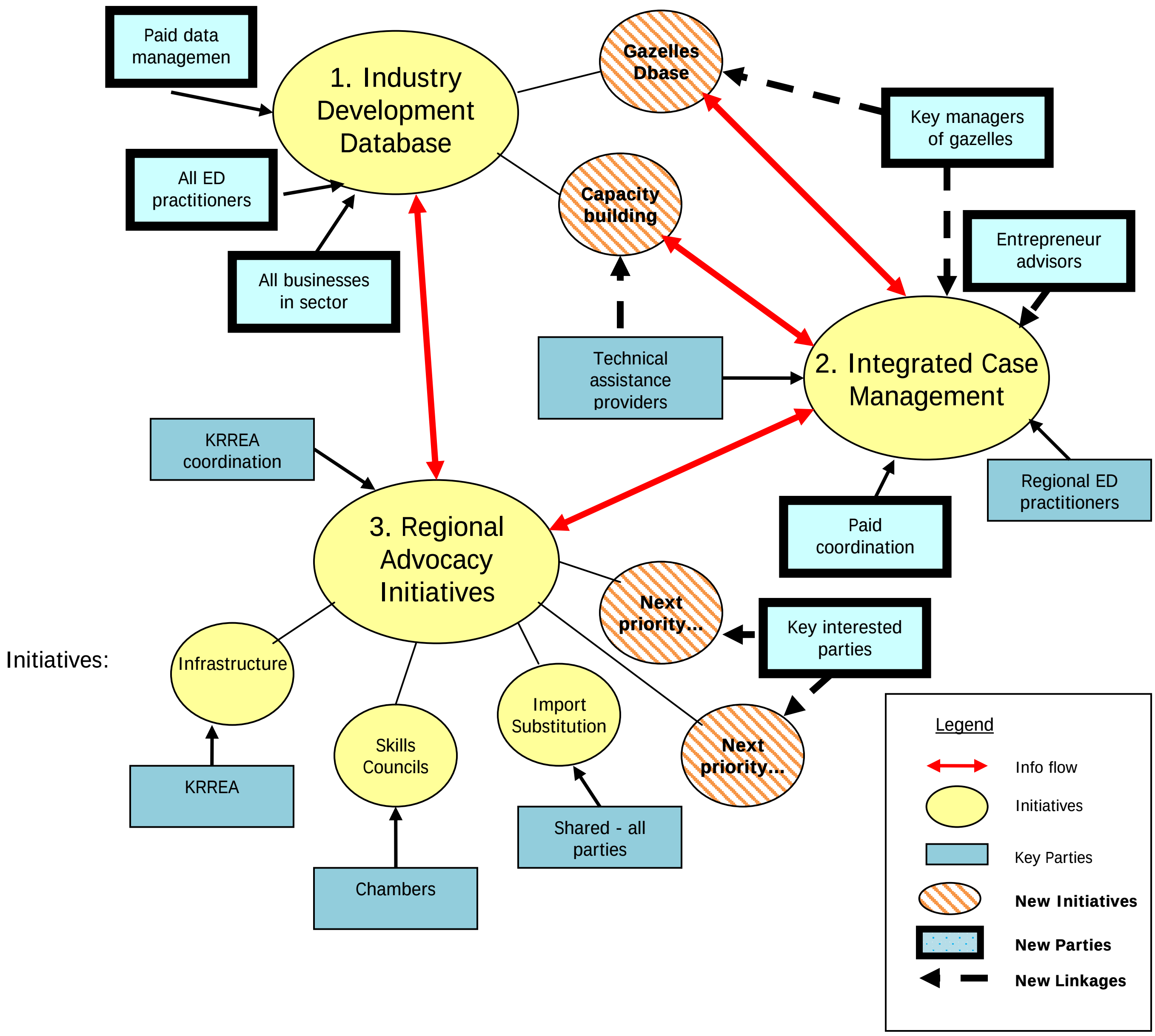
The three Action Recommendations proposed in this Blueprint have a variety of synergistic links, and a wide variety of stakeholder participation. The following diagram shows these relationships at the outset of the effort.

Starting Point - Ki2i Industry Development Initiatives



As each Action Initiatives expands in complexity, activity and participation by broader aspects of the community, so to do the synergistic relationships between

Maturity - Ki2i Industry Development Initiatives



Appendix 1

Ki2i BLUEPRINT BACKGROUNDERS

(separate document)

Table of Contents

Kootenay Industry to Industry Initiative (Ki2i)

BACKGROUNDER
to the
BLUEPRINT for ADVANCEMENT

of the

Manufacturing and Technology Industry Sector

in the

East Kootenay Region of BC

April 15, 2008

Project Consultants:
Norm Carruthers, Norm Carruthers Consulting
Andrew Earnshaw

KRREA

KRIC
KOOTENAY ROCKIES INNOVATION COUNCIL

Community Futures East Kootenay

BRITISH COLUMBIA
Ministry of Economic Development

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

Kootenay Industry to Industry Initiative (Ki2i)

BLUEPRINT BACKGROUNDER

TABLE OF CONTENTS

Backgrounder 1

PROJECT PURPOSE AND SCOPE

Purpose

The Kootenay Rockies Regional Development Alliance (KRREA), Community Futures East Kootenay (CFEK), the Kootenay Rockies Innovation Council (KRIC) and the BC Ministry of Economic Development (MED) came together to develop an Regional Industry Development Plan for the East Kootenays for the manufacturing and technology sector. Funding was provided by Western Economic Diversification Canada.

Scope

The focus of this project is "industry" located within the defined geographic area of KRREA – the Alberta boarder to Creston and the surrounding area in the east and Golden and area to the United States border. Industry is broadly defined to include the manufacturing, technology and service sectors involved in the production, processing or servicing of manufactured goods.

Manufacturing

A manufacturing company is defined as a company involved in the extraction, processing, modification or creation of a product or good for use and/or sale in the marketplace. Manufactured products range from raw resource extraction to processed and/or value added. Products may be raw, semi-processed or finished.[1] Utilities were excluded.

Technology

In the literature, technology companies are categorized as:

a) Pure technology: Pure technology companies are leading edge firms whose products or services are based on a significant technology breakthrough.
b) Applied technology: Applied technology companies are those whose core activity involves the further development and application of new technologies, either within their own business or on behalf of client businesses.
c) Dependent. Dependent technology companies are those who may be involved in the application of new technologies but for who research and development is not a core business activity.[2]

[1] *Note on agricultural activities:* Agricultural activity such as farming does not constitute an industry or manufactured activity within the definition of this project, though activities such as food processing do.

[2] Very few firms in the East Kootenays could be identified as fitting these categories; however, many companies were undertaking new capital investment using new technologies.

Backgrounder 2

PROJECT METHODOLOGY

PHASE I – Conducted by Ference Weicker and Company Ltd.

Ference Weicker developed an inventory of East Kootenay businesses in the target sectors using a variety of sources of information. They then conducted a survey of a sample of these firms and summarized the findings and qualitative data developed. Finally, they provided preliminary analysis and recommendations towards the development of the Regional Industry Development Plan. (See Backgrounder 3, for a summary of the quantitative results of their survey.)

GIS/MAPPING READINESS – Conducted by the Working Group

The Working Group (KRREA, KRIC, CFEK and MED) initially explored the availability of geographically referenced data and the opportunity to do analysis on this data base with Integrated Cadastral Information Systems (ICIS). Because of limited readily available GIS data information through ICIS or other sources, other maps sources were used. (See Backgrounder 12 for a summary of the GiS mapping results and conclusions.)

PHASE II – Conducted by Norm Carruthers, Consulting with Andrew Earnshaw

1. **Scoping**
   The initial step in this project was to meet with the representatives of the Working Group, clarify the overall goals, identify possible roadblocks, establish priorities, and agree on a modified workplan.

2. **Review of Phase I Results and Data Base**
   Phase I of the overall study was conducted by Ference Weicker and Company Ltd. Their report and database were examined carefully and the decision was made by the Working Group to narrow the definition of industry. For example, firms that predominantly provided services to the retail or services sectors, rather than the industry sector, were deleted. (See Backgrounder 4 for preliminary industry analysis.) The decision was also made to convert the data in Ference Weicker's spreadsheets to a database (Access) format to better facilitate subsequent analysis and use of the information. This latter work was undertaken by the Phase II consultants. The consultants also analysed the Phase I data on a sub-regional basis to capture the inputs of businesses in the unincorporated areas (Backgrounder 5).

3. **Best Practices Research**
   To be most applicable to a relatively small and geographically dispersed population, it was important to identify existing studies that addressed similar conditions. Two of the most applicable were found to be for Southwestern Saskatchewan, and Newfoundland and Labrador. Industry development studies for much larger local economies such as the Niagara Peninsula were helpful for the tools they provided that might be adapted to the smaller East Kootenay economy. Finally, because of the small size of the local economy and the uniqueness of the individual firms, it was important to go beyond the one-size-fits-all approach taken in some industry development studies. This led to the exploration of the concept of Economic Gardening and targeted assistance that is incorporated into this paper (Backgrounders 6 & 7).

4. **Design and Testing of Interview Guides**
   The primary purposes of Phase I were to develop an inventory of manufacturing and technology firms in the region and to collect basic contact information. This effort developed a high-level overview of the nature of the businesses and the issues and concerns they faced. The objects of the second phase of the research were to develop a better understanding of the business needs and potential development roles for the ED practitioners, local governments and the companies themselves. Based on the Best Practices research, a targeted set of businesses were identified as the key firms currently having, or likely to have, a significant incremental impact on the economy and communities in the region. An interview guide was developed to facilitate interviews with the decision-makers in these companies, again based on the Best Practices research. A few firms were interviewed to test the guide and the results were discussed with the Working Group to ensure the process would achieve the aims of the project. A second interview guide was also developed in preparation for consultations with local government representatives. (Both are in Backgrounder 8.)

5. **Industry Interviews**
   29 interviews were conducted over the phone; these calls took between ½ hour and an hour to complete and the research team is very appreciative of the generous contributions of time and ideas made by the interviewees (Backgrounders 9 & 10).

6. **Preparation of Interim Report**
   The results of the interviews were compiled into an interim report and discussed with the Working Group. This interim report also included a revised workplan based on the learnings to that point, and a draft agenda for the forthcoming focus groups. The Working Group had also been exploring the value of mapping and GIS to illustrate findings and issues, and their potential as an analytical tool. These possibilities were also discussed at this time.

7. **Local Government Interviews**
   A series of nine interviews with local government representatives and ED practitioners were conducted to understand the critical economic development issues from their perspectives and possible roles in addressing the concerns of the business interviewees (Backgrounder 11).

8. **Focus Groups**
   The learnings from the first seven steps were compiled and a series of recommendations developed. The findings and proposed recommendations were to be discussed in three Focus Groups in Golden, Fernie and Cranbrook involving businesses, local government representatives and ED practitioners. All firms that had contributed in either Phase I or II were invited to attend as well as all local governments and EDO's in the region. Focus groups in Golden and Fernie had to be cancelled because of low registration, however, a very productive session was held in Cranbrook that validated the process and provided valuable fresh insights (Backgrounder 13).

9. **Preparation of Final Report**
   The Blueprint for Advancement, and this attached series of Backgrounders, is the culmination of this process. As part of the summarization, a list of economic development players in the East Kootenays was prepared (Backgrounder 14).

Backgrounder 3

RESULTS OF PHASE I INTERVIEWS – FERENCE WEICKER

The purpose of Phase I was to develop a Sector Inventory and Database. Ference Weicker's major findings from their interviews and database analysis were reported in their final report dated July 15, 2007 and copied here:

- **The 185 companies that we surveyed employ about 4,940 people and generate about $1.1 billion in revenues annually from operations in the Kootenays**. We project that, if we had been able to survey all 410 companies believed to be active in the database, we would have found that these companies employ about 8,200 people and generate $1.3 billion in revenues.

- **A few companies account for the majority of the economic activity**. The largest 3% of the companies accounted for 81% of the revenues of all the companies surveyed. Most of the businesses are small, with less than 10 employees and operations in only one location in the Kootenays.

- **The companies serve a wide range of geographic and sector markets.** Leading markets include the Kootenays, BC, Alberta, the US and Europe. Larger companies are much more likely to rely on more distant markets than are the smaller companies, who generate the majority of their sales from customers in the Kootenays. The natural resources industry was the leading customer segment amongst the companies surveyed.

- **The businesses are well-established**. On average, the businesses have been operating since 1988. Of the companies, 31% have been established in the past six years including 9% which have been established since the beginning of 2005.

- **The companies are growing and are projected to continue to grow**. On average, the companies indicated that their revenues have increased by an average of 3.9% over the past year and project that their revenues will increase by an average of 9% over the next three years. The companies project that they will employ an average of 31.8 people on a full-time basis in three years (up 18% from the current level of 26.7).

- **The companies generate significant direct economic spin-offs for the region.** On average, the companies indicated that they purchase over $850,000 in goods and services annually, of which an average of about 54% is purchased from companies located in the Kootenays. Many of the companies noted that they also purchase goods and services from suppliers in other parts of BC and Alberta.

- **There are some significant competitive advantages associated with being located in the Kootenays.** Most companies (74%) fully expect to definitely (a 100% likelihood) still be operating at their current location in five years. When asked to identify the competitive advantages of being located in the Kootenays, the companies most commonly identified strong community support, limited local competition, proximity to clients and markets (particularly in terms of ready access to local markets as well as the US and Alberta), proximity to key supplies (e.g. raw materials), the strength of the local economy, and the high quality of life. About one-third of the companies (34%) are planning to make significant new investments in the region over the next three years.

- **A number of other factors also contribute to the success of the companies.** These include the quality and range of their products, their reputation and strong presence in the region, the level of service, specialized skills and expertise, and a strong, qualified staff.

- **About one in five companies (18% of those surveyed) invested in research and development over the past year.** Only 6% of the companies have registered some form of intellectual property while 11% have or are planning to claim an SR&ED tax credit for part or all of their R&D expenditures.

- **Access to room for expansion is an issue for some companies.** Of the companies that have plans to make a significant capital investment to expand operations, 56% said that they have sufficient room to expand at their current location(s), 34% indicated that they do not, and 10% were not sure.

- **The single biggest issue that is affecting companies is difficulties in finding or keeping qualified, capable workers.** Particular shortages were identified in a variety of areas including technical and trades people (e.g. heavy machinery and equipment operators, forestry workers, drivers, etc); management, marketing, and sales people; IT workers (computer technologists, graphic design and electronic media), and engineers. The companies attributed the shortages to a variety of reasons including strong competition from other employers particularly those in Alberta, low unemployment rates, a lack of training and apprenticeship programs, the high costs of existing training programs, and difficulties in luring potential employees to smaller communities.

- **Other issues that were identified as affecting the businesses include transportation issues, telecommunications issues (cell and internet), high labour costs, taxes, government regulations, difficulties in accessing key inputs, and increasing competition.**

Backgrounder 4

PHASE I ANALYSIS USING REVISED DATA BASE

In total, Ference Weicker identified 410 firms and was able to conduct interviews with representatives from 185 of them, compiling a data base containing basic contact information, sales and employment data, product and market information and a preliminary assessment of key issues facing the firms.

At the conclusion of Phase I, the Working Group reviewed the inventory and narrowed the definition of manufacturing and technology firms. This reduced the data base to 313 firms with 136 completed interviews. As can be seen from Table 1, the distribution of businesses is consistent with the population in the host communities. More importantly, the interviews conducted in Phase I are regionally representative of the entire population of firms – in both the original and the revised database.

Table 1
Population, Firms and Interviews by Community
(Revised Data Base)

Community	Population		Firms					
			in Revised Data Base		Interviewed Phase I		Interviewed Phase II	
Cranbrook	**20,102**	*(38%)*	**130**	*(42%)*	**49**	(36%)	**8**	*(28%)*
Creston	**5,095**	*(10%)*	**29**	*(9%)*	**12**	(9%)	**1**	*(3%)*
Elkford	**2,683**	*(5%)*	**4**	*(1%)*	**2**	(1%)	**1**	*(3%)*
Fernie	**5,168**	*(10%)*	**13**	*(4%)*	**8**	(6%)	**3**	*(10%)*
Golden	**4,399**	*(8%)*	**46**	*(15%)*	**26**	(19%)	**4**	*(14%)*
Invermere	**3,470**	*(7%)*	**30**	*(10%)*	**10**	(7%)	**3**	*(10%)*
Kimberley	**7,147**	*(13%)*	**14**	*(4%)*	**9**	(7%)	**3**	*(10%)*
Radium Hot Springs	**9,21**	*(2%)*	**2**	*(1%)*	**1**	(1%)	**1**	*(3%)*
Sparwood	**4,013**	*(8%)*	**18**	*(6%)*	**9**	(7%)	**2**	*(7%)*
Other	N/A		**27**	*(10%)*	**10**	(7%)	**3**	*(10%)*
	53,000	**(100%)**	**313**	***(100%)***	**136**	**(100%)**	**29**	*(100%)*

Source: Ference Weicker Phase I – population and Phase I Interviews, Ki2i Database otherwise.

In Phase II, in-depth interviews were conducted with senior managers or business owners with 29 of these companies. Although, the identification of firms to be interviewed was based on firm- specific criteria (i.e. employment, revenue increase from previous year, planned investment), the distribution of completed interviews in Phase II is also geographically reasonably representative of the manufacturing and technology firms in the region (right hand columns).

Building an initial database is time consuming and challenging, Potential interviewees cannot be shown how the information gathered will be used, nor can they see the value the collective data has (as opposed to individual firm data). Of the 410 firms Ference identified, 46 declined to participate and the survey could not be completed for 179, even though they were contacted a minimum of three times. While efforts were made to minimize missing data or input errors, they still occurred. Because of the small number of firms in each sector and community, analytical results are very sensitive to these types of errors or omissions. For example, a misallocation on the subsector a firm is in (an error the Phase II consultants identified on a number of occasions) can have significant impacts on the analysis of employment, sales, import substitution opportunities and critical issues facing the sector.

Given these challenges, a data verification process is needed before the complete Ference Weicker analysis can be replicated on the revised inventory of firms. However, some preliminary re-analysis was undertaken.

Table 2
Firms and Phase I Interviewees by Sector

SECTOR	FIRMS IN INVENTORY		INTERVIEWED FIRMS	
	NUMBER	%	NUMBER	%
Forestry and wood products	**61**	*20*	**27**	*20*
Transportation	**55**	*18*	**15**	*11*
Other manufacturing	**26**	*8*	**13**	*10*
Printing	**25**	*8*	**15**	*11*
Metal fabrication and manufacturing	**21**	*7*	**8**	*6*
Machinery and equipment manufacturing	**21**	*7*	**12**	*9*
Mining	**20**	*7*	**12**	*9*
Food products	**18**	*6*	**10**	*8*
Clothing and textiles	**14**	*5*	**5**	*4*
Information technology/telecommunications	**13**	*4*	**5**	*4*
Oil and gas	**8**	*3*	**4**	*3*
Electronics	**7**	*2*	**1**	*1*
Environmental services / technology	**6**	*2*	**2**	*12*
Other Services	**5**	*2*	**0**	*0*
Warehousing	**4**	*1*	**1**	*1*
Chemicals	**2**	*1*	**2**	*2*
Life sciences / health	**1**	*0*	**0**	*0*
TOTAL	**307**	*100*	**132**	*100*

Source: Ki2i Database

Note the number of firms in the inventory and interviewed vary from the total populations in Table 1 because of missing data. These gaps should be minimized when the Data is validated

Many of the firms are located outside of the incorporated municipalities (Grasmere – 6, Fort Steele-4, Elko-3, Galloway-2, Wynndel-2, et.) and so it is more useful to portray the Phase I information by economic sub-region rather than community. The study area is now divided into five sub-regions:

Table 3
Definition of Sub-regions

Sub-region	Description
North Columbia	Golden plus Columbia Shuswap Area A (from Spillimacheen north but not the community itself)
Mid Columbia	RDEK Areas G and F and the communities between (and including) Spillimaheen and Canal Flats
Elk Valley	Fernie, Sparwood, Elkford, RDEK Areas A and B -from the Alberta border up to but not including Jaffray
Cranbrook Area	Cranbrook and Kimberley, RDEK Areas C and E (Highway 3 corridor from Moyie to Jaffray and north to (but not including) Canal Flats

Creston Area	Creston, RDCK Area B, parts of RDCK Areas A and C (the eastern side of Kootenay Lake up and east to (but not including) Moyie.

Source: Working Group definitions

Table 4 provides information on the number of firms in each sub-region, the known employment, and the average number of employees per firm. The difference between the average size of the firm and the size of the median firm (half of the firms are larger and half are smaller than this firm) illustrates the relative dominance of a few firms in the region. This is most pronounced in the Elk Valley sub-region because of Elk Valley Coal. In contrast, firms in the Creston area tend to be of a similar size. Also shown in this table is the number of firms that are planning "significant capital investment for expansion".

Table 4
Firms, Employment and Capital Expansion by Sub-region

REGION	FIRMS	EMPLOYMENT			Number Planning Capital Investment for Expansion
		Employees	Average Employees/Firm	Median Size	
North Columbia	46	550	20	4	27
Mid Columbia	36	360	28	10	13
Elk Valley	44	2987	136	4	22
Cranbrook Area	154	1756	28	7	63
Creston Area	32	166	15	12	13
TOTAL	**312**	**5819**	**18**	**8**	**138**

Source: Ki2i Database

Another important point is that some externally available data on employment was available for firms that could not be interviewed in Phase 1. This has been recognized in the employment figures presented in Table 4. At this point, the employment figures have not been extrapolated to generate an estimate of all the manufacturing and technology firms in the study area.

As part of the first interview, the Phase I respondents were asked to evaluate the relative importance of 22 issues on a scale of 1 (not important at all) to 5 (very important). In the original data analysis, Finding or Keeping Skilled Workers, Transportation, Labour Costs, Taxes, and Government Regulations were the five most critical issues. In Table 5 below, the analysis of three issues illustrates the variation by sub-region and the potential value of detailed analysis once the information is validated.

Table 5
Critical Issues by Sub-region

REGION	% of Firms rating issue Important or Very Important		
	SKILL SHORTAGE	MARKETING	FINANCE
North Columbia	24 %	12 %	27 %
Mid Columbia	38 %	15 %	23 %
Elk Valley	48 %	9 %	9 %
Cranbrook Area	60 %	10 %	16 %
Creston Area	67 %	31 %	8 %
TOTAL	**50 %**	**13 %**	**13 %**

Source: Ki2i Database

Key analysis undertaken by Ference Weicker during Phase I would provide further valuable insights if replicated once the accuracy of the database is confirmed. These analysis topics are listed below.

Table 6
Replicating Ference Weicker Analysis on Revised Data Base

1	Estimated aggregate employment of the companies listed in the inventory
2	Estimated aggregate revenues of the companies listed in the inventory
3	Number and location of head offices
4	Distribution of firms by revenues
5	Revenues by market region
6	Revenues by market region for firms reporting less than $5 million in revenue
7	Revenues by customer sectors
8	Revenues by sector for firms reporting less than $5 million in revenues
9	Projected annual increase in revenues over the next three years
10	Projected number of full time employees over the next three years
11	Average value of products and services purchased locally and from elsewhere
12	Likelihood the firm will be operating in the same location in five years
13	Plans for a significant capital investment to expand operations over the next three years
14	Research and development statistics
15	Key issues facing the firm by sub-region
16	Survey results by size of company (revenues)
17	Survey results by major sector

Source: Ference Weicker Phase I study

Backgrounder 5

INDUSTRY SECTOR ANALYSIS

(Based on the Phase I Revised Database)

Industry sector analysis was undertaken for the following four sectors based on Phase I data developed by Ference Weicker. These four sectors are among the largest in the region - Backgrounder 4, Table 2 is replicated here. As more firms participate and provide information on operations and issues facing them, the insights gained from the data analysis will likely be much richer.

Firms and Phase I Interviewees by Sector

SECTOR	FIRMS IN INVENTORY		INTERVIEWED FIRMS	
	NUMBER	%	NUMBER	%
Forestry and wood products	**61**	*20*	**27**	*20*
Transportation	**55**	*18*	**15**	*11*
Other manufacturing	**26**	*8*	**13**	*10*
Printing	**25**	*8*	**15**	*11*
Metal fabrication and manufacturing	**21**	*7*	**8**	*6*
Machinery and equipment manufacturing	**21**	*7*	**12**	*9*
Mining	**20**	*7*	**12**	*9*
Food products	**18**	*6*	**10**	*8*
Clothing and textiles	**14**	*5*	**5**	*4*
Information technology/telecommunications	**13**	*4*	**5**	*4*
Oil and gas	**8**	*3*	**4**	*3*
Electronics	**7**	*2*	**1**	*1*
Environmental services / technology	**6**	*2*	**2**	*12*
Other Services	**5**	*2*		
Warehousing	**4**	*1*	**1**	*1*
Chemicals	**2**	*1*	**2**	*2*
Life sciences / health	**1**	*0*		
TOTAL	**307**	*100*	**132**	*100*

Source: Ki2i Database

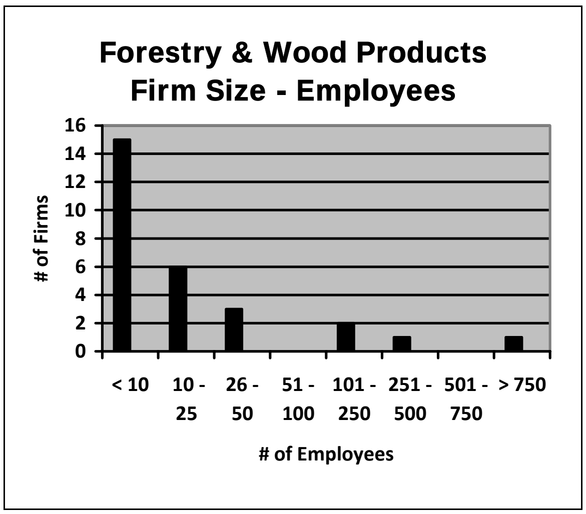
The small sample size of the sectors, as well as the employment and sales dominance by a few firms within each sector, means that some of the information cannot be displayed for reasons of confidentiality. Also the primary objective in Phase I was to build an inventory of firms so extensive multi-year information was not collected. Third, very few of the firms are public companies so that other avenues to collect company-specific information are not available. Nevertheless, the results provided below from the inventory of firms based on the revised definition of industry are informative.

a. FORESTRY AND WOOD PRODUCTS

INVENTORY OF FIRMS – PHASE I

Interview Status	Number	%
• Completed Phase I Interview	27	48 %
• Interviewed in Phase II	1	
• Not Interviewed Phase I	27	47 %
• Declined Interview	3	5 %
Subtotal	**58**	**100 %**
• Identified as Not in Service or Closed	3	
TOTAL	**61**	

SIZE OF FIRMS



Employment in the 28 firms surveyed totaled 1776. The four largest firms employ 86% of this workforce while 54% have less than 10 employees. Sales data is not broken down by firm size for reasons of confidentiality.

CRITICAL ISSUES FACING FIRMS IN THIS SECTOR

KEY ISSUES	AVERAGE RANKING (1-5 scale, 5 – highest)
1. Shipping	3.11
2. Skill Shortage	3.00
3. Regulations	2.79
4. Telecommunications	2.64
5. Taxes	2.64

These sector rankings mask some substantial regional differences that should be explored further. For example, the Forestry and Wood Products firms in the North Columbia region rate the Power and Utilities issue as a 3.43 while the firms in the Cranbrook area give it a ranking of only 1.3.

b. MACHINERY & EQUIPMENT

INVENTORY OF FIRMS – PHASE I

Interview Status	Number	%
• Completed Phase I Interview	12	60 %
• Not Interviewed Phase I	5	25 %
• Declined Interview	3	15 %
Subtotal	**20**	**100 %**
• Identified as Not in Service or Closed	1	
TOTAL	**21**	

SIZE OF FIRMS

CRITICAL ISSUES FACING FIRMS IN THIS SECTOR

KEY ISSUES	AVERAGE RANKING (1-5 scale, 5 – highest)
1. Accessing inputs	3.00
2. Funding for Product Development	3.00
3. Shipping	2.83
4. Regulations	2.83
5. New Technology	2.75

Note:The average score across the 22 categories was only 2.15 so firms in this sector had very few problems in several of the issue areas.

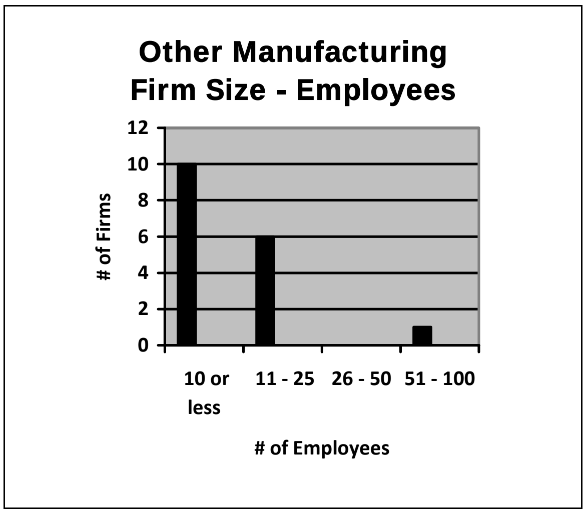
c. OTHER MANUFACTURING

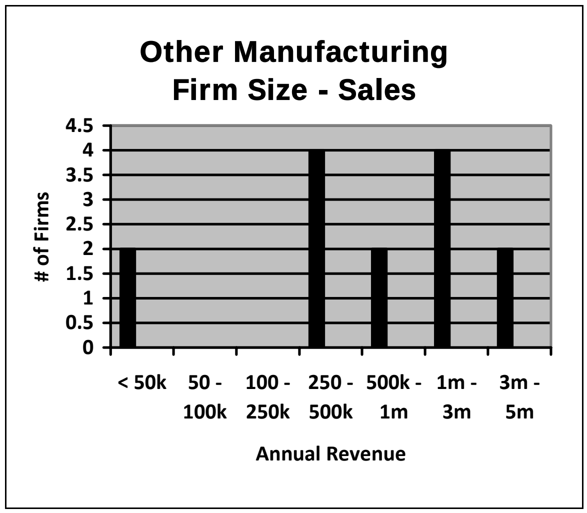
INVENTORY OF FIRMS – PHASE I

Interview Status	Number	%
• Completed Phase I Interview	13	54 %
• Not Interviewed Phase I	10	42 %
• Declined Interview	1	4 %
Subtotal	**24**	**100 %**
• Identified as Not in Service or Closed	2	
TOTAL	**26**	

COMPOSITION OF INDUSTRY	
Type	**Number**
Concrete	8
Using other rock materials	3
Glass products	2
Housing components	4
Retail/crafts products	**6**

SIZE OF FIRMS





Employment in the 17 firms for which employee data could be obtained totaled 208. The four largest firms employ 60% of this workforce.

CRITICAL ISSUES FACING FIRMS IN THIS SECTOR

KEY ISSUES	AVERAGE RANKING (1-5 scale, 5 – highest)
1. Taxes	3.00
2. High Labour Costs	2.95
3. Skill Shortage	2.85
4. Shipping	2.85
5. Accessing Inputs	2.85

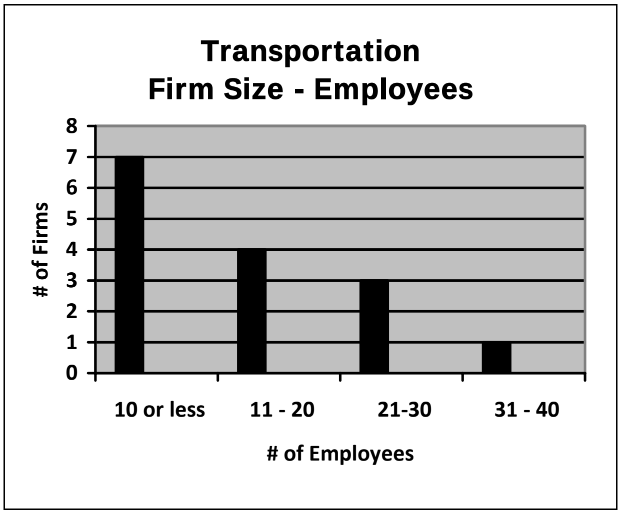
In this industry group, the average rankings mask some strong differences between firms. For example, three firms rated Suitable Space a ‘5’ rating while the rest scored it a ‘1’. However, there did not appear to be any regional variations of significance in this sector as any outliers were geographically distributed.

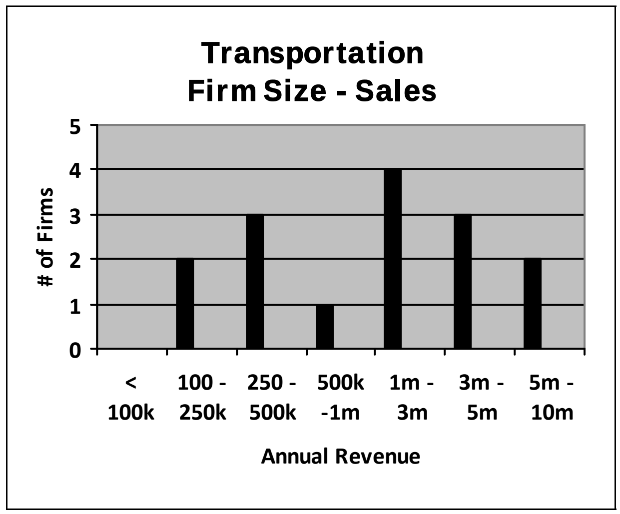
d. TRANSPORTATION

INVENTORY OF FIRMS – PHASE I

Interview Status	Number	%
• Completed Phase I Interview	15	29 %
• Not Interviewed Phase I	31	61 %
• Declined Interview	5	10 %
Subtotal	**51**	**100 %**
• Identified as Not in Service or Closed	4	
TOTAL	**55**	

SIZE OF FIRMS





Total employment in the 15 firms surveyed was 184 people with the four largest firms employing 53%.

CRITICAL ISSUES FACING FIRMS IN THIS SECTOR

KEY ISSUES	AVERAGE RANKING (1-5 scale, 5 – highest)
1. Skill Shortage	3.87
2. High Labour Costs	3.07
3. Taxes	3.07
4. Regulations	2.93
5. Shipping	2.77

Many firms engaged in hauling for forestry and wood products firms and are concerned with regulations and shipping related to the Softwood Lumber agreements with the United States.

Backgrounder 6

BEST PRACTICES RESEARCH:
TARGETING FIRMS

Applying the Pareto Principle: In 1906, Italian economist, Vilfredo Pareto, observed that 80% of the wealth in his community was held by 20% of the people. This recognition that a **vital few** (20% of the inputs or causes) create the vast majority of the results or impacts (80%) applies to many phenomena and became known as the Pareto Principle or the 80/20 Rule. The exact percentages may vary but the observation has merit because in most economic regions, no matter how the regions are defined,

- A handful of companies have most of the employees and sales,
- A handful of companies are growing rapidly and generating most of the employment growth,
- A handful of companies are looking to relocate and are generating most of the workload for the planning staff in local governments, etc.

Successful companies have long recognized the need to strategically focus their efforts where benefits are most likely generated. However, this observation of value added stands in stark contrast to the democratic principle that everyone should be treated equally which is often applied to government-driven economic development initiatives. Equity should be the goal in law and democratic electoral processes but too often, the demand for the right to equal service diffuses the efforts of government and the non-profit organizations they fund, dramatically reducing effectiveness. (The corollary of **the Law of the Vital Few** is the **Law of the Trivial Many** (80% of the effort will go to generating only 20% of the results).

Who Generates Growth? Estimates from a variety of research in the United States are that:

- 85% - 95% of new jobs come from existing businesses,
- 81% of businesses have fewer than 10 employees, and
- 3% - 5% of the companies produce 70% - 80% of new jobs (gazelles).[3]

Research in Canada is similar. As a result, the focus for economic development strategy has shifted dramatically toward Business Retention and Expansion. There is still a role for Business Attraction if there is a hook to keep the new firm in the community, typically local supply of raw materials or a strong local market. Efforts to attract "footloose" companies generally fail because chances are low (est. 50:1), the attraction is a low cost place to do business (low wages, low costs of land) and these companies stay only as long as the costs stay down.

The Concept of Economic Gardening: The fundamental principle of Economic Gardening is to build the business base from the inside out by providing support to local entrepreneurs and businesses. Entrepreneurs typically need access to capital, an entrepreneurial culture in the community, talented employees, peer networks, basic infrastructure, market information, access to markets and training in all aspects of business.

Who are the Target Firms? Where should economic development practitioners focus 80% of their energy? Based on these theories and facts, ED practitioners should focus on those firms that are having or will have a significant impact on the community. For the purposes of this study, the consultants developed the following taxonomy:

- Gazelles – firms that have reached the point where they have five or more staff, significant sales and a track record of rapid growth (>20%) over a three or more years. Five employees seems to

[3] Christine Hamilton-Pennel, "Economic Gardening: An Entrepreneurial Approach to Economic Development", Presentation, Castlegar, B.C., October 16, 2007

be the critical mass for which firms have sufficient internal capacity and systems to survive and grow further, and three years is desired as rapid growth is difficult to sustain over a number of years. Based on information available to us from Phase 1 of this study, the criteria we used to identify gazelles to interview were: firms with at least five employees, sales growth last year of at least 20% and at least $250,000 in sales. (Only one year of sales history was available.)

- Renaissance firms – Established firms with major reinvestment plans (evidence of a renaissance or movement to the next size level). As investment in new capacity is often necessary for growth, renaissance firms also have the potential for significant future growth – they often are potential gazelles. For the purpose of this study, the definition used was firms at least 10 years old, with over $500,000 in revenue, and investment plans (that may or may not include relocation).
- Foundation firms - The industry leaders with a large number of employees and considered one of the core businesses in the community because of their impact on the local labour market.
- Emerging Entrepreneurs – New firms with a clearly identified "true entrepreneur" at the helm. There are several types of entrepreneurs:
    - Aspiring (I have an idea!)
    - Survival (I have my own business and now coping to survive.)
    - Lifestyle (I want to be my own boss or I'm in this business to live the lifestyle I want.)
    - Growth (I've got a great idea and want to see how far I can take it.)
    - Serial (I love generating ideas and creating businesses to bring them alive. Once they are going I like to spin them off and start on something new.)

  The latter two categories are the "true" kind of entrepreneurs ED practitioners seek out (either in emerging firms or existing - gazelles are often led by growth or serial entrepreneurs). To assess an entrepreneur's capacity to create a gazelle-type firm, an ED practitioner is exploring basic personality type. Through an interview process, one looks for behaviors and manifestations of Sensing-Thinking-Judging (STJ) or Intuitive-Thinking-Judging (NTJ) personality types (Myers-Briggs taxonomy[4]), and a consistent sense of future oriented vision for growth. This is an art, rather than a science. Selection of gazelles and could-be gazelles using the objective criteria above is a more robust approach for most ED practitioners to engage in.

What Resources Already Exist? In the project service area, businesses do already take advantage of a variety of supports and services that support their growth. Project recommendations must take these factors into account, appreciating both the differing types of supports required by different sized firms, and the wealth of existing supports to be leveraged.

Examples of Organizations Providing Business Support		
	Business Type	**Example Resources**
	Start-ups	• CFEK • MED - Small Business website • KABAS for First Nations
	Growth firms	• CBT's BBA program • BDC • Southern Interior Development Initiatives Trust • CFEK (i.e. financing)
	Larger Companies	• Canadian Manufacturers and Exporters • College of the Rockies (training programs)

[4] www.myersbriggs.org

Backgrounder 7

REFERENCES – BEST PRACTICES RESEARCH

- Two 2006 BC-wide studies of relevance.
  - Final Report**,** High-Technology Industry Advisory Committee BC Competition Council, March 23, 2006 http://www.ecdev.gov.bc.ca/reportspublications/High-Tech_IAC_Report.pdf
  - A Report to the BC Competition Council From the Manufacturing Industry Advisory Committee, February 10, 2006 http://www.ecdev.gov.bc.ca/reportspublications/Manufacturing_IAC_Report.pdf
- Other Sources
  - Southwest Saskatchewan Action Group – good industry development plan for a rural region
    - http://www.actionsouthwest.com/report/2.html
  - Newfoundland – again good studies for rural areas
    - http://www.intrd.gov.nl.ca
    - NL and Labrador, CME BR&E Action Plan – 2004
    - Business Retention and Attraction Initiative
  - Comox Valley Economic Development Society is developing its capability similar to the East Kootenays
    - www.investcomoxvalley.com/documents/BusinessRetentionandExpansionRFP.pdf
  - Government of Ontario – wealth of information and how-to's
    - http://www.reddi.gov.on.ca/strategies_investmentattraction
    - http:/www.mah.gov.on.ca/Page229.aspx
  - Niagara Economic and Tourism Corporation – a wealth of information and strategies – if you have the resources to implement them
    - http://www.niagaracanada.com
  - Centre for Innovative and Entrepreneurial Leadership – an innovative organization with valuable tools such as the Community Matrix and the Business Vitality Index. The report "69 Tools, Techniques and Resources for Communities" is a particularly useful summary of their work and other economic development resources.
    - http://theciel.com/
  - Articles
    - Economic Gardening: An Entrepreneurial Approach to Economic Development
      - http://www.littletongov.org/bia/economicgardening/
    - Gazelles and Dinosaurs
      - http://thinksmart.typepad.com/headsup_on_organizational/2005/02/gazelles_and_di/html

Backgrounder 8

INDUSTRY & LOCAL GOVERNMENT INTERVIEW GUIDES

INDUSTRY GUIDE – Phase II

Overview:

This interview guide was based on best practices research and utilized the information gathered in Phase I wherever possible. Each area of inquiry had one or two key questions and then several supplementary or exploratory questions. The information gathered was added to the Access database that was created for the Phase I information so that all data for any one company are in a single location. Areas of inquiry where as follows:

1. **Planning**
   - What business issues keep you awake at night?
   - You have predicted growth of _____ in the next 3 years. How do you make this prediction?
     - o Like what you see?
     - o Business planning / strategic planning practices?
     - o Business control vs. outside market forces - balance?

2. **Marketing and Sales**
   - What are the most important trends in customer needs? In your industry in the coming three years?
     - o Market share increasing? Why?
     - o Tools or resources for market research / intelligence – more required? – What kind?
     - o Marketing plan - use it - review it, evaluate follow-through, plan your next activities, etc.
     - o Processes to identify changing customer needs
     - o Sales: close the deal (vs. find the customer)
     - o Most important customer? Why? How strong is this relationship?

3. **Competition**
   - In our Phase I interview, you stated that your strongest competitive advantages are __________. Tell me more about ______________.
     - o Most significant competitors?
     - o How intense is the market? What are the forces that might need to be addressed?
     - o Competition increasing or decreasing – Why?

4. **Finance**
   - How far in advance do you budget for financial performance?
     - o Compare actual performance to budgeted
     - o You stated earlier that access to finance was a problem for you [true / false] Elaborate?
     - o What sort of finance do you think you should be getting, but are not?
     - o Sources of financial advice?

5. **Staffing**
   - You have described your staffing as increasing / decreasing by ______% in the next _____years. Why is this happening? What are you doing to solve this problem?
     - o Core skill sets required in new employees (next three to five years)?
     - o Are your issues more or less serious than others (industry, community in general)?
     - o Your employee retention vs. others? Why?
     - o Existing staff training needs met? - If no, what is the barrier?

- If community rallied resources to assist you with recruitment and retention, on what terms would you want them?

6. **Leadership**
   - What would your core managers or staff say is the best part of working for your company?
     - Describe your personal approach to leadership
     - Your source for “professional development” (e.g. reading, courses, mentors, consultants, coaches)?
     - Your senior managers’ source?

7. **Technology**
   - What are the most important emerging technologies that will change the way your product is made in the next 5 years?
     - Change the way you sell?
     - Specific (if required): communications and Internet

8. **Research and Development**
   - What are your primary and secondary products and where are they in their life cycle? (Emerging, Growing, Maturing and Declining)
     - Are you currently developing new products? To what extent is the constant cycle of product (/service) innovation crucial to your businesses viability, vs. improving efficiency in your business systems?
     - You spend _____ on R&D. How do you decide this? Is it as a % of sales? Is it % of profits? Is it based on new idea champions?
     - R&D spending in your industry averages ______% of sales. You are lower/higher. Why?
     - What % of R&D spending is on new product development, product improvement, or process improvement? How will this change in the next three years?
     - Query re use of outside parties for R&D efforts…
     - I noticed you have [not] applied for SRED credits. Are you familiar with all of SRED and IRAP’s programs? Would you like to know more

9. **Supplies and Services - transportation**
   - In the phase 1 interview, you identified transportation as a major problem. Elaborate…
     - What other challenges do you face in terms of either securing production inputs or reaching your markets?

10. **Linkage Opportunities**
    - Can you think of any current customers who would really benefit by being located closer to you? Quantify how they would they benefit. (Secure contact info if feasible)
      - How about Suppliers? (Secure contact info if feasible)
      - Are there parts of your product or service that you outsource to others that you would benefit from either producing yourself or securing from a local supplier? Where do they come from now, and what are they?
      - Can you think of any complimentary services or product business that would benefit from being located close to you – perhaps selling to the same customers as you, etc?

11. **Export**
    - How complex are your export activities? (none, limited, single market, multi market)
      - In the next three years, will this change?
      - Do you need supports in this area?

12. Community

- You previously told us that the competitive advantages of doing business in this region were _____________. What are the competitive disadvantages?
  - How committed are you to keeping your business here? [if Not] What services or supports or infrastructure could be provided to keep you here?
  - Impact on community of business change in 5 years
  - What do you expect of local governments and economic development organizations in this region?

13. Succession

- When do you plan to exit your business? What is your succession plan or exit strategy?
  - You've stated that your businesses sales have decreased by _______% in the last ________ years. Are you thinking of closing? What services, supports or infrastructure could be provided to keep you in business?
  - Would you like more information about succession planning or selling your business?

14. Relocation (if applicable only)

- We are currently working with ICIS (Integrated Cadastral Information Society) to develop a GIS tool that helps understand land use availability in this region, and we need to discuss your specific needs to ensure the ICIS work is relevant
  - In our Phase I interview, you indicated you needed to move in the next _____ years. What generally do you require in terms of a new space? e.g. land, buildings, services, size, zoning, neighbours, cost
  - Are you confident you can find it?
  - Industry Standard = X, does this fit within your expectations?

15. Resources

- Rank the following based which you'd like to know more about:
  - strategic planning and leadership
  - market or competitive research for your business
  - financial planning
  - recruitment and retention
  - specifically what would you like – how should this information be delivered to you? How is it delivered now?

- Do any of the following trump the above?
  - leadership
  - technology trends for your business or R&D strategy
  - export opportunities
  - succession planning
  - land and relocation opportunities.

LOCAL GOVERNMENT GUIDE - Phase II

Target: Planners or EDO's in municipalities, or in their absence, the Chief Administrative Officers

Purposes:

- To identify their organization's attitude towards and role in business location/development – licensing, zoning, community planning, developer agreements, service delivery, etc.
- To ascertain the extent of their use of GIS and the potential they see for GIS in the future.
- To share with interviewees the initial GIS products developed by the project, discuss what is yet to come, and determine the relevance of our strategy.
- To determine their knowledge of the manufacturing and tech sectors in their communities.
- To probe their values and beliefs around the primacy of the projects goals – stimulation of manufacturing and tech business (vs. tourism, real estate development, service sector).
- To solicit ideas for the effective stimulation and/or development of the manufacturing and technology industries.

Questioning Process

1. <u>Roles In Planning</u>
   - 1.1. What are your planning practices?
     - OCP, Land Use Bylaw, Development Agreements, etc.
   - 1.2 Are they in the process of being updated?

2. <u>Infrastructure Management</u>
   - 2.1. What infrastructure are you responsible for?
   - 2.2. What are your major infrastructure issues?
   - 2.3. Are these issues impacting your ability to retain and attract businesses?
   - 2.4. What is your process to ensure that relocating businesses or new developments pay their fair share of new infrastructure costs?

3. <u>Support for Businesses Considering Relocation</u>
   - 3.1. What support do you provide for businesses requiring a new location? What hoops do they have to jump through?
     - Can I get copies of your brochures and other materials you provide these firms?
   - 3.2. Can and do you direct them to other resources to facilitate any relocation process? Examples?
   - 3.3. What is the typical time from first contact (where the firm has decided to relocate, not the 'tire-kicking' stage) to final approval?
     - If no rezoning is required?
     - If rezoning is required?
     - If subdivision development is required?
   - 3.4. What types of frustrations do you hear from firms? Is it within the local government's power to address them or does it require the involvement of others? What changes are needed and would any changes arising from any such process make a noticeable difference?

4. <u>GIS and Mapping</u>
   - 3.1. Do would currently use spatial maps in your work?
     - In-house or contract with others?
   - 3.2. What use do you make of them?
     - Framing policy, rezoning applications, managing infrastructure, helping businesses re location, other?
   - 3.3. What potential do you see for further application of GIS?

5. <u>The Manufacturing and Technology Sectors</u>
   5.1. Who are the fast growing firms in these sectors?
      - Here are the ones we have identified in your area, are there others?
   5.2. Do you know who is planning to relocate and what there needs are?
   5.3. What do you see as needed to attract or strengthen these two sectors in your area?
   5.4. Do your existing key industries need critical suppliers or buyers that would benefit from being located in your community?
   5.5. Some economic development practitioners argue that manufacturing and technology are the only sectors that a local government should support, as they are the foundation of the economy – most other business ripples out from manufacturing and tech. Do you agree that this should be the focus of local government or local economic development?
   5.6. What is there a role for the local government in this attraction process? (not sure if "attraction" process is the right thing here, but also not sure what is missing)

6. Conclusion
   6.1. Thank you
   6.2. To conclude this project our remaining steps are… In particular, we are planning focus groups in Fernie, Golden and Cranbrook during the week of March 3, 2008 and invite you to attend.

Backgrounder 9

INDUSTRY AND LOCAL GOVERNMENT INTERVIEWEES – PHASE II

INDUSTRY		
	Firm	**Interviewee**
1	Agri- Green Diesel	Gary Tomlinson
2	Agnes Creek Sawmill and Trading	Jack Heakin
2	Bear Lumber	Bob Jerke
3	Canadian Forest Products	Pat Findlater
5	Canadian Timber Frames	Carol Brown
6	Creston Advance	Jim Jacobson
7	Elk Valley Coal	Nic Milligan
8	Fernie Brewing Company	Lenka Kosmak
9	Galloway Lumber	Bud Nelson
10	Ground Control Systems	Fred Bodecker
11	HCA Minerals	Chris Knight
12	Harrison McKay Communications	Harrison McKay
13	Jepson Petroleum	Chris Jepson
14	Kooscanusa Publications	Keith Powell
15	Louisiana-Pacific Canada Ltd. Golden Division	Bryce Piggot
16	Mardis Forest Products	Larry Gould
17	Miller Bert Contracting	Doreen Beckett
18	Mrs. Palmers Pantry	Brenda Palmer
19	Nohels	Marcus Van
20	Palliser Printing and Publishing Ltd.	Dee Conklin
21	Quality Bakery (1981) Ltd	Peter Banga
22	River City Woodworks	Willard Ripley
23	Rocky Mountain Landscape Bark Ltd	Rachelle Sinclair
24	Skyhawk Trucking	Mike Meschisnick
25	Tembec	Tom Kirk
26	Tree Fever Turnings	Kim Boenaning
27	Tri-Kon Precast Products	Chris Kostiuk
28	Wynndel Box & Lumber	Michael Wiggin
29	Zebra Communications	Dave Bulford
LOCAL GOVERNMENT		
1	City of Cranbrook	Will Pearce and Wendy Wood
2	City of Fernie	Bruce Lennox
3	City of Kimberley	Laurie Cordell
4	District of Invermere	Chris Prosser
5	District of Sparwood	Paul Wortley
6	Ktunaxa Nation	Hector Ponte
7	Regional District of East Kootenay	Karen MacLeod and Jeff Nicolajsen
8	Town of Golden, Golden Area Initiatives	Cleo Corbett and Rob Miller

Backgrounder 10

RESULTS OF INDUSTRY INTERVIEWS

Overview:

The consultants undertook detailed interviews with 29 firms in the region, engaging in open conversation about the Areas of Inquiry below.

Area of Inquiry	General Issues
Planning	• More than half have "no trouble sleeping" – their problems aren't overwhelming • Very few engage in structured business planning
Marketing and Sales	• The second most frequently mentioned "keep awake at night" issue • Most without skill / ability / sophistication / analysis / strategy • Many without time to improve skills • Those with appreciation of branding and quality – even in commodity markets – are the stronger performers
Competition	• Some examples of cooperation amongst competitors to address greater forces (multinationals, gov't) – clear appreciation of working with "like minds" – mentorship • Most commodity-based business very competitive and correspondingly secretive – particularly cement, forestry, mills • Several examples of monopolies or local oligopolies – they are comfortable serving their market niche with no great plans to expand into new markets
Finance	• Only 20/25% of interviewees do yearly budgeting • 10% use the tool regularly • Operating lines credit is the greatest financial issue • About half of those in need of operating lines do not demonstrate financial awareness / sophistication to manage or secure it
Staffing	• The most frequently mentioned issue that "keeps them awake at night" • Lots of lifestyle concerns – time, recreation • Housing is indisputably the most commonly cited staffing issue – especially for those hiring mid-level skilled employees • A reasonable career path work and wages dominated for the lower-middle class (i.e. skilled workers starting out…) • Businesses success stories were often based on 1 or 2 key hires bringing something critical to the firm • Often interviewees were not in touch with realities of needing to increase wage rates, and therefore prices
Leadership	• Autonomy and giving colleagues the "taste of success" seen as key strategies – but difficult to assess if owner walks the talk • "They like me, they stay"… respect, fun, optimism key • Clear need for self starters within firms – secure folks with skills that do not require training • Professional development generally from consultants & trade magazines – if at all (most not)
Technology	• Many purchasing technology to replace need for labour • Numerous mentions of need for broadband / fibre • Some last mile needs for high speed • Some interest in eCommerce, but little skill or knowledge to procede

Area of Inquiry	General Issues
R&D	• Rarely discussed, except those businesses where all they do is R&D • Some curious – wish they could do more, but no time or not critical success factor for business
Suppliers	• Cost of transportation a key issue for all wood fibre businesses – greatest source of inflation • For most commodity businesses – a constant concern – but this is nature of business • A few frustrated by Telus, but unaware of VoIP
Linkage Opportunities	• Warehouse storage space needed in Cranbrook • Possible opportunity for cardboard box manufacturer • Some interest in the boutique food manufacturing sector for common distribution and marketing • Possible opportunity for square log home builder
Export	• For many, too complex – a market research issue • All forestry discuss softwood lumber – many feel Feds caved in • Exchange rate a major issue re. profitability – especially with additional tax due to low price of lumber – currently about 15%
Community	• Most committed to their communities – lifestyle reasons – some here in spite of inefficiencies • Highly regulated industries (trucking, alcohol, fuel, etc.) unhappy about it • Some concern over regulation / process associated with aesthetic controls in Fernie and Golden – tourist town values don't work for industry • Some local government seen as very backwards / conservative – and/or too focused on tourism and real estate • Argument that economic development practitioners need to be voice of business to local gov't • Regional coordination on skilled labour key – employment agencies seen as dropping this ball
Succession	• Few in succession position; for smaller firms, this means sale of the business
Relocation	• Few need space themselves, but some say it's a critical issue in their community with Invermere in particular having a shortage of commercially zoned land
Resources	• About half of the interviewees were interested in help / resources • Of those that were interested, the needs in order of priority were employee relations and human resources, marketing and market research, strategic and operational planning, and finance. • First picks are 4 for staff, 4 for market, 1 for planning, 1 for dollars • The best ways to deliver the resources were: o newsletters, emails, short seminars, o 1 on 1 most helpful o centralized websites (for staffing problems)

Backgrounder 11

RESULTS OF LOCAL GOVERNMENT INTERVIEWS IN PHASE II

Interviews were conducted with one Regional District, six municipalities and the Ktunaxa Nation. Further outreach could be done with the Columbia Shuswap and Central Kootenay Regional Districts, the First Nations communities and the remaining municipalities of Creston, Radium, Canal Flats and Elkford. Issue-specific understanding will have to be developed in greater depth as need arises.

Ki2i ISSUE	RDEK	Kimberley	Golden	Invermere	Cranbrook	Sparwood	Fernie	Ktunaxa	SUMMARY
Priority economic development focus / sector	Limited – services and land use focus	Tourism development & community initiatives / amenities	Lifestyle immigrants, tourism	Seasonal residents, tourism	Emphasis on services. Vision is regional dist. centre	Mining Tourism and seasonal residents	Tourism and seasonal residents, medical system	Employment, Treaty	Tourism and growth main focus – all but Cranbrook
Business Attraction activities	Limited	Attraction package	Attraction package	Direct to Chamber of Commerce	Strategy study underway; focus on big box stores	Limited; to complement mining industry	Light industry & commercial compatible with tourism	Limited	Attraction packages common
Bus. Retention & Expansion activities	Limited	Limited	Limited	Limited	Part of strategy study	Limited	Respond to planning requests	Limited	Limited in all
Interest in manufacture & technology	Disinterested, direct towards municipalities where services exist	Interest	Interest, esp. when connected to amenity migrant	Strong interest	Strong interest	Strong – fits with history	Interest	Limited	All have interest, but many have other priorities
Status of mapping/GIS infrastructure	Very high capacity – rivals most in region	Limited	High capacity	Limited at present, but soon full RDEK capacity (sub-contract)	New system imminent – 18 months currently operations	Limited	Limited – old system focused on operations	Extensive, high skill set on staff	Mixed, mostly low
Typical use of GIS	Full spectrum – visual mapping and analysis	Limited	Capacity but limited use	As above	Operations	Unknown, planner not interviewed	Operations	Full spectrum mapping and analysis	Limited- some capacity but rarely used for ED

Ki2i ISSUE	RDEK	Kimberley	Golden	Invermere	Cranbrook	Sparwood	Fernie	Ktunaxa	SUMMARY
Available land for manufacturing & technology	Limited –some interest in industrial zoning – Hwy 3 Cranbrook to Moyie	Large serviced area to come available in 2008, old Cominco properties	Very limited and very highly priced	Modest amounts in town, more on adjacent Shuswap Band	Good inventory in private hands, plus imminent airport expansion	Limited	Limited but lower priority	Extensive, but prior to Treaty requires agreement of all parties in Nation	In order: Ktunaxa, Cranbrook, Sparwood, Kimberly, Golden, Invermere, Fernie
Staffing dedicated to ED	None	1 full time	1 full time with project officer	Limited - CAO	1 full time	I person – dual position EDO and Chamber mgr	Limited – City Manager & Planner	Several, focused on employment and training	4 communities with positions, 50% staffed at time of interviews
Planning document-ation	Zoning, OCP's in some regions	OCP, bylaws, Dev Permit Guidelines, considering DCC's	New OCP and subdivision dev. bylaw, revised zoning bylaw by 2009	Strong tools in place, including (recent) DCC's	Ind. Devel. Permits new 2003 OCP being updated	Unknown, planner not interviewed	OCP, zoning bylaw, signage, dev. permit stds (incl. design guidelines)	Ktunaxa Nation Planning and Land Principles, Indian Act	Key priority for high growth communities
Affordable housing policy & practice	Limited	Limited	Planning 15% levy on all new major developments	Final stages of charter for Mun. Housing Corp, est 15% to 25% levy on future dev.	Not discussed in interview	Current stock more affordable than Fernie	Long term strategy doc; require 15% low income units or cash in lieu	Limited	Action taken by Fernie, Golden, Invermere

Backgrounder 12

GIS READINESS

Overview:

At the outset of Phase II, the Working Group took the lead on integrating GIS into data analysis, with the support and involvement of the consultants. This exercise was meant to improve upon project outcomes (via enhanced communication with the public, etc.) and give the Working Group a sense of the potential for future use of this tool for Economic Development. The following presents a brief summary of experiences in this regard.

Starting Point:
Three potential roles of modern Geographic Information Systems:

- Data Management / Data Base – for example
    - Location of underground infrastructure – water, sewer, gas, etc.
    - Location of property boundaries
    - Characteristics of area – type of vegetation, slope, rainfall, etc.
    - Knowledge Tables: human issues or concerns, geographically located by address
- Mapping
    - presentation of raw data in graphical form
- Analysis
    - manipulation and interpretation of data significance, via comparisons of related data sets (and use of mapping)

Regional Issues Discovered

- Foundation GIS maps through ICIS (Integrated Cadastral Information Systems) are incomplete for the East Kootenay region. This discovery has led ICIS to seek ways to remedy through their partners.
- BC Assessment (an ICIS partner) has land ownership data and mapping done. It is not however translated into digital layer form for GIS purposes, nor is it readily translatable to a common database (missing link to GIS platform through PID number/field).
- Limited use by local governments – mainly for mapping underground services
- The larger forestry companies make extensive use of GIS to forecast yield and impacts of operations
- Very limited need expressed by Phase II interviewees (e.g. most of the firms that were planning to relocate had already found an alternative site).
- Provincial departments such as Forestry and Transportation used GIS for their own purposes but the data they maintained was not particularly useful at the local level.
- Creston and area (as part of the Regional District of Central Kootenay) are mapped and GIS analysis could be performed however still need to link to the database through a common PID reference.
- RDEK has GIS capabilities and data for its rural areas; Cranbrook has AutoCAD with a request out for GIS; Kimberley has no GIS and use AutoCAD, with no digital platform at all; Canal Flats was doing GIS but is now considering contracting with the RDEK for services; Invermere is currently implementing a cost effective contract with the RDEK to provide services.
- Interest with certain municipalities to build a regional system and/or platform. Resources a constraint plus staff.
- At present, demand appears limited which makes it difficult to justify the systems development costs and maintenance costs to maintain the data and improve the interconnectivity.

- Conclusion for area: each community varies in terms of capacity, capabilities, data, platforms, digital capacity and capabilities and data access. Not all communities are members of ICIS. Since platforms are not consistent, they cannot be linked to exchange or build a regional data platform. Moreover, data is not available digitally for many communities.
- Conclusion: the region is a "have not" area when it comes to mapping, capacity and GIS capabilities and access (it is the last area in the province to be mapped). The system has to build from scratch. Yet the region has growth and development pressures that are being dealt with in isolation.

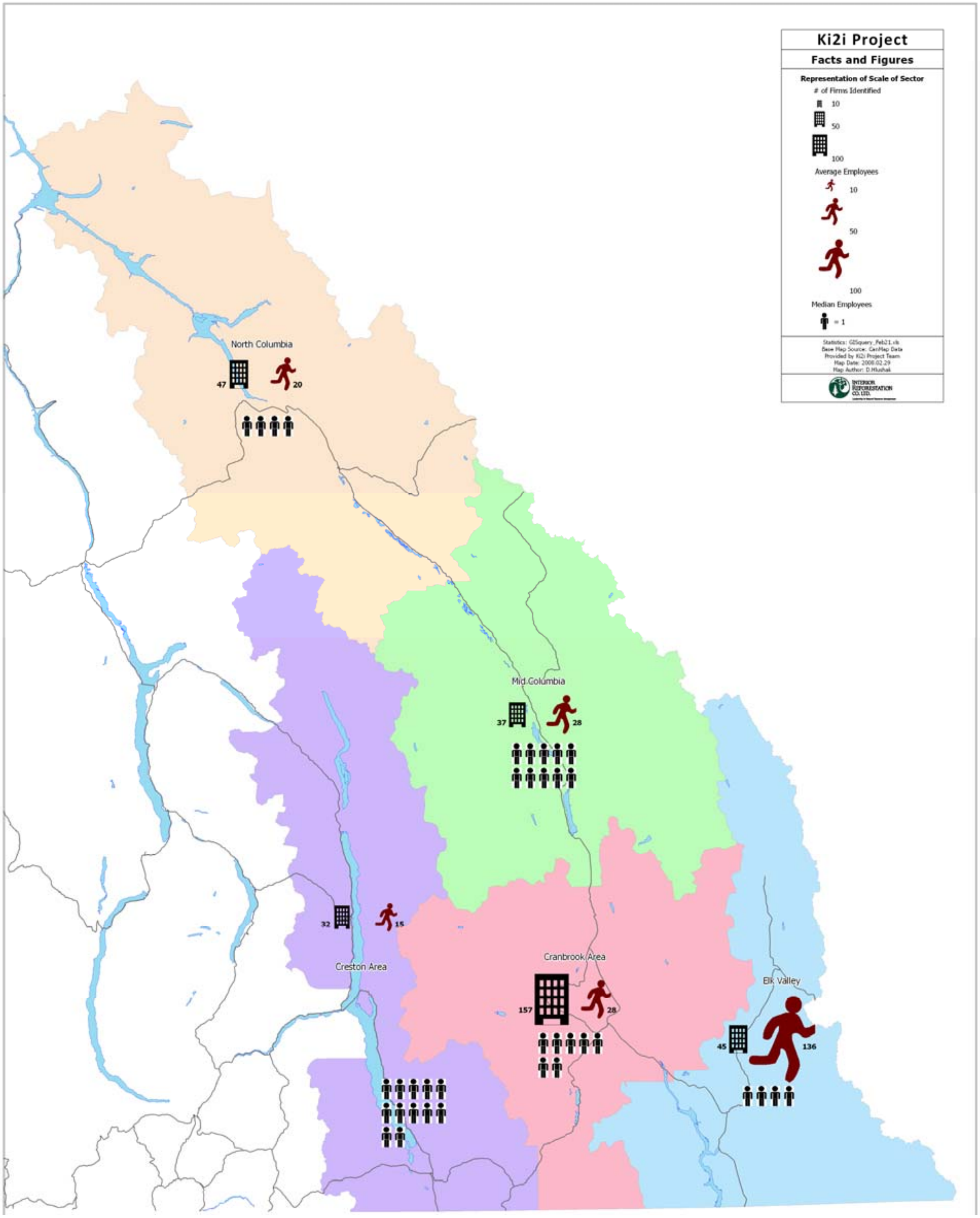
Use of Mapping of the Ki2i Database for this Project

- After exhausting other possibilities, KRIC purchased foundation maps for the region through CanMaps.
- Simple database maps depicting data results on foundation maps with limited / select infrastructure variables were produced (see next few pages).
- These maps were used during the Cranbrook focus group session.
- No actual GIS analysis or modeling could be carried out.

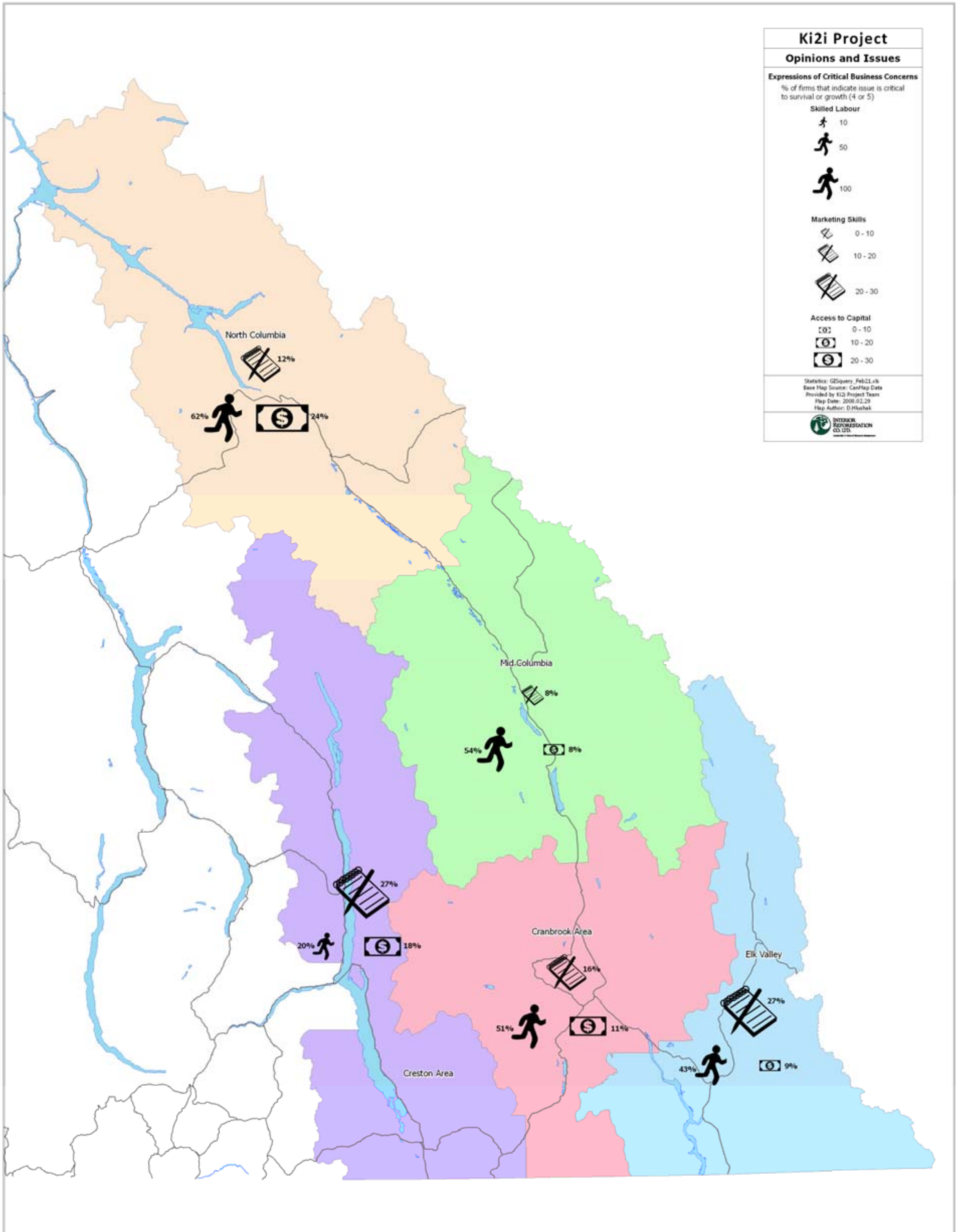
Next Steps / Solutions

- ICIS has committed to improving the data usability in the region. The company is still working to get all communities as partners who have underground utilities data sets. ICIS will collaborate with the Working Group to resolve the infrastructure data irregularities.
- Pilot project partnership with SIBAC: propose map exercise using Cranbrook and Canal Flats as examples to map economic foundations, infrastructure etc and then map out economic impacts if a downturn in forestry happens (i.e. impacts of supply chain and community economies).
- RDEK as central host for GIS and mapping: RDEK has GIS capacity and capability; has BC Assessment data. Municipalities in the region could host their data at RDEK. Need funding to build database, train staff in municipalities to use, maintain database, staff to handle requests.
- Develop common platform throughout municipalities in the region: need to create and collect digital data information and translate into a common platform for mapping.
- Link to BC Assessment data: this data could be very valuable to economic development analysis and modeling. It is currently not linked or translatable to the GIS platform. Need to link through a common PID. Requires funding and person to create the link and then marry to the database.
- Upgrade municipal data and capacity to map: Municipalities' capacity and data sets vary widely. Need to standardize and upgrade and build capacity in the region. Requires funding to build and translate data.
- Regional analysis using GIS and BC Assessment data: Undertake an analysis of the region matching BC Assessment land inventory data to GIS initially and then to the Ki2i database for a full economic development analysis. Could use ICIS as a pilot partner, which would work for RDEK but not all other municipalities in the region. Requires funding and person.
- Regional GIS analysis: once the GIS platform is built, do regional GIS analysis. Requires funding and person.

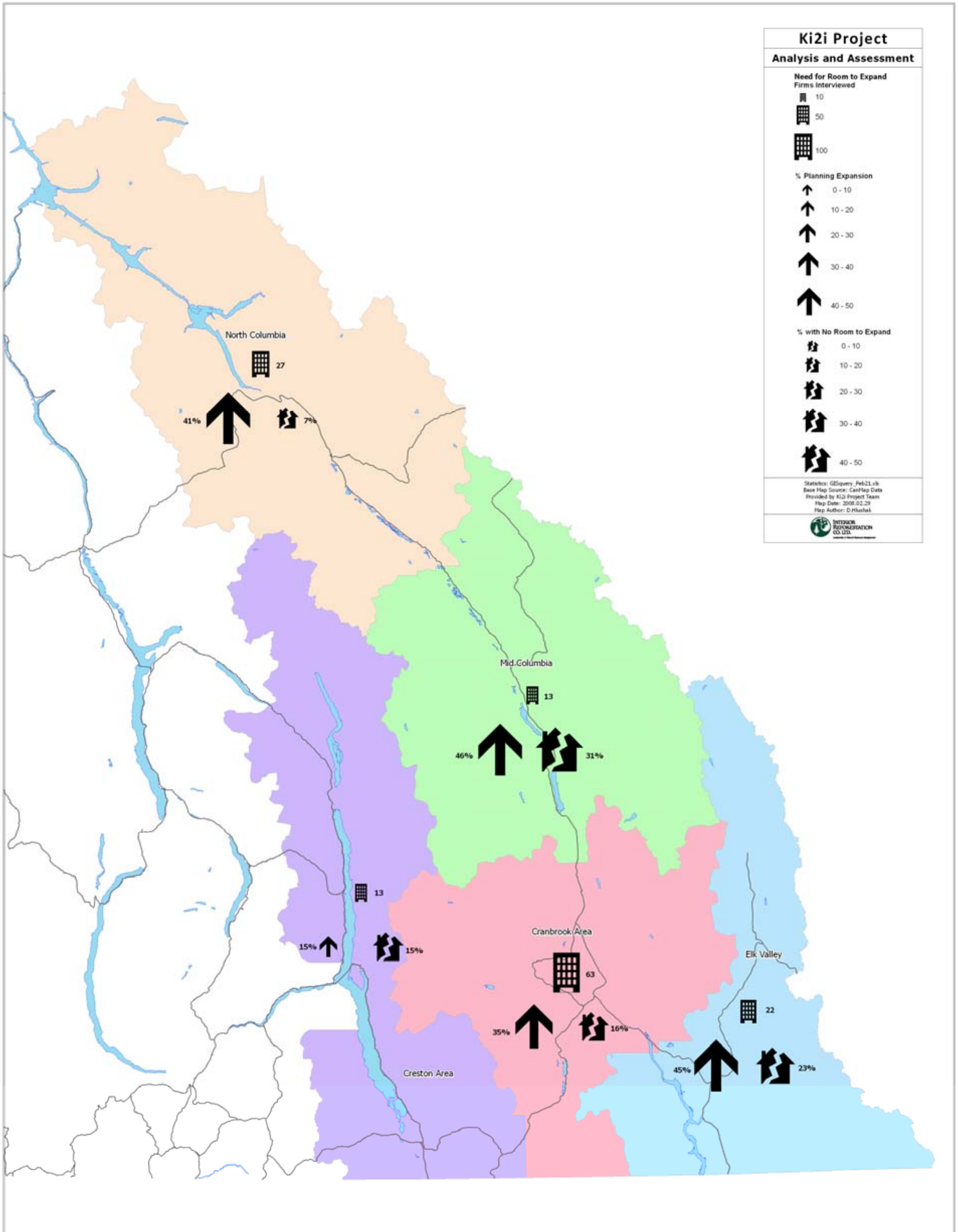
Map 1 – Scale of the Sector



Map 2 – Opinions and Issues



Map 3 – Analysis and Assessment



Backgrounder 13

RESULTS OF CRANBROOK FOCUS GROUP
March 6, 2008

What are you expecting from this session?

- Infrastructure
- Community development for a community that needs it
- Looking for connections to work
- Looking for service sector relevance
- Change in economy increases the need for manufacturing sector
- Future of the region – competitive relevance – doing business outside

Discussion Arising from Ference Weicker Phase I Results

- Accuracy of OCP, local maps in Creston a concern
- Need for local involvement in developing plans – Creston
- Need to get past local issues and take regional perspective.

Phase II Discussions

- It is appropriate to target change-makers
- Integrated case management
    - How to reach out?
    - Cold calls?
    - Host event on succession planning?
    - Meet and greet sessions?
- Companies have severe time constraints to attend events such as this.
- Should the focus be on company-specific issues or key regional issues?
- Know your strengths, hire for your weaknesses
- Can't afford to hire a marketer or an accountant as they expect to be earning more than you are
- Consultant list of marketers, accountants, etc, would be helpful
- Training needed on accessing consultants, contract staffers to address needs of company (these people then need to work themselves out of a job!)
- Some companies unwilling to pay the $1,000 to access BBA – other business people said this was the first necessary step in developing entrepreneurs/business owners – otherwise treated as welfare (someone else is responsible for keeping me going)
- Changing demographics a concern – young people can't afford the housing and older people coming to enjoy the slower pace (on the downside of their careers – may not be willing to put in the sweat) - a disconnect.
- Young people know how to use the internet; need to keep them in the community
- Should be looking to share resources between firms
- Roles of big organizations, colleges etc. Local purchase policies (for example College of the Rockies expects firms to help them with donations, contributions in kind but have strict purchase by lowest price policy)
- Discussion re cost sharing – entrepreneurial culture
- Keeping data is good but confidentiality is a major issue
- Targeting is ok but how do you offer them value
- Companies must be willing to pay or commit resources – more entrepreneurial culture rather than pay cheque/welfare culture
- Story telling
    - Listener and participants
- Export substitution – find ways to replace Pincher Creek/Lethbridge and internet purchases
- Challenges of parochialism – local need; changing

Backgrounder 14

ECONOMIC DEVELOPMENT STAKEHOLDERS IN THE REGION

ORGANIZATION	LOCATION	KEY PERSON	TITLE
REGIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS			
• Community Futures East Kootenay	Cranbrook	Rob Gay	General Manager
• Kootenay Rockies Innovation Council	Cranbrook	Katie Wells	Executive Director
• Kootenay Rockies Regional Alliance (KRREA)	Cranbrook	Diana Brooks	Executive Director
• Ktunaxa Nation Council – Economic Investment	St. Mary's	Helder Ponte	Director
LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS			
• City of Cranbrook	Cranbrook	Kevin Weaver	EDO
• City of Kimberly	Kimberley	Carol McGregor	EDO
• Creston Valley Development Authority	Creston	Alan Burt	Interim EDO
• District of Sparwood	Sparwood	Paul Wortley	EDO
• Golden Area Initiatives	Golden	Rob Miller	CED Manager
• Lower Columbia Development Corp.	Creston	Curtis Wullum	General Manager
Lower Kootenay Lake First Nation	Creston	Joe Pierre	Chief; Administrator
• St Mary's First Nation	St Mary's	Michele Zibrick	Coord., Community & Economic Development
KEY RESOURCES IN THE REGION			
• East Kootenay Columbia Work Force Advisory Council	Cranbrook	c/o Diana Brooks	KRREA
• College of the Rockies	Cranbrook	Barb Janzen Carrie Schafer	Chief Librarian Community ED Manager
• Columbia Basin Trust	Golden Cranbrook Golden	Sabrina Curtis, Jennifer Krotz, Katherine Hamilton	Mgr. Planning & Policy, Community Liaison, Community Liaison
• Kootenay Aboriginal Business Advocate Society (KABAS)	Cranbrook	Patti Phillips	Manager
• Ministry of Economic Development	Cranbrook	pending	Regional Manager
• National Research Council (IRAP)	Cranbrook Nelson	Jill Bain Bruce Hardy	Business Coach, Industrial Technology Advisor
• Basin Business Advocates (Steele, O'Neil & Associates)	Cranbrook	Barbara O'Neil Will Nixon	President BBA Consultant

ORGANIZATION	LOCATION	KEY PERSON	TITLE
LOCAL GOVERNMENTS (without EDO)			
• City of Fernie	Fernie	Allan Chabot	CAO
• Columbia Shuswap Regional District	Salmon Arm	Alan Kuroyama	CAO
• District of Elkford	Elkford	Corien Speaker	CAO
• District of Invermere	Invermere	Chris Prosser	CAO
• Regional District of Central Kootenay	Nelson	Jim Gustafson	CAO
• Regional District of East Kootenay	Cranbrook	Lee-Ann Crane	CAO
• Shuswap First Nation	Invermere	Paul Sam	Chief & Administrator
• Town of Golden	Golden	Phil Taylor	CAO
• Village of Canal Flats	Canal Flats	Cheryl Otting	CAO
• Village of Radium Hot Springs	Radium Hot Springs	Mark Read	CAO
CHAMBERS OF COMMERCE			
• Columbia Valley Chamber of Commerce	Invermere	Heather Overy	Executive Director
• Cranbrook & Dist Chamber of Commerce	Cranbrook	Karin Penner	Manager
• Creston & Dist. Chamber of Commerce	Creston	Ellen Gerharz	Executive Director
• Elkford Chamber of Commerce	Elkford	Sue Robitaille	Manager
• Fernie Chamber of Commerce	Fernie	Lynn Flokstra	Manager
• Kicking Horse Country Chamber of Commerce	Golden	Ruth Kowalski	Manager
• Kimberley Bavarian Society Chamber of Commerce	Kimberley	Sioban Staplin	Manager
• Radium Hot Springs Chamber of Commerce	Radium	K. B. Trent	Manager
• Sparwood & District Chamber of Commerce	Sparwood	Paul Wortley	Manager
OTHER PAN-REGIONAL ORGANIZATONS			
• Kootenay Real Estate Board	Nelson	Ian Mason	Executive Officer
• Leadership & Management Development Council of BC	Vancouver	Ron Trepanier	Executive Director
• Rural Secretariat	Nelson	Brandon Hughes	Regional Advisor
• Western Economic Diversification	Vancouver	Steve Perrault	Senior Business Officer

Organization	Contact	Capabilities
OTHER COMPLEMENTARY RESOURCES AND CAPABILITIES		
• Centre for Innovation & Entrepreneurial Leadership	Mike Stolte, Executive Director	Community Capacity Building, Research
• Selkirk College – Rural Economic Development	George Penfold, Regional Innovation Chair	Regional research Core issues research Data Analysis
• Canadian Manufacturers & Exporters (CME)	Warner Knittel, Vice President, BC Division	Research, advice, advocacy; Network of international business professionals; Employment portal
• Union of BC Municipalities (UBCM)	Ken Vance, Jared Wright, Senior Policy staff	Funding, research, advocacy for local governments
• CFDC of Central Kootenay – InvestKootenay.com	c/o Paul Wiest, Executive Director	InvestKootenay.com - Regional investment attraction site
• CFDC of Greater Trail – Funding Source Database	c/o Craig Adams, Manager	Inventory of all funding sources in British Columbia
• Southern Interior Development Initiatives Trust	Ron Baker, Executive Director	Funding – projects must deliver clear employment impacts