Communities in Boom:

Canada's Top Entrepreneurial Cities

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Contrary to what local politicians may say, cities are not the engines of economic growth—at least in the sense of cities as municipal administrations. The truer statement is that entrepreneurial people and businesses within cities are the engines of growth.

There have been plenty of city ratings that have tried to rank Canada's cities on a host of broad-based qualitative and objective measures—usually aimed at measuring varying notions of quality of life. These measures can be interesting, but they are indirect in nature. Until now, no index has yet tried to look at the source components of economic and social wellbeing—entrepreneurship. In addition, no other index has incorporated *direct* measures of business climate—namely the actual perspectives of a community's business owners.

No city or region can develop or flourish without a critical mass of individuals investing time, money and effort into building a future for themselves, their families and their communities. These investments are often made at considerable private risk, and entrepreneurs often have to persevere against a strong current of entrenched interests. Not all entrepreneurial efforts succeed, and very few actually evolve into global enterprises. But their success, as a group, is ultimately important to us all.

What makes an entrepreneurial city

It may seem obvious, but the surest signs of an entrepreneurial hot spot are the presence of a **high concentration of entrepreneurs** and a **high business start-up rate**. It is also important that business owners have **high levels of optimism** and **success** in their operations. Good public policy is also critical, so we look at the **presence of supportive local government tax and regulatory policies**.

CFIB assembled a listing of 12 indicators. Drawing from published and custom-tabbed Statistics Canada sources, the index also contains direct perspectives from CFIB's membership, which numbers more than 105,000 business owners across Canada. The city definitions are based on Statistics Canada's Census Metropolitan Areas and Census Agglomerations, which cover local economic regions better than simply using municipal boundaries. There are approximately 100 CMAs and CAs with populations above 25,000 in Canada. In some cases, CFIB disaggregates CMAs in Toronto, Montreal and Vancouver into core and suburban areas, while Ottawa-Gatineau is split into its Ontario and Quebec components.

Entrepreneurship index components:

The 12 core indicators differ substantially from one another in the way they are measured. Therefore, CFIB transforms each one into a standardized index between 0 and 100. The CMA/CA with the lowest score is given the 0 score, while the one with the highest score is given 100. Every other city is given a proportionate score within that range. To arrive at a final score, the 12 index components are placed into three major group categories: *presence*, to indicate levels of entrepreneurial activity; *perspective*, to indicate their levels of optimism and business expectations; and *policy*, to indicate the influence of local governments on business decision making.

Presence:

1. Net business start-ups: The change in the number of incorporated establishments as a percentage of population, between December 2007 and June 2008. *Source: Canadian Business Patterns*

2. Businesses per capita: The number of incorporated establishments in June 2008 as a percentage of total population. *Source: Canadian Business Patterns and Census 2006*

3. Self-employment intensity: The number of self employed persons in incorporated businesses in 2007 as a percentage of total employment. *Source, The Labour Force Survey.*

4. Industry employment diversity: The deviation of goods sector and service sector employment from the CMA/CA average (20.8 per cent and 79.2 per cent respectively). *Source: Census 2006.*

Perspective:

5. Future business performance: Percentage of respondents who reported that they expect their business to perform 'Much better' or 'Somewhat better' in the next 12 months. *Source, CFIB Your Business Outlook Survey, aggregate results, Q2 2007 to Q3 2008.*

6. Future hiring full-time hiring expectations: Percentage of respondents who expect to add to full-time employment levels within the next 12 months. *Source, CFIB Your Business Outlook Survey, aggregate results, Q2 2007 to Q3 2008.*

7. Local economic performance: Percentage of respondents who reported that they expect their local economy to perform 'Much better' or 'Somewhat better' in the next 12 monthso. *Source, CFIB Your Business Outlook Survey, aggregate results, Q2 2007 to Q3 2008.*

Policy:

8. Cost of local government: Percentage of respondents who indicate 'cost of local government' as a major concern for their business. *Source: CFIB, Our Members' Opinions Survey, July 2007 to June 2008.*

9. Local government sensitivity to local businesses: Percentage of respondents who give a 'Good' rating to their local government on 'Awareness of small business'. *Source: CFIB, Our Members' Opinions Survey, July 2006 to June 2007.*

10. Local government regulation: Percentage of respondents who give a 'Good' rating to their local government on 'Fairness of bylaws and regulations'. *Source: CFIB, Our Members' Opinions Survey, July 2006 to June 2007.*

11. Local government tax balance: Ratio of commercial property tax rate to the residential tax rate. *Source: various municipal and provincial governments.*

12. Bizpal: Whether local government has subscribed to the 'bizpal' program, which aggregates all regulatory requirements of federal, provincial and municipal governments to a single point of contact.

Results

The results show how challenging a good entrepreneurial performance rating can be to achieve. A perfect '100' result is only a remote possibility because a city would have to have the best score of all 100 cities in all 12 categories. The top-11 scoring cities in Canada, therefore, still leave considerable room for improvement—collecting index measures closely packed between 73.7 and 56.6.

The findings also have a decidedly western flavour. Saskatchewan cities dominate the top-11, while British Columbia and Alberta also have multiple representatives. The only eastern cities to make the grade are in Quebec and Toronto's 905 region. The reasons for their top-11 status can be for differing reasons. Some have good all-round scores, while others benefit from a strong category score making up for a weaker score in another area.

		Relative strengths		
	Score (min=0, max=100)	Presence	Perspective	Policy
Lloydminster (Alta./Sask.)	73.7	Strong	Strong	Strong
Parksville (B.C.)	61.7	Moderate	Moderate	Moderate
Grande Prairie (Alta.)	60.7	Strong	Modest	Moderate
Fort St. John (B.C.)	60.1	Moderate	Modest	Moderate
Saskatoon (Sask.)	59.7	Modest	Strong	Strong
Kelowna (B.C.)	59.2	Moderate	Moderate	Moderate
Sept-Îles (Que.)	58.8	Moderate	Moderate	Moderate
Fort McMurray (Alta.)	58.1	Modest	V. Strong	Moderate
Moose Jaw (Sask.)	58.0	Modest	Moderate	Strong
Regina (Sask.)	57.3	Weak	Strong	Strong
'905' Region (Ont.)	56.6	Moderate	Weak	Moderate

legend:

V. Strong	*Strong*	*Moderate*	*Modest*	*Weak*