

LOCALLY ORIENTED BUSINESSES

Purpose of the White Papers

The City of Ottawa's Economic Strategy Update Steering Committee is seeking input from stakeholders and the public to formulate a common economic vision for the City over the next five years. It is also seeking to determine the mission or role of the municipality in leading, encouraging or contributing to the realization of that shared vision.

This is one of a series of White Papers to present discussion topics in a format that will include "Overview," "Current Situation," "Challenges," "Options and Suggestions for Action," and "Questions to Consider" categories. It is hoped that the reader will offer feedback to guide the formation of the shared vision – what "good" would look like in the context of the white paper topic – and creative thoughts and innovative ideas about how to respond to each white paper challenge.

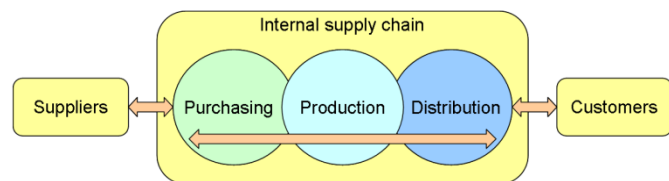
White paper feedback will be considered by the Economic Strategy Refresh team and incorporated into the collective Vision and Guiding Principles/Policies for Ottawa's Economic Development Strategy (2010 to 2015). Reader input will also guide decisions about which economic strategies and initiatives should be undertaken to realize the City's vision.

Overview

Local economic development is focused on growing the economy through the attraction and development of new businesses, particularly those selling to customers outside the local area. This focus on companies that export, however, disregards the significant contribution that businesses focused on the local market make to our economy. With increasing globalization, however, many of these businesses are coming under increasing pressure from foreign firms that are marketing and exporting goods and services to a worldwide market.

Locally oriented businesses play an important role in the economy in a number of ways. They are often a critical part in an exporter's supply chain, providing key goods and services upon which exporting firms depend. These firms often also supply the local community as a supplemental market, contributing to a higher quality of life for residents by providing an expanded range of goods and services that might not be justified by the resident market alone.

Typical Supply Chain



This locally oriented segment of businesses is primarily made up of micro and small businesses (owner-operators or those with fewer than five employees) which have been the cornerstone for much of the Canada's recent economic growth. Today, more than 55% of the country's employment is in small- and medium-sized enterprises.

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Companies serving local markets are an important part of every community and there must be a balance between exporting and non-exporting businesses to ensure a successful and sustainable economy.

Another area of importance for locally oriented businesses is in the realm of social enterprise. Firms that seek to assist their employees and targeted markets also help to solve social problems in the city, raise awareness for important causes and enrich the local community. Social enterprises can operate to reinvest their profits in their social agenda operations, to engage other partners in their agenda (e.g., sponsorship) and/or develop the capacities of their own market through offering employment opportunities to those who otherwise might have great difficulty.

Social enterprises unload municipal and other social support loads, stimulate employment for under-represented populations, revitalize and enrich local neighbourhoods, protect the environment and raise the esteem and spirit of sub-populations and neighbourhood communities as a whole.

Current Situation

Though no data is available on the proportion of the businesses in Ottawa that serve solely a local market, some indications can be taken from Canadian Business Patterns data. In 2008, there were 11,598 micro and small businesses in Ottawa (self-employed and those with fewer than 10 employees) operating in sectors that traditionally serve local markets, specifically retail trade; finance and insurance; accommodation and food services; and other services (excluding public services). These businesses accounted for more than 21% of all firms in the City of Ottawa - a substantial part of the City's economy.

Locally oriented businesses in Ottawa constitute another important component of the City's quality of life, for instance, by providing a range of retail, dining, and entertainment opportunities. The tapestry of goods and service offerings available through local producers creates a unique atmosphere for living in the city. Local shopping districts that offer unique experiences enrich the local quality of life and create a distinctive quality of place.

Ottawa's Business Improvement Areas (BIAs) seek to enhance the distinctiveness of unique shopping districts. BIAs are created by local business and property owners to improve, promote and develop the attractiveness of main streets and business districts. There are currently 16 BIAs in Ottawa covering the city's most vibrant commercial districts.

Examples in the social enterprise arena include the Causeway Work Centre, which operates three social enterprises employing people with mental health illnesses, and the Ottawa Community Loan Fund, which provides micro loans to entrepreneurs and social enterprise ventures. Support to social enterprise also comes from the Social Planning Council of Ottawa-Carleton, the Caledon

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Institute of Social Policy and the Carleton Centre for Community Innovation. A partnership between the Carleton Centre for Community Innovation and Causeway Social Finance (Toronto) is preparing to support the creation of social enterprises throughout Ontario.

Challenges How can we ensure the sustainability of locally oriented small businesses in the face of large competitors that locate here and those that sell over the Internet from abroad? What needs do local businesses have? What role can the City play in supporting these businesses?

Locally oriented businesses often get overlooked in economic planning, as they are assumed to be meeting obvious opportunities to supply local demand. Within an increasingly global economy, however, this reality is changing. There is increasing competition from large, multinational retailers who provide only a standardized offering across the country or continent; online retailers can now serve the globe from a single remote location; cross border retailers are offering larger discounts than local competitors; and increasingly, foreign firms are able to export goods and services to our local market. In the face of this growing competition, the City's locally oriented businesses are increasingly threatened and the unique quality of life and quality of place experiences that Ottawa now offers might diminish.

What can be done to ensure that smaller local businesses remain a thriving part of the local economy? How can we support social enterprise formation and success? What are their needs and who can best support those needs? What is the role of the municipality in supporting the local business and social enterprise sectors?

Options and Suggestions for Action A targeted business retention and expansion program aimed at local businesses could help to determine the sector's needs firsthand and help to solve issues it encounters as well as suggest programs and services to meet unfulfilled needs.

Champions for business within the municipal government could help to ensure that City policies and programs do not cause a deterioration of the business operating environment. The City may also be able to support local businesses through adapting their own procurement policies and sharing information to make procurement more accessible. The City can also take a role in helping to promote local businesses by informing residents of the multifaceted value they provide.

The Savour Ottawa initiative has developed a "buy local" program aimed at local foods but the City may look at adapting this program to include non-food items to encourage greater purchasing of local goods by residents and other businesses across the city. Inventories and showcases of locally available goods and services could also help purchasers to know what is available locally.



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Investigation of current imports to the city could also be helpful in identifying replacement opportunities for existing local producers or new startups.

For agencies currently supporting social enterprise, the City could investigate capacity enhancement as well as leverage of existing for-profit business programs and services to social enterprises.

Models of social enterprise support currently operating in the city can be investigated for use toward other social goals and objectives. Collaboration between the City's social service areas and economic development departments might find synergy.

Questions to Consider

What role can the City of Ottawa play in ensuring the sustainability, viability and success of local businesses? Are "buy local" programs an effective means of encouraging more local purchasing? How can the City of Ottawa share its experience and best practices in sustainable procurement with other local purchasers?

Should the City take a leadership role in social enterprise, support it in response to expressed demand, or maintain a distance?