

Partners in Prosperity How Small Businesses and Local Economies Benefit from Community Attributes

BY

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Abstract

Small businesses play a crucial role in the health and prosperity of their local economies. Certain community aspects, in turn, can create an environment that helps businesses to remain competitive and succeed. Due to their strong connection to their local economy, small business owners are capable of offering unique insight concerning the challenges and growth opportunities for their municipalities. They can identify the positive and negative community attributes that affect their business performance and, ultimately, the well being of their economy. Unfortunately, their perspective has been overlooked by previous studies on local economic development. This paper investigates how community characteristics, as indicated by small business owners, are related to local economic prosperity. Change in median income levels and small business owners' perceptions about local economy growth served as the two measures of community prosperity in the study. It was found that high unemployment and social problems are related to communities growing at lower rates or declining. Conversely, good schools, a qualified workforce, pleasant natural settings, good parks and widespread public support for businesses are factors associated with growing communities. These findings suggest that small business owners can effectively recognize which attributes benefit communities the most. Devoting resources to develop these attributes could impact the performance of local small businesses and ultimately the success of the rest of the community.

1. Introduction

Economic success ultimately leads to a higher quality of life for citizens. Having a healthy and vibrant community in which to live and work is important to Canadians; small business owners are no different. Most small business owners live in the community in which their business is located, and as such have their finger on the pulse of their local economy. Unfortunately, a review of the relevant literature did not uncover any studies that specifically examine which factors contribute to prosperous communities from the perspective of small business owners.

The following study was conducted in an attempt to better understand the factors that business owners feel positively or negatively impact the success of their business, and ultimately the success of their community. The key source data comes from a survey conducted by the Canadian Federation of Independent Business (CFIB). In this survey, over 11,000 small business owners from across Canada shared their perspectives on local community issues and rated the success of their local economy. The responses of a subset of approximately 4,000 small business owners were then used to study whether perceived community attributes and economic success are related. To further the analysis, an economic variable (median income), from both the 1996 and the 2001 Census of Canada was also measured against the perceived community attributes. This approach provided the opportunity to not only look at perceptions about certain success factors, but also to weigh these opinions against a publicly available measure of economic prosperity. Ultimately, the study's aim is to see whether business-friendly community attributes, as perceived by small business owners, can correctly predict growth in local economies.

There are many factors associated with a healthy community as well as a successful economy. The current study could not possibly address all of them. It does, however, shed light on the impact of several economic factors (e.g. taxation, unemployment, shortage of qualified labour, etc.) and various community factors (e.g. community spirit, schools, parks etc.) from the perspective of small business owners.

2. Literature Review

Many studies have set out to describe what it is that makes a municipality economically successful. Most articles compare Census Metropolitan Areas (CMAs) or larger cities to one another based on quantifiable economic indicators. For instance, KPMG's annual publication entitled "Competitive Alternatives" directly compares the cost of start-up operations in large Canadian and international centres. Similarly, the Canadian Business Magazine published a ranking of the top locations in Canada in which to do business. Unlike the KPMG publication, they compared only Canadian cities, both large and small. The variables that were measured include: crime rate, cost to do business, cost of living, GDP growth and unemployment rates. The RBC Financial Group publication "Current Analysis" from July 2005 examines not only the income levels of Canada's CMAs but also the key sources of income within communities.

The Institute of Urban Studies at the University of Winnipeg completed a detailed comparison of Canada's 25 major CMAs (Research Highlights, 2005). Census data from 1996 and 2001 was used to demonstrate the diversity of the population and economies of Canada's CMAs. Their study goes beyond a simple comparison of economic indicators and highlights other community factors such as housing, education and immigration. Based on the combination of these variables, they rank diversity in comparable large and small CMAs.

Team Fredericton, a community development initiative of the City of Fredericton, the University of New Brunswick and St. Thomas University recently compared the economic outlook of 30 small North American cities. Like the previously mentioned studies, they reported economic factors using Census data. Unlike the other studies, they also attempted to measure and compare more subjective variables such as: culture, innovation, vibrancy and community life. Other similar economic comparisons were carried out by Canada's Technology Triangle in 2003 for the Waterloo, Ontario region and by the Northern Ontario Local Training and Adjustment Boards in 2001. Both of these reports highlight the economic situation of local communities using data available from Statistics Canada.

The preferred methodology for the previously mentioned studies was to rank municipalities based mainly on secondary economic data. None of the above studies asked individuals in the communities they ranked to provide their perspectives on their local economy. A recent survey conducted by Ipsos and The

Dominion Institute did just that. In “Comparing Canadian Cities”, residents of Canada’s four largest cities (Vancouver, Calgary, Toronto, and Montreal) were asked to rate their city on variables such as: infrastructure, taxes, health care, the environment, employment and schools. Participants were also asked questions on more subjective topics including: feelings about the performance of government leaders, quality of life, attitudes of citizens, tolerance, and immigration.

While the existing literature adequately addresses the success of communities based on secondary economic data, there is a general lack of research on citizens’ opinions of their community and economy. The study by Ipsos does attempt to gauge public opinion but does so with participants from only a small number of relatively homogenous urban centres. Small businesses, the driver of economic success in Canada, have essentially been overlooked. Few, if any, economic comparisons have been completed in which Canada’s SME sector has been the focus.

3. Data and Descriptive Statistics

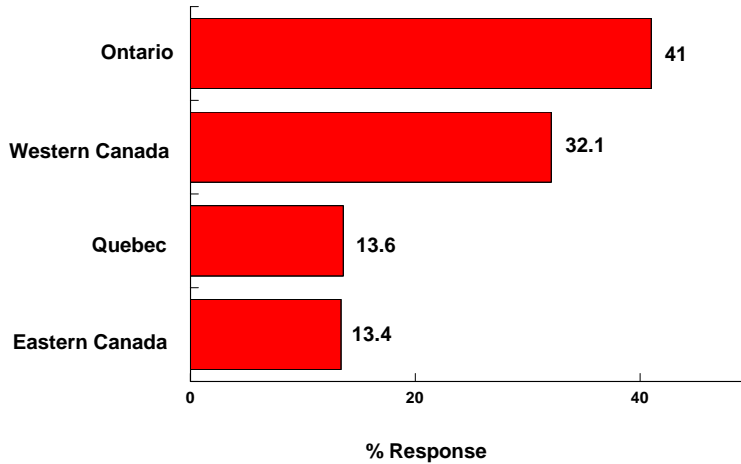
3.1 Communities at Work Survey

The purpose of this study was to examine the interaction between community attributes affecting businesses’ performance and the growth pattern of cities, according to local business owner’s assessment. To accomplish this, findings from the CFIB Communities at Work Survey and data from Statistics Canada were used. The Communities at Work Survey was conducted via web and mail between February and March of 2005. In total, 11,656 small business owners from across Canada responded.

The survey asked respondents several questions that focused directly on how attributes that exist in their community affect the overall health of their business and local economies. The survey consisted of 12 questions, three of which were the focus of the current study. The three questions asked small business owners to rate the growth of their local economy, the positive attributes that benefit their business and the negative attributes that harm their business performance.

Individual responses from the Communities at Work Survey were grouped by postal code so that each community corresponds closely to a Census Agglomerations (CA) unit, as defined by Statistics Canada. In total, 97 municipalities were included in the CFIB dataset. After matching CFIB and Statistics Canada data, only a sub-sample of 3,940 responses from small business owners operating in 66 distinct urban communities could be directly compared to the data provided by Statistics Canada. The majority of these businesses in the sub-sample (77%) have less than 20 employees on staff and have been in operation for at least five or more years (87%). For a break down of respondents according to region see Figure 1.

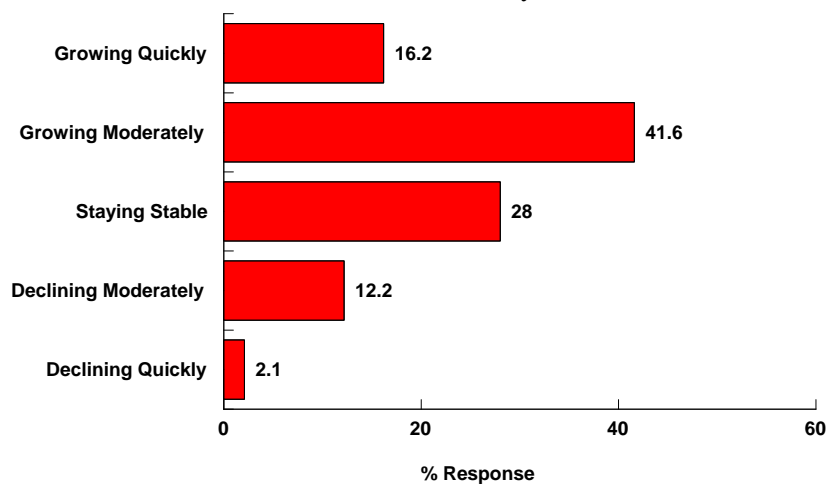
Figure 1.
Communities at Work Survey Respondents by Region



General Findings

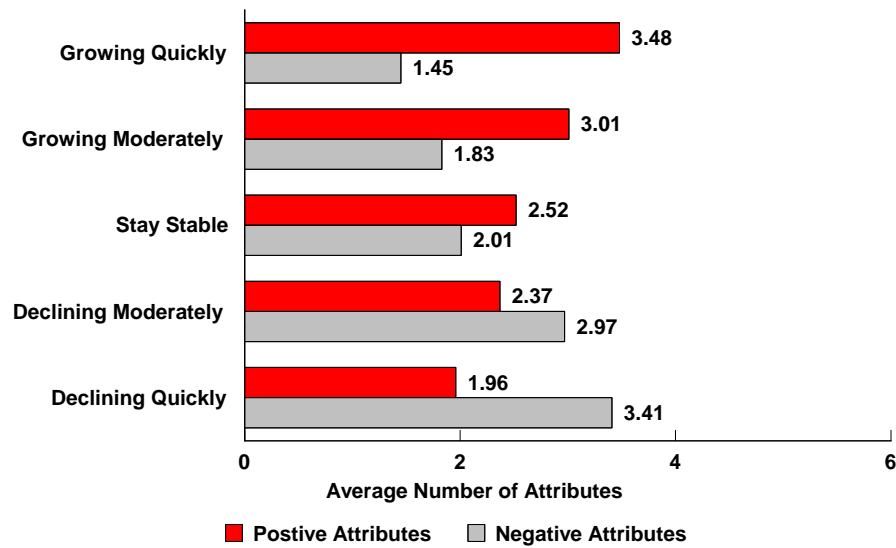
The Communities at Work Survey revealed that small business owners are for the most part optimistic about the state of their local economy. The majority of SMEs believe their local economy is growing, while only 14% of business owners feel that it is in decline (see Figure 2).

Figure 2.
SME Assessment of the Current State of Their Local Economy



Results from the survey also show a relationship between the number of positive and negative attributes chosen by communities and how business owners view the state of their local economy. Business owners who perceived their local economy to be growing chose, on average, more positive attributes than negative. Conversely, small business owners who stated that their local economy is in decline chose more negative than positive attributes. Those who perceived their economy as staying stable chose roughly equal numbers of positive and negative attributes (see Figure 3).

Figure 3.
Average Positive and Negative Attributes Chosen



3.2 Statistics Canada Data

Information from Statistics Canada was included in order to compare the perceptions of community success to an established economic indicator of success. The economic indicator chosen was average household median-income for individual communities. More specifically, the rate of change in median-income between 1995 and 2000, according to Census data, was used. Those communities with a higher rate of change were assumed to have economies that are growing faster than communities with a lower or negative rate of change. The study included only those urban communities where both CFIB data and data for the median-income variable from Statistics Canada were available for comparison (see Appendix A).

Municipalities can be ranked according to growth, using the Municipalities at Work survey from CFIB or the median household income variable from Statistics Canada (see Table 1). While some of the cities are included in both lists, several are not. However, despite the fact that an exact match does not occur, it is important to note that most cities are included in the top quartiles of growth for both datasets.

Table 1.
Top-ten growing cities

CFIB	Statistics Canada
Grand Prairie	Leduc
Red Deer	Red Deer
Kelowna	Granby
Leduc	Ottawa
Medicine Hat	Prince Albert
Barrie	Cranbrook
Calgary	Guelph
Moncton	Barrie
Kitchener	Grand Prairie
Abbotsford	Fredericton

4. Rationale and Hypotheses

This study investigated the link between perceived community economic success, census income variables, and community attributes from the perspective of small business owners across Canada. It has taken the Communities at Work Survey one step further by comparing perceived economic success with measured success. It was predicted that individual community attributes (positive and negative) would be a good indicator of assessed economic success (i.e. growing quickly, growing moderately, staying stable, declining moderately or declining quickly) and actual economic success (i.e. the rate of change in median income between 1995 and 2000).

Communities that are thought to be successful, and those that have shown to be successful, should display a mix of positive and negative attributes that differ from communities with slow or no growth. Likewise, communities that are perceived to be less successful, and those that are shown to be less successful, should display positive and negative attributes that differ from communities with more rapid growth.

The hypotheses were as follows:

H1. Small businesses benefiting from *positive* attributes in their community are more likely to describe their local economy as *growing*.

H2. Small businesses benefiting from *positive* attributes in their community are more likely to belong to a census agglomeration that has experienced a *higher rate of growth* in median income.

H3. Small businesses being harmed by *negative* attributes in their community are more likely to describe their local economy as *declining*.

H4. Small businesses being harmed by *negative* attributes in their community are more likely to belong to a census agglomeration that has experienced a *lower rate of growth* in median income.

5. Methodology

Respondents to the Communities at Work survey were invited to express their opinion about certain aspects of their community. More specifically, they were asked to choose, from a list of positive community attributes, the characteristics particular to their community that benefit their businesses. Likewise, they were also asked to choose from a list of negative community attributes, they believe are harmful to their local business. These positive and negative community attributes form the study's set of independent variables (see Table 2). They are binary variables that assume the value 'one' if selected.

Survey respondents were also asked to rate the growth status of their local economy according to one of five growth categories: growing quickly, growing moderately, staying stable, declining moderately and declining quickly. Based on this information, a five-point scale variable, the GROWTH variable, was created. The GROWTH variable is, effectively, a rank of economic success, as perceived by local business owners. This is the study's first dependent variable, against which the negative and positive community attributes are measured.

To expand the analysis, an alternative dependent variable was created. This variable, INCOME, is a five-point scale variable that sorts communities according to their income growth. To create the INCOME variable, the change in median income between 1995 and 2000 was calculated for each municipality, as reported by the 1996 and the 2001 Census. The municipalities were then allocated into one of five income growth distribution percentiles. Similar to the GROWTH variable, INCOME is a growth rank. As

opposed to the GROWTH variable, however, INCOME is not based on the views of survey respondents but on observed income growth levels for each municipality.

Also included in the analysis are four binary variables for the region where business owners are located: WEST, ONTARIO, QUEBEC and EAST. ONTARIO was selected as the reference category for region.

Table 2.

Variables List and Definitions

Dependent variables	
GROWTH	Local economy growth as perceived by small business owners <ul style="list-style-type: none"> • Based on the survey question: "How would you describe the current state of your community's local economy?" • Five categories of growth: declining quickly, declining moderately, staying stable, growing moderately and growing quickly.
INCOME	Change in median income for the municipality <ul style="list-style-type: none"> • Based on Census data • Five categories of growth: growth rate between -3.47 and 8.28; growth rate between 8.57 and 13.37; growth rate between 13.45 and 16.37; growth rate between 16.44 and 19.29; growth rate between 19.36 and 24.76.
Independent variables	
ONTARIO	Respondents from Ontario
QUEBEC	Respondents from Quebec
WEST	Respondents from Alberta, British Columbia, Manitoba and Saskatchewan
EAST	Respondents from New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island
<i>Positive attributes</i>	<ul style="list-style-type: none"> • Based on the survey question: "In your community, which of the following positive attributes benefit the health of your business?"
TRANSPORTATION	Good transportation links to major cities
SPIRIT	Community spirit, numerous festivals and events
SCHOOLS	Good schools, qualified workforce
SETTING	Pleasant natural setting, good parks
REASONABLETAX	Reasonable taxation levels
SUPPORT	Widespread public support for businesses and start-ups
REVITALIZATION	Downtown revitalization projects
OPENFORBUSINESS	"Open for business" approach by local government
<i>Negative attributes</i>	<ul style="list-style-type: none"> • Based on the survey question: "In your community, which of the following positive attributes benefit the health of your business?"
ISOLATION	Isolation from other communities
DEPENDENCE	Dependence on a single industry or enterprise
UNRECEPTIVE	Unreceptive local government to business concerns
SOCIALPROBLEMS	High unemployment, social problems
EXIT	Young people, workers moving out
HIGHTAX	High local taxation
INADEQUATESERVICE	Low quality public service

Ordered logit estimates for the effects of the independent variables on the growth of local communities are presented. The ordered logit model is a fitting model choice when the dependent variable is a rank and when the distinction between rank positions is relevant, as is the case in this study.

The ordered logit model used to estimate the effects of community attributes on community growth is:

$$\ln(Y) = \alpha_j - \beta(X)$$

where Y is the proxy for growth status, that is, either the variable GROWTH or INCOME;

α_j are the intercepts or cut-off values for the five-point growth scale;

X is the vector of binary variables for positive or negative community attributes.

6. Results

The relationship between community attributes that are beneficial to businesses and each of the dependent variables, GROWTH and INCOME, was investigated using ordered logit regression. The first step taken was to regress GROWTH on the set of positive attribute variables and binary variables for region. Next, INCOME was regressed on the aforementioned set of variables (see Table 3).

Table 3.
Regression Results for the Set of Positive Attributes

	H1 GROWTH (CFIB measure)			H2 INCOME (Stats Can measure)		
	Estimate	Std. Error	Sig.	Estimate	Std. Error	Sig.
[CUT = 1.00]	-3.098	0.124	0.000	-1.316	0.069	0.000
[CUT = 2.00]	-0.990	0.070	0.000	-0.243	0.064	0.000
[CUT = 3.00]	0.571	0.066	0.000	0.716	0.065	0.000
[CUT = 4.00]	2.674	0.080	0.000	1.698	0.070	0.000
TRANSPORTATION	0.454	0.061	0.000	-0.274	0.060	0.000
SPIRIT	0.086	0.072	0.230	0.138	0.071	0.051
SCHOOLS	0.228	0.066	0.001	0.214	0.065	0.001
SETTING	0.215	0.070	0.002	0.318	0.069	0.000
REASONABLETAX	0.001	0.070	0.993	-0.124	0.069	0.071
SUPPORT	0.165	0.073	0.023	0.153	0.071	0.031
REVITALIZATION	-0.105	0.078	0.174	-0.222	0.077	0.004
OPENFORBUSINESS	0.258	0.074	0.001	0.083	0.073	0.257
WESTPROV	1.005	0.072	0.000	0.725	0.068	0.000
EASTPROV	0.308	0.093	0.001	0.288	0.090	0.001
QUEBEC	0.116	0.093	0.209	-2.396	0.110	0.000
Model Fitting	-2 Log	Chi-Square	Sig.	-2 Log	Chi-Square	Sig.
Intercept only	4,322.84			5,988.60		
Final	3,931.68	391.15	0.000	5,073.76	914.84	0.000

The positive attributes TRANSPORTATION and OPENFORBUSINESS are the factors more likely to be associated with higher GROWTH scores. Other attributes associated with more optimistic perceptions of growth are SCHOOLS, SETTING and SUPPORT. Regarding business location, the binary variables WESTPROV and QUEBEC are both significant and positive, indicating greater likelihood of higher GROWTH.

Factors associated with higher INCOME scores are WESTPROV, EASTPROV, SETTING, SCHOOLS and SUPPORT. The variables TRANSPORTATION and REVITALIZATION and QUEBEC, however, are related with lower INCOME scores.

The variables SCHOOLS, SETTING and SUPPORT have significant effects in both regressions and are associated with higher outcome likelihoods for GROWTH as well as for INCOME. Also common to both regressions are the positive effects of EASTPROV and of WESTPROV, which has the greatest impact on each of the independent variables.

Model fit tests for both regressions reject the null hypothesis that the model without the predictors is as good as the model with predictors. Also, Pseudo R-squares for the INCOME model are larger than those for the GROWTH model.

The next set of regressions examined the possible connection between harmful community characteristics and each of our independent variables. To accomplish this, GROWTH was regressed on the set of negative attributes and variables for region. Subsequently, INCOME was regressed on the same set of variables (see Table 4).

Table 4.
Regression Results for the Set of Negative Attributes

	H3 GROWTH (CFIB measure)			H4 INCOME (Stats Can measure)		
	Estimate	Std. Error	Sig.	Estimate	Std. Error	Sig.
[CUT = 1.00]	-4.474	0.133	0.000	-1.493	0.072	0.000
[CUT = 2.00]	-2.274	0.080	0.000	-0.432	0.067	0.000
[CUT = 3.00]	-0.618	0.070	0.000	0.521	0.067	0.000
[CUT = 4.00]	1.559	0.075	0.000	1.499	0.072	0.000
ISOLATION	-0.011	0.103	0.916	-0.095	0.101	0.349
DEPENDENCE	-0.423	0.079	0.000	0.056	0.077	0.470
UNRECEPTIVE	-0.314	0.065	0.000	0.096	0.064	0.131
SOCIALPROBLEMS	-0.850	0.078	0.000	-0.432	0.077	0.000
EXIT	-0.782	0.074	0.000	0.030	0.071	0.674
HIGHTAX	-0.161	0.065	0.014	-0.074	0.064	0.247
INADEQUATESERV	0.048	0.076	0.524	-0.004	0.075	0.955
WESTPROV	1.120	0.073	0.000	0.711	0.069	0.000
EASTPROV	0.501	0.095	0.000	0.349	0.091	0.000
QUEBEC	-0.214	0.095	0.024	-2.416	0.112	0.000
Model Fitting	-2 Log	Chi-Square	Sig.	-2 Log	Chi-Square	Sig.
Intercept only	3,280.85			4,629.90		
Final	2,606.99	673.85	0.000	3,761.15	868.75	0.000

According to the regression results, most negative attributes are associated with a higher likelihood of lower GROWTH scores. The exceptions are ISOLATION and INADEQUATESERVICE, which are both not significant, and WESTPROV and EASTPROV, which increase the likelihood of high GROWTH scores. When the INCOME variable is used, only SOCIALPROBLEMS and QUEBEC increase the likelihood of higher INCOME while WESTPROV and EASTPROV increase the likelihood of lower INCOME.

All region variables are significant in both regressions. However, while QUEBEC is associated with lower dependent variable outcomes, WESTPROV and EASTPROV are associated with increased likelihood of higher outcomes. The only other variable with a relevant role in both regressions is SOCIALPROBLEMS.

Similarly to the previous set of regressions, model fit tests reject the null hypothesis that the model without the predictors is as good as the model with predictors and pseudo R-squares for the INCOME model are larger than those for the GROWTH model.

Additional Analyses

The study is limited to a sample of 66 CAs for which average income data is available, resulting in a total of 3,940 responses. The Communities at Work Survey sample, however, included 31 additional CAs and a total of 11,656 respondents. It is possible, therefore, to use the expanded database and reexamine the GROWTH variable, from the Communities at Work Survey.

The expanded database has a more sizeable representation of rural communities. In the smaller dataset, approximately 7 per cent of respondents were from rural communities while in the expanded dataset close to 30 per cent of respondents were from rural communities. This creates the opportunity to test whether the study's results from the mainly urban sample apply to other communities. To test this, the set of positive and negative attributes are once more regressed on GROWTH, this time using the larger sample (see Table 5).

Table 5.
Regression Results for the Expanded Sample

Positive Attributes				Negative Attributes			
	Estimate	Std. Error	Sig.		Estimate	Std. Error	Sig.
[CUT = 1.00]	-2.888	0.058	0.000	[CUT = 1.00]	-4.252	0.063	0.000
[CUT = 2.00]	-1.010	0.040	0.000	[CUT = 2.00]	-2.248	0.043	0.000
[CUT = 3.00]	0.367	0.039	0.000	[CUT = 3.00]	-0.736	0.038	0.000
[CUT = 4.00]	2.244	0.045	0.000	[CUT = 4.00]	1.240	0.040	0.000
TRANSPORTATION	0.397	0.035	0.000	ISOLATION	-0.122	0.053	0.021
SPIRIT	0.024	0.040	0.551	DEPENDENCE	-0.663	0.043	0.000
SCHOOLS	0.194	0.038	0.000	UNRECEPTIVE	-0.273	0.038	0.000
SETTING	0.075	0.038	0.048	SOCIALPROBLEMS	-0.663	0.044	0.000
REASONABLETAX	0.023	0.038	0.534	EXIT	-0.987	0.039	0.000
SUPPORT	0.166	0.043	0.000	HIGHTAX	0.012	0.037	0.751
REVITALIZATION	0.084	0.048	0.079	INADEQUATESERV	-0.021	0.045	0.635
OPENFORBUSSINES	0.360	0.042	0.000				
WESTPROV	0.220	0.042	0.000	WESTPROV	0.432	0.043	0.000
EASTPROV	-0.418	0.056	0.000	EASTPROV	-0.100	0.057	0.079
QUEBEC	-0.298	0.047	0.000	QUEBEC	-0.468	0.048	0.000
Model Fitting	-2 Log	Chi-Square	Sig.		-2 Log	Chi-Square	Sig.
Intercept only	8,391.1	4			7,252.7	9	

Final	7,707.9	683.15	0.000	5,259.8	1,992.9	0.000
	9			2	7	

All positive attribute estimates found to be significant in the smaller sample are also significant in the expanded file. In the case of negative attributes, however, ISOLATION becomes significant while HIGHTAX becomes not significant. Overall, most of the GROWTH regression results from the small sample also apply to the expanded sample.

7. Discussion

The success of local businesses and the prosperity of the communities in which they are located are often intertwined. Some key community attributes that contribute to good business performance are also associated with community growth. Conversely, economic hardship prevails in municipalities where the performance of small firms is compromised by harmful community attributes.

To gain a greater understanding of the relationship between community features and local business success, the study incorporated two alternative measures of economic growth. The first measure, referred to as GROWTH, represents local economic growth as assessed by small business owners. The second measure, referred to as INCOME, is the percentage change in median income of the sampled communities over a five-year period.

A number of positive attributes that were found to be associated with higher perceptions of growth were also found to be related to median income growth. For both measures of growth, good schools and qualified workforce were seen as positively benefiting the community's economy. This highlights the importance of human capital to small firms success and to income level betterment. Good local parks and pleasant natural settings were also linked to successful communities. This might suggest that municipalities striking a balance between city life and nature could be successfully attracting people and businesses. Widespread public support for businesses and start-ups was also found to play a role in communities perceived to be growing and those that have experienced growth in median income. This hints to the connection between an environment favorable to businesses and the well being of the community.

Good transportation links to major cities was identified as being important by those small business owners who perceived the community to be growing. However, when median income growth is used as a proxy for growth, transportation was found to be more important to communities experiencing lower growth rates.

While the previously discussed positive attributes were found to be important regardless of the measure of growth, two attributes were found to be significant for one measure but not the other. Business owners that perceive their communities to be growing have benefited from an "open for business" attitude from their local government. When the income growth proxy is used, however, the "open for business" approach has no distinct role for communities growing at higher or lower paces. Business owners located in communities with lower rates of income growth are more likely to place emphasis on the role of downtown revitalization.

Unlike the positive attributes, for negative attributes there are fewer similarities between the outcomes of models using alternative growth proxies. High unemployment and social problems was found to be the only significant factor for both growth and income. Regardless of the growth measured used, the study shows that communities with lower growth are more likely to be challenged by those social problems.

Perceptions of growth and the rate of median income growth were also shown to differ according to region. Overall, business owners located in the western and eastern provinces are more inclined to belong to growing communities than those located in Ontario. However, communities located in Quebec were more likely than those in Ontario to have experienced a lower rate of growth in median income.

As opposed to what was observed for the median income variable, many of the negative attributes were significant for the growth variable based on business owner's assessment. More specifically, community dependence on a single industry, unreceptive local government to business concerns, exit of workers and high local taxation were associated with communities perceived to be in decline. There could be a number of possible reasons why business owners in declining communities would be more inclined to select these negative attributes. One potential explanation is that a combination of these factors could be affecting communities in decline. For business owners in declining communities, it might be difficult to analyze each negative attribute separately and clearly isolate the effects each one of them has on business performance.

Based on these regression findings, the study's hypotheses were either accepted or rejected (see Table 6).

Table 6.
Hypotheses Table

Hypothesis 1: Positive Attributes <i>are related to</i> Higher GROWTH		Hypothesis 2: Positive Attributes <i>are related to</i> Higher INCOME	
TRANSPORTATION	<i>Accepted</i>	TRANSPORTATION	<i>Accepted</i>
SPIRIT	<i>Rejected</i>	SPIRIT	<i>Rejected</i>
SCHOOLS	<i>Accepted</i>	SCHOOLS	<i>Accepted</i>
SETTING	<i>Accepted</i>	SETTING	<i>Accepted</i>
REASONABLE TAX	<i>Rejected</i>	REASONABLE TAX	<i>Rejected</i>
SUPPORT	<i>Accepted</i>	SUPPORT	<i>Accepted</i>
REVITALIZATION	<i>Rejected</i>	REVITALIZATION	<i>Accepted</i>
OPEN FOR BUSINESS	<i>Accepted</i>	OPEN FOR BUSINESS	<i>Rejected</i>
Hypothesis 3: Negative Attributes <i>are related to</i> Lower GROWTH		Hypothesis 4: Negative Attributes <i>are related to</i> Lower INCOME	
ISOLATION	<i>Rejected</i>	ISOLATION	<i>Rejected</i>
DEPENDENCE	<i>Accepted</i>	DEPENDENCE	<i>Rejected</i>
UNRECEPTIVE	<i>Accepted</i>	UNRECEPTIVE	<i>Rejected</i>
SOCIAL PROBLEMS	<i>Accepted</i>	SOCIAL PROBLEMS	<i>Accepted</i>
EXIT	<i>Accepted</i>	EXIT	<i>Rejected</i>
HIGHTAX	<i>Accepted</i>	HIGHTAX	<i>Rejected</i>
INADEQUATE SERVICE	<i>Rejected</i>	INADEQUATE SERVICE	<i>Rejected</i>

Including rural communities

As mentioned previously, the focus of the study was mainly on urban communities. However, an expanded dataset, which included a more balanced distribution of urban and rural communities, was

available through the Communities at Work Survey. For the perception of growth variable, the regression results for both datasets are similar. Future studies could focus on rural communities to further investigate the relationship between community attributes and growth status.

Limitations

A few limitations experienced in this study should be noted. First, the information from the Communities at Work Survey was collected in 2005, whereas the latest median-income data available from Statistics Canada is from 2001. While the economies of most of the municipalities included in this study would not have experienced drastic change over that time span, it is possible that a few may have. A second limitation in this study is that the median-income variable from Statistics Canada was available for only 66 communities. In comparison, the Communities at Work Survey included responses from business owners in 97 municipalities. The data set would have been even richer if those additional 31 communities had been included in the overall analysis. Lastly, the study investigated only the relationships between community attributes and income growth. As a result, causality cannot be inferred.

8. Conclusion

The study demonstrates that some community attributes affecting business performance are related to the health of the local economy. Good schools, qualified workforce, pleasant natural settings and public support for small businesses are found to be linked to growing economies, both when evaluated according to business owners' perceptions of growth and to an economic indicator from Statistics Canada. In contrast, social problems and high unemployment afflicted mostly businesses in communities perceived to be in decline and those with a lower growth in income.

The results suggest that small business owners can accurately identify the key factors positively impacting both the health of their businesses and local economies. Surveys of local residents and business owners are at least as good as more objective measures, such as income, at predicting community socio-economic health.

Communities interested in improving their economic outlook might choose to focus on the key attributes highlighted in this study. Enhancing the positive attributes of a community will create an environment that is supportive of small businesses. As small businesses grow, so do their communities. In addition, future policy aiming to promote local economic prosperity could benefit from the unique insight offered by small businesses owners.

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Appendix A: Municipalities Included in the Study

Western Provinces (n = 1264)

- | | | |
|-------------------------------------|--------------------------------------|--|
| <input type="radio"/> Abbotsford | <input type="radio"/> Victoria | <input type="radio"/> North Battleford |
| <input type="radio"/> Chilliwack | <input type="radio"/> Calgary | <input type="radio"/> Prince Albert |
| <input type="radio"/> Cranbrook | <input type="radio"/> Edmonton | <input type="radio"/> Regina |
| <input type="radio"/> Kamloops | <input type="radio"/> Grande Prairie | <input type="radio"/> Saskatoon |
| <input type="radio"/> Kelowna | <input type="radio"/> Leduc | <input type="radio"/> Swift Current |
| <input type="radio"/> Nanaimo | <input type="radio"/> Lethbridge | <input type="radio"/> Yorkton |
| <input type="radio"/> Penticton | <input type="radio"/> Medicine Hat | <input type="radio"/> Brandon |
| <input type="radio"/> Prince George | <input type="radio"/> Red Deer | <input type="radio"/> Portage la Prairie |
| <input type="radio"/> Vancouver | <input type="radio"/> Moose Jaw | <input type="radio"/> Winnipeg |

Quebec (n = 534)

- | | | |
|--------------------------------|----------------------------------|-------------------------------------|
| <input type="radio"/> Granby | <input type="radio"/> Rimouski | <input type="radio"/> Drummondville |
| <input type="radio"/> Montreal | <input type="radio"/> Sherbrooke | <input type="radio"/> Victoriaville |
| <input type="radio"/> Quebec | <input type="radio"/> Val-'dOr | |

Ontario (n = 1614)

- | | | |
|----------------------------------|------------------------------------|--|
| <input type="radio"/> Barrie | <input type="radio"/> Kitchener | <input type="radio"/> Sault Ste. Marie |
| <input type="radio"/> Belleville | <input type="radio"/> London | <input type="radio"/> St. Catherines |
| <input type="radio"/> Chatham | <input type="radio"/> North Bay | <input type="radio"/> Thunder Bay |
| <input type="radio"/> Sudbury | <input type="radio"/> Ottawa | <input type="radio"/> Toronto |
| <input type="radio"/> Guelph | <input type="radio"/> Peterborough | <input type="radio"/> Windsor |
| <input type="radio"/> Hamilton | | |

Eastern Provinces (n = 528)

- | | | |
|-----------------------------------|-------------------------------------|---|
| <input type="radio"/> Edmundston | <input type="radio"/> Halifax | <input type="radio"/> Summerside |
| <input type="radio"/> Fredericton | <input type="radio"/> Kentville | <input type="radio"/> Corner Brook |
| <input type="radio"/> Moncton | <input type="radio"/> Truro | <input type="radio"/> Gander |
| <input type="radio"/> Saint John | <input type="radio"/> New Glasgow | <input type="radio"/> Grand Falls-Windsor |
| <input type="radio"/> Cape Breton | <input type="radio"/> Charlottetown | <input type="radio"/> St. John's |
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