

# **An Infatuation with Building Things: Business Strategies, Linkages, and Small City Economic Development in Manitoba**

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**ABSTRACT** The establishment of a solid understanding of regional economic development has proved to be highly elusive. Research efforts within this area have focused largely on major urban areas, yet this somewhat narrow focus means that economic development activities in smaller urban centers have not received the attention that they deserve. This article investigates regional economic development within a small-city context through a survey-based study of the entrepreneurial ecosystems operating in two small cities in the province of Manitoba. The results indicate that many currently accepted bases of regional business community expansion, such as government support and development of local suppliers, have limited utility within these cities. Concurrently, business leader survey responses from the two cities reveal a unique set of factors that drive economic development success in this non-metropolitan case study, keyed by the pivotal role of a unique mix of nonlocal linkages, local cultural resources, and social connections in catalyzing local business expansion. These findings indicate that business community growth in the study cities proceeds from a distinctive template relative to larger centers, and suggest that increased research attention is necessary to elucidate the bases of business success in a more diverse selection of successful small cities.

**Key words:** business strategies, small cities, economic development, entrepreneurial ecosystems.

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Even with decades of empirical consideration, research into the economic development of regions continues to garner much attention. Identification of the factors driving regional economic expansion has proven to be a particularly enduring theme in the development literature. This interest has been especially strong with regard to the forces associated with economic development in thriving North American urban regions such as Boulder (Feld 2012), Phoenix (Mack & Mayer 2016), and Vancouver and Calgary (Rice, Lyons & O’Hagan 2015). Well-known examples like these have become symbols of the development success that other cities wish to emulate (Florida 2018; Krasnikov 2019). However, given the relative lack of practical economic development guidance and policy-based solutions provided by the existing literature (see Mason & Brown 2013, 222), an argument can be made that the existing body of development research and its applications have continued to miss key areas of development inquiry and policy elaboration.

One challenge in addressing this argument is that a broadly-applicable regional economic development strategy is elusive. Local development scenarios tend to be unique (Mason & Brown 2013), encompassing a multifaceted set of factors that themselves are rooted in local contexts and evolutionary paths characterizing business communities globally. Complicating this further, much research on regional economic development has continued to focus on large urban areas (e.g. Rice 1996 and 2006; Schoenberger 1997; Best 2015; Mack & Mayer 2016). This emphasis means that development factors and strategies emerging in medium and smaller urban centers and rural areas may not receive the attention that they deserve (see Waitt & Gibson, 2009; Partridge, Olfert & Ali 2009; Mayer & Knox 2010). Thus, the construction of broader economic development frameworks must better incorporate evidence extracted from development research for a range of urban region sizes. On balance, clarification of the strategies, resources, and constraints characterizing vibrant small city business communities has much promise in broadening the regional development literature.

In recognizing this research gap, it is crucial to assert that the dominance of large cities in regional development research should not be taken as an indication that small cities are not worthy of study. This paper argues that small-city economies face challenges that differentiate them from their larger counterparts, including business losses from the relocation of successful enterprises (often a single, large employer) to larger centers, the absence of elite educational institutions, and a lack of logistical infrastructure (see Beaverstock, Smith, & Taylor 1999; Sassen 2001; Stam 2007; GaWC 2018). Consequently, there is no shortage of evidence of rural and small-city economic failure (Whitaker 2015; Wirth, Elis, Muller & Yamamoto 2016; Wuthnow 2019). However, it is also important to acknowledge that some small centers can and do succeed (Robinson 2006; Waitt & Gibson 2009; Parkinson, Meegan, & Karecha 2014; Meili & Shearmur 2019). Such success, and its bases, is of interest to the broad audience of small city economic development leaders who would like to duplicate such expansion in their regions.

With this in mind, this research investigates regional economic development success through an examination of the growing entrepreneurial ecosystems (“EEs”) based

in two smaller cities, Steinbach and Winkler, located in Manitoba, Canada. The EE literature provides a powerful framework of great utility in conceptualizing the factors driving the operation and growth of local business communities (Malecki 2018). As already noted, these factors and the communities they shape interact in a broad spectrum of ways that reflect the structural complexity of even a small city's competitive environment (Brown and Mason 2017). Accordingly, the EE and its ecological metaphor is an appropriate paradigm to frame the present multifaceted study of local businesses, public institutions, and their strategies for business expansion.

This study addresses the small city business development context via two exploratory questions. First, given the contours of the existing EE and small city development literatures, which widely-accepted categories of local competitive advantages and disadvantages resonate with local leadership? Certainly, some strategies that have proven effective elsewhere can be anticipated to have a positive role in the development of Steinbach and Winkler. However, it is also of interest to identify which bases have only a small role in the local context. This component of the study probes both what does or does not work, in relation to the existing business cluster development literature. Second, going beyond the norms established by recent economic development research, which local factors and strategies have been particularly important within the Steinbach and Winkler settings? Related, are there unique characteristics of the local economy, culture, location, or history that connect with contemporary market conditions to create favorable opportunities for growth? This component of the investigation seeks to transcend the existing literature by providing an opportunity for local business leaders to reflect on and communicate the factors that they see as most central to business community success.

Although the specific focus on the business communities of Steinbach and Winkler is a distinctive element of this study, the dual analyses highlighted above and pursued in this study can also be contextualized as building the economic development literature, focused on two specific outcomes. One outcome is a contribution to understanding of the developmental dynamics evident within the EEs of smaller cities, following the suggestion of Bell & Jayne (2009). Related, given the particular lack of small city development evidence in contexts outside of the US (see Dijkstra, Garcilazo, & McCann 2013), research into EE evolution and expansion in a Canadian setting also provides an extension to the total evidence set. Secondly, this research also speaks to the doubly challenging situation facing small cities in regions that themselves are characterized by lagging economic development. The situation of Steinbach and Winkler within the historically slow-growing province of Manitoba (see Rodríguez-Pose & Wilkie 2018) is well positioned to address this gap. Overall, this need follows from Mason, Brown, Hart & Anyadike-Danes' (2015) suggestions concerning the need to pay more attention to the geography of competitive environments and their impacts on business growth.

## **Economic Development, Location, and Smaller Cities**

### *Entrepreneurial ecosystems and location*

One of the enduring themes characterizing the economic development literature over the past century has been the concept of agglomeration economies, or the benefits gained by the co-location of firms and other public and private institutions. Our understanding of these co-locational advantages have been developed by a series of researchers since the 1800s (e.g. Marshall 1890, Weber 1929; Jacobs 1969, Porter 2000, Isenberg 2011, Feld 2012). One of the latest waves in this ongoing exploration of the function and benefits of co-location is represented by the copious contemporary literature on EEs. EEs are powerful in large part because of the ecological analogue to which they appeal: business clusters evolve based on regional endowments of a variety of business resources and nutrients (Moore 1993). Although the EE literature has been subject to critique, including calls for better definition and more rigorous testing of the concept (Stam 2015; Brown & Mason 2017) and for having multiple and varying definitions (Brown & Mawson 2016), the framework has also been widely accepted as a powerful conceptual and analytical tool for exploring the myriad functions and factors involved with regional innovation and growth (e.g. Isenberg 2010; Feld 2012; Kantis & Federico 2012; Mack & Mayer 2016; Malecki 2018).

Geography plays a central role in EEs. Mason and Brown (2014, 8) assert, “Entrepreneurial ecosystems generally emerge in locations that have place-specific assets,” agreeing with many others who also develop and use business ecosystems as a spatial construct (Mack & Mayer 2016; Audretsch & Belitski 2017; Brown & Mason 2017). Within this context, the primary applications that can be extracted from the EE’s origins focus on two crucial ecosystem elements. The first is the availability of *regional resource endowments*, or the components of the local business ecosystem considered broadly (Mack & Mayer 2016). Information, knowledge, infrastructure, labor, and local institutions can all be included in this broad “ingredients” list (Malecki 2018). Regions experiencing growth inevitably benefited from some sort of pre-existing advantages – these environments are not created from nothing (see Brown & Mason 2017). From this perspective, local informal and formal networks (Cohen 2006) and social and cultural endowments (Spiegel 2017) are examples of place-specific factors that play critical, complementary roles in regional development. Embedded cultures can play an influential role in abetting economic development (e.g. James 2007). A second element, one that is arguably under-studied (Mack & Mayer 2016), is the action of *regional evolutionary processes*: the paths that see local and regional components combine to generate business birth, growth, development, and ultimately, maturity (and potential decline). Fundamentally, this argument indicates that regions evolve and grow by both creating value and attracting value generating activities from elsewhere (e.g. Pitelis 2012), thereby combining endowments and processes into an integrated system (Malecki 2018).

Research into the EE phenomenon has catalogued many of the regional components connected with business growth. Isenberg’s (2011) six-part categorization of

the “domains of the entrepreneurship ecosystem” (markets, policy, finance, culture, supports, and human capital) is a good example. However helpful this conceptual development has been, the existing emphasis on regional cluster development components leaves weaknesses to be addressed (Brown & Mason 2017). Relating to the present study, two specific criticisms are of relevance. First, much of the body of EE research has focused on the presence or absence of specific business components in a given region (Isenberg 2011; Mack & Mayer 2016; Brown & Mason 2017). Concurrently, attention to inter-firm and inter-regional connectivity related to firm growth (such as business partners and suppliers) has been limited (Brown & Mawson 2016; Motoyama & Knowlton 2016). More evidence is needed to build an understanding of how regional business clusters leverage connectivity strategies to grow. Second, the EE paradigm as it stands often excludes or does not fully conceptualize factors that are of heightened importance to EE development in a small city context. This is not surprising given the dominance of large city EE research. However, this imbalance deserves to be addressed.

### *Small cities and their developmental paths*

The preceding discussion indicates that it is important to also frame this research in terms of small cities and their developmental dynamics. Much of the complexity and diversity of the global urban system exists outside of the top tiers of the urban hierarchy, making it necessary to incorporate small cities if we are to understand the full range of factors that account for urban development (Robinson 2002). Accordingly, small cities are emerging as an important area of research, as they “...mediate between the rural and the urban, as well as between the local and global” (Bell & Jayne 2006, 7). As such, researchers and policymakers are beginning to devote an increasing amount of attention to smaller cities and their roles in economic development trajectories.

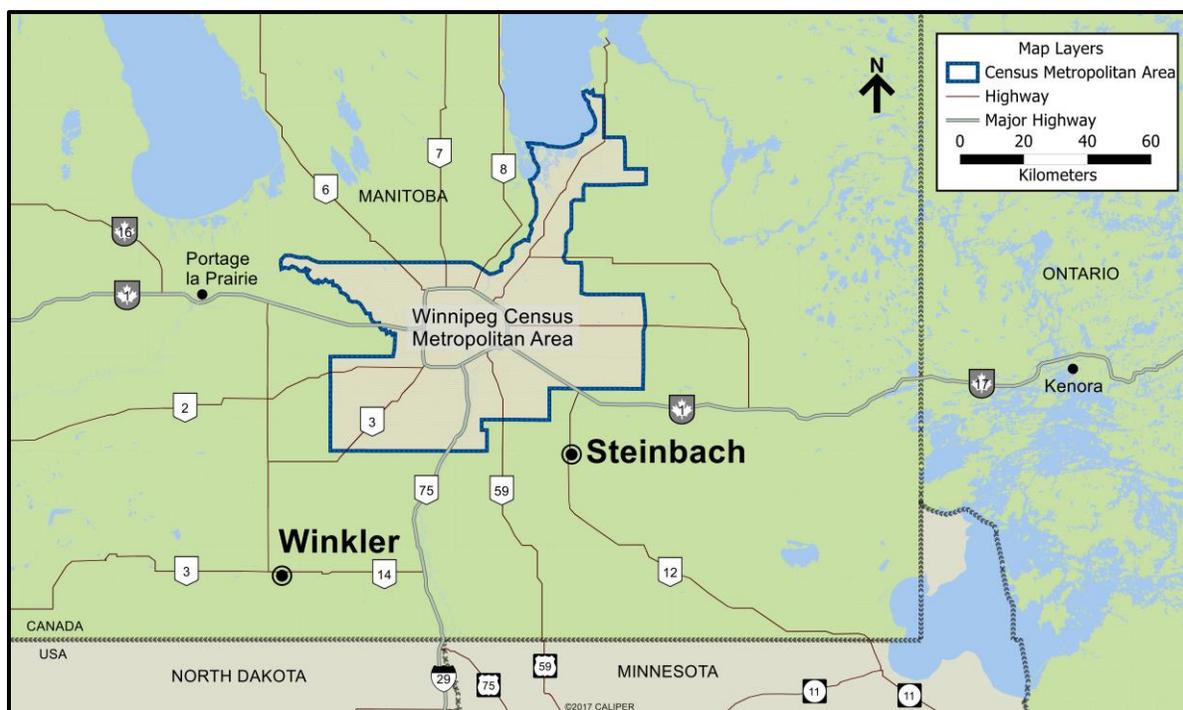
As a result, a new body of investigation has emerged in recent years, acknowledging that smaller urban regions can generate business success (Dijkstra, Garcilazo, & McCann 2013), albeit usually from nontraditional sources. Rather than building economic expansion based on massive inputs of human, financial, and physical resources, it appears smaller cities innovate and grow using a wide range of innovative approaches, including industrial specialization (Camagni, Capello, & Caragliu 2015), leveraging cultural endowments (Jayne, Gibson, Waitt & Bell 2010), or “borrowing size” through connections with larger urban centers (Meijers, Burger, & Hoogerbrugge 2016). In many ways, the most dynamic small cities provide a rich set of examples of how each has built upon unique, location-based characteristics to foster a setting in which growth can occur (Waitt & Gibson 2009). Given all of this, it is clear that more attention to small cities is needed, especially research that acknowledges the unique development trajectories connected to small city success stories (Amin and Graham 1997; van Heur 2010; Meili & Shearmur 2019). On balance, a reasonable basis for proceeding is to acknowledge that when small cities do succeed, they often succeed differently from larger centers (Robinson 2002; 2006) and that their success generates highly positive and

meaningful impacts for their regions (Dijkstra, Garcilazo, & McCann 2013). It is this conceptual framework that provides a rationale for the empirical study that follows.

## **Exploring Economic Development in Smaller Cities: Evidence from Manitoba**

### *Steinbach and Winkler*

The analysis here focuses on Steinbach and Winkler, two cities located in Manitoba, Canada, using these places as a combined small city economic development case study venue (see Figure 1). Both Steinbach and Winkler are located outside the Winnipeg metropolitan area, have populations of fewer than 20,000 residents, and have a history as agricultural service centers. Beyond their agricultural orientation, both cities emerged from the mass migration of Mennonites from southern Russia to North America in the late 1800s and early 1900s (Warkentin 1959; Schroeder 1996). Because of this distinctive profile, it is appropriate to approach Steinbach and Winkler as a single case for business development investigation.



**Figure 1: The Location of Steinbach and Winkler, Manitoba**

Steinbach and Winkler are classic examples of the “secondary wholesale and retail center” category (populations ranging from 5,000 to 20,000 persons) identified by Stabler & Olfert (1996; 2002). This middle tier of Great Plains places has retained a critical mass of business sufficient to maintain their local populations in a regional context where many smaller places have disappeared (Rice & Lavoie 2005; Stabler &

Olfert 2009). Since 2000, however, both Steinbach and Winkler have experienced rapid growth that is not typical of any Great Plains center.

Table 1 substantiates the scale of this growth using multiple indicators for the 2006-2018 period. Inclusion of total population growth figures for the province of Manitoba and the Canadian Implicit Price Index for reference over the same period demonstrates that, for every expansion measure in the table, both Steinbach and Winkler exceed overall provincial population trends and national inflationary effects. Additionally, given that Manitoba can be categorized as an economically “lagging” region (Rodríguez-Pose & Wilkie 2018), much can be gained from using Steinbach and Winkler as exemplars of small city growth in a challenging area.

**Table 1: Growth Indicators for Steinbach and Winkler, Manitoba**

Category	Steinbach		
	2006	2018	% Change
Total City Population	11,066	15,829 <sup>†</sup>	43.0
Total City Budget in Dollars	\$11,759,278	\$28,976,089	146.4
Total Businesses	497	580	16.7
Total Residential Assessment	\$406,878,300	\$1,296,147,300	218.6
Total Commercial/Industrial Assessment	\$295,298,400	\$766,659,500	159.6
Total Property Assessment	\$702,176,700	\$2,062,806,800	193.8

Category	Winkler		
	2006	2018	% Change
Total City Population	9,106	12,591 <sup>†</sup>	38.3
Total City Budget in Dollars	\$9,486,631	\$16,270,245	71.5
Total Businesses	336	475	41.4
Total Residential Assessment	\$319,814,300	\$954,885,444	198.6
Total Commercial/Industrial Assessment	\$133,712,400	\$394,584,015	195.1
Total Property Assessment	\$453,526,700	\$1,349,469,459	197.6

Category	Comparative Measures		
	2006	2018	% Change
Total Manitoba Population	1,148,401	1,278,365 <sup>†</sup>	11.3
Canadian Implicit Price Index (2015=100)	85.2142	104.7486	22.9

<sup>†</sup> 2016 Figure

**Sources:** City of Winkler (2018), City of Steinbach (2018), Manitoba Bureau of Statistics (2012a, 2012b, 2012c), St. Louis Federal Reserve Bank (2018), Statistics Canada (2016)

The value of a study focusing on Steinbach and Winkler is that these cities represent the compelling and instructive urban category of being concurrently small and successful. The employment of a small-city case like this has solid precedent in the social science literature. The small cities investigated here fall in the “typical” case category proposed by Seawright & Gerring (2008). This is an instance where, “the typical case may also be considered a *representative case*” (Seawright & Gerring 2008, 299, emphasis intended). That is, the intent then is not to necessarily draw overarching conclusions for all small cities from this research, but to illustrate the operations of specific phenomena that can be best studied at an individual or localized level. In this study, the selection of the business communities in Steinbach and Winkler is an appropriate setting to add to our understanding of smaller city business community development, especially emphasizing the sparsely-documented decisions, strategies, and perceptions of firm and community leadership in such a setting.

### *Survey Firms and Respondents*

Methodologically, this study focuses on a detailed exploration of the business development plans and perspectives laid out by 14 senior leaders representing 11 private businesses and two public sector institutions in surveys held in July, 2018 (one of the business surveys included participation from two senior leaders with one firm). Of the 13 total organizations included in the study, five were located in Steinbach, six in Winkler, and two had operations in both Steinbach and Winkler. Table 2 provides detail on the business leader survey roster. Table 2A lists the senior business and community leadership included in the study by institution, city, position within each organization, and length of local business experience. This listing reflects the study’s business emphasis, with 11 of the 13 organizations surveyed being businesses, with the additional two local government officials to provide an alternative perspective. Since this study focuses on in-depth, historical knowledge of firms and their position in the Steinbach and Winkler regional economies, the survey subject listing was also planned to include to the maximum extent possible the senior leadership at each institution surveyed, prioritizing inclusion of business founders and owners. Other high-level management and officials possessing insight into business and community development were surveyed where necessary. The business experience numbers emphasize the vast local knowledge possessed by the group surveyed, as 10 of the 14 leaders surveyed had more than 20 years of local business experience. The survey roster summarized in Table 2A represents the overwhelming prioritization of ownership and senior management.

**Table 2: Survey Firms and Local Context**

Table 2A: Surveys by Institution, Sector, City, and Business Leader Position

<b>Institution</b>	<b>Sector</b>	<b>City</b>	<b>Business Leader Surveyed</b>	<b>Business Experience in Community: Less Than or More Than 20 Years</b>
Firm A	Agriculture	Steinbach	Senior Manager	More Than
Firm B	Consumer Services	Steinbach	Section Manager	Less Than
Firm C	Real Estate	Steinbach	Manager	Less Than
Firm D	Retail	Steinbach	Owner and Senior Manager <sup>†</sup>	More Than (owner); More Than (manager)
Firm E	Business Services	Steinbach & Winkler	Partner	More Than
Firm F	Retail	Steinbach & Winkler	Owner	Less Than
Firm G	Agriculture	Winkler	Owner	More Than
Firm H	Manufacturing	Winkler	Owner	More Than
Firm I	Manufacturing	Winkler	Owner	More Than
Firm J	Real Estate	Winkler	Owner	More Than
Firm K	Transportation	Winkler	Operations Manager	More Than
Public Institution A	Public Sector	Steinbach	Senior Official	Less Than
Public Institution B	Public Sector	Winkler	Senior Official	More Than

<sup>†</sup> Two leaders surveyed jointly

Source: Study Survey of Steinbach and Winkler Businesses

Table 2B: Business Community Context for Surveys in Steinbach and Winkler

<b>Category</b>	<b>Steinbach</b>	<b>Winkler</b>	<b>Combined<sup>†</sup></b>	<b>Study Firms</b>
Business Services	104	95	199	1
Consumer Services	91	61	152	1
Construction	58	30	88	0
Retail	60	28	88	2
Financial Services	47	19	66	0
Home and Garden	41	20	61	0
Agriculture	31	28	59	2
Health and Beauty	27	27	54	0
Manufacturing	18	35	53	2
Transportation	27	8	35	1
Real Estate	11	8	19	2

<sup>†</sup> Business categories ranked by the “combined” total column

Sources: Steinbach Chamber of Commerce (2018), Winkler Chamber of Commerce (2018)

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**Table 2C: Demographics of Survey Firms**

<b>Employee Size Class</b>	<b>Number of Firms</b>
Under 10	2
10-49	2
50-99	4
100 and Over	3

<b>Five Year Anticipated Employee Number Change</b>	<b>Number of Firms</b>
Decrease	0
Remain Same	4
Increase	7

<b>Hometown for Owner/Director</b>	<b>Number of Firms</b>
Local	11
Manitoba	0
Canada	0
Outside Canada	0

Source: Study Survey of Steinbach and Winkler Businesses

Beyond their personal experience and positions, survey respondents were selected using Markusen’s (1994) firm- and survey-based approach to regional research to obtain a cross-section of input that also targets firms representing specific areas of study interest, including an emphasis on traditional export-oriented industries (such as agriculture and manufacturing). Surveys with business and consumer services, retail, and transportation business leaders were also included, along with public-sector input, to provide a diversity of business development perspective. Real estate firms, for example, were prioritized for representation in both cities to gain insight into local land and facility development issues, while retailers were included because of their unique view of the local economy.

Table 2B provides further insight into the business and public sector institution selection process employed by the study. This table shows business counts by broad industrial categories for the Steinbach and Winkler business communities (Steinbach Chamber of Commerce 2018; Winkler Chamber of Commerce 2018), alongside business counts from the study roster. This business summary reinforces the fact that, given that this research is not intended to produce generalizable results, the study’s first priority was not to provide a representative sample of the overall business communities of the two cities. Indeed, 7 of the 11 businesses represented come from the bottom half of Table 2B (the local industries hosting the fewest firms).

Table 2C concludes the local overview by summarizing three key demographic dimensions for the 11 study firms. This summary demonstrates the diversity present in the business sample, with representation including firms in each of the four size categories cited, from “less than 10 employees” to “100 and more.” The table also indicates the overall growing orientation of the business community, with 7 of the 11 firms

anticipating growth in employee numbers, and none anticipating a decrease. Finally, the table represents the local insight embodied in the business leaders surveyed, with all 11 firms being represented by an owner/director coming from a local hometown. The table demonstrates that the study focuses on a leadership group with deep insights into a dynamic local business community.

It is also important to mention the background for recruitment and inclusion of each of the 14 survey respondents. A total of seven survey respondents were recruited as a result of their organization being identified in the business selection process outlined in the preceding paragraph. In each of these cases, the specific respondent surveyed was identified and contacted through their workplace website or other online presence (e.g. chamber of commerce directory listing). The seven remaining respondents were identified through referral from one of the initial survey respondents or other local contacts gathered by one of the researchers, with continued attention given to the institution selection process outlined above.

### *Survey Structure*

The surveys employed in the study were structured around an instrument that consisted of a mix of standardized questions pertaining to firm-level characteristics and specific competitive factors, followed by an opportunity for open-ended commentary. The standardized question section provided a basic structure for each survey appointment, while the concluding open-ended section provided the opportunity for each respondent to highlight their own perspectives on business development that may or may not coincide with the themes covered in the standardized survey portion.

This first, standardized survey section features a query focused on locally based *competitive advantages*, each suggested by common observations from the business development literature. These include factors such as government support, presence of local suppliers, and cost and availability of land and labor (Kalafsky 2008; Mason & Brown 2013; Mack & Mayer 2016; Motoyama, Henderson, Gladen, Fetsch & Davis 2017). This competitive advantage-related question was followed by another question that focused on likely *competitive challenges*, most of which are location-based, that the above-cited literature would indicate as potential areas of impact for these same firms. To conclude the standardized question section, the survey posed a number of Likert-scaled questions to probe business growth more specifically in two dimensions: the issues of *what is actually happening to generate growth with local firms*, and the *role of exports in local business growth*. The second part of the survey instrument focused on open-ended feedback, providing every leader surveyed with the opportunity to cite and discuss factors of business development importance that expanded on the predefined range of issues covered in the first part of the interview. This is the area of the investigation where the qualitative component of the study becomes central. Qualitative studies have long played an important role in research in economic geography at-large (Schoenberger 1991) and more specifically, within the location-related dynamics of firms (e.g. Stam 2007).

This approach is useful for capturing the complex social and business dynamics that work to construct the local economic landscape.

All told, the survey appointments averaged approximately one hour in length, allowing for expansion on a wide range of business development issues. Every local leader surveyed was given the same survey and opportunity to answer all questions in individual survey sessions conducted at each respondent's offices. Responses were analyzed following completion of all surveys, with the exploratory focus of the research placing the open-ended response coding in an inductive mode (i.e. themes emerged with the investigator's reading of the survey response records).

## **Examining Development**

### *First Question: Competitive Advantages and Challenges*

The first research question asks about the factors that helped or hindered local firms in their quest to succeed in the competitive environment offered by Steinbach and Winkler. Table 3 presents survey responses to a list of locally-based *competitive advantages*. As important as it is to note which factors respondents deem to be important, in this instance it is rather a case of which factors are *not* important. Most of the commonly mentioned business development factors queried here (government support, local suppliers, etc.) were selected by less than half of the surveyed firms. Business development success in the case of Steinbach and Winkler does not appear to be based on these specific, often-cited factors.

On the other hand, there were two factors that seven of the eleven surveyed firms selected as important: *skilled local labor force* and business location in either the *hometown or home province* of the firm's owner or director. The hometown connection especially ties into previous research emphasizing the centrality of local knowledge and embeddedness in the regional community, both for the firm itself and for the development of its ownership and management team (Stam 2007; Mason & Brown 2013; Mack & Mayer 2016). Overall, while it is important to acknowledge the understanding of development in Steinbach and Winkler provided by previous research, it is also worth stating that the overall analysis of the standardized firm responses appears to show that many currently-accepted bases of business expansion have limited utility in this study. Additionally, these findings (and others to be discussed) confirm earlier findings on the uniqueness of small-city development strategies and trajectories (see van Heur 2010; Meili & Shearmur 2019).

**Table 3: Locally-Based Competitive Advantages**

<b>Factor</b>	<b>Number of Firms</b>	<b>Fraction of Total Firms</b>
Skilled local labour force <sup>†</sup>	7	64%
Hometown/province for owner-director of firm <sup>†</sup>	7	64%
Cost of labour	5	45%
Cost of land	4	36%
Nearby customer base	3	27%
Nearby suppliers	3	27%
Provincial government policies toward business	1	9%
<b>Total Private-Sector Firms Surveyed</b>	<b>11</b>	<b>100%</b>

<sup>†</sup> Factor mentioned by more than 50% of firms

In a similar way, Table 4 shows the results from the *competitive challenges* question. As with Table 3, what is notable here is that comparatively few firms cited anything on this list as a competitive challenge. Only one competitive issue, transportation costs, was selected by at least half of the surveyed firms (54%). Tied to this, several Likert-scale questions asked elsewhere in the survey about the cities' business mix and key driving and limiting factors, including questions focused on labor, higher education opportunities, local suppliers, and provincial and federal government support – all themes with substantial support from the development literature. In only one question did the response have a median score tending toward 'very important' – that is, at least a five on a one-to-seven scale. In this single case, the median score regarding the strength of provincial government support was 5.0. Again, analysis of this second set of standardized results portrays a local group of firms that substantially deviate from many of the commonly cited location-related competitive issues for business development.

#### *Second Question: Open-Ended Discussion*

Given that the surveyed group of business leaders saw few commonly-mentioned factors as an advantage or as a competitive issue, an exploration of their alternative perspectives was in order: which factors account for local business development? The remainder of this section focuses on the second question, which provided the opportunity for open-ended discussion on local development in Steinbach and Winkler. The following reflects the researcher's post-interview, inductive assessment of open-ended results mentioned earlier.

**Table 4: Locally-Based Competitive Problems**

<b>Factor</b>	<b>Number of firms</b>	<b>Fraction of Total Firms</b>
Transportation costs <sup>†</sup>	6	54%
High provincial taxes	5	45%
High federal taxes	5	45%
Skilled labour shortages	4	36%
Cost of labour	3	27%
Distance from large urban areas	3	27%
Distance from main suppliers	3	27%
Distance from customers	1	9%
<b>Total Private-Sector Firms Surveyed</b>	<b>11</b>	<b>100%</b>

<sup>†</sup> Factor mentioned by more than 50% of firms

**Table 5: Open-Ended Responses, Nonlocal Linkage Dimension**

<b>Nonlocal Link Sub-Themes</b>	<b>Number of Institutions Mentioning<sup>†</sup></b>	<b>Fraction of Total Institutions Mentioning</b>
Sales Outside Local Region	6	46.1%
External Business Advice	4	30.7%
Benefit from Immigration	6	46.1%
<b>Total with Some Form of Nonlocal Link Mention in Response</b>	<b>12</b>	<b>92.3%</b>
<b>Total Institutions Responding</b>	<b>13</b>	<b>100.0%</b>

<sup>†</sup> Responding institutions were free to mention more than one sub-theme.

The most prominent theme suggested by research participants was the crucial role played by *nonlocal links*. Ten of the eleven businesses surveyed (along with both of the two public officials) mentioned some substantial role being played by at least one form of connection between their community and the outside world. Table 5 summarizes the external linkage-related response offered in the open-ended portion of the surveys. In this regard, three key subthemes emerged. The first was *sales outside the local community*, which include sales directed to customers located elsewhere in Manitoba, elsewhere in Canada outside of Manitoba, and to export markets outside of Canada. Nonlocal sales were mentioned explicitly by four of the eleven businesses surveyed, although such sales were undoubtedly a factor for some of the other businesses that did not make this mention. On the public sector side, Public Institution A's respondent indicated growth in export-based business from Steinbach, while the official from Public Institution B in Winkler estimated that 75% of total business sales in the city originated outside of

Manitoba. In terms of business response, Firm A (agriculture) stated that nonlocal sales inside the province were their primary business focus, while Firm F indicated that, although they are a retailer, their product line is so specialized that they “draw customers from across southern Manitoba.” In a more conventional case, Firm H (manufacturing) indicated that 75% of its sales originate from outside of the province, a figure nearly duplicated by Firm I (manufacturing, 80% outside of the province). Cumulatively, these survey results reflect businesses that possess the dynamic and competitive characteristics to succeed in a larger marketplace. While these findings are not without precedent, they are consistent with the idea that firms that access more geographically distant markets also tend to be among those that do better across a number of metrics (such as innovation) (see Kalafsky & MacPherson 2003).

The second important nonlocal subtheme was *business advice, mentorship, and collaboration*. This line of commentary covers interpersonal connections that provide access to specialized knowledge not found in the local community (Henderson 2002; Mayer, Habersetzer & Meili 2016). Connections cited in this category includes advice obtained from external business consultants (Firm H) and entrepreneurship resource centers located in Winnipeg (Firm F), connections with national and international suppliers (Firm D), and business contacts obtained by service of a local businessperson on a national board (Firm C). Firm H employed a particularly elaborate external collaboration strategy involving “mapping out the distributor network industry” in their product line across North America. Engaging in this mapping process allowed them to determine the best partners to facilitate the growth of its products sales outside of Manitoba, which the firm pursued via trade show participation. In turn, this trade show strategy led to partnership success, resulting in agreements providing access to distribution networks covering the lucrative U.S. market. Another business, Firm F (a retailer), pursued a more limited but still intentional process of seeking business ideas through travel, and identifying a local gap in the Manitoba market. In total, four of the eleven business surveyed mentioned some form of external resource and knowledge connections as playing crucial roles in their success. Taken together, these illustrate the importance of networks in EE development, and also support earlier work on these connections (e.g. Cohen 2006; Kalafsky and Gress 2014; Spiegel 2017).

The last prominent nonlocal relationship subtheme concerns *contributions made by international immigration*. Immigrants were cited in positive terms with respect to attributes lacking in the local community, including employee skills, work ethic, and ability to contribute new business ideas and investment (Saxenian 2002; Green, De Hovos, Jones, & Owen 2009). For example, Firm A’s respondent cited immigration from Mexico and Germany as a positive aid to local economic development in two dimensions: new ideas leading to new businesses, and new sources of investment for local business expansion. These responses were duplicated by Firm G. Language and cultural commonalities may account for some of these specific international migration links, as Firm G explicitly mentioned Mennonite communities in Mexico as a key source of skilled

migrants to Manitoba (German is the language historically spoken by Mennonites worldwide (Schroeder 1996); the German language creates a crucial tie between Germany, Steinbach, Winkler, and Mennonite communities in Mexico). The representative from Firm E also mentioned immigration from Germany, as well as the Philippines, as providing needed skills for the local workforce. In sum, six of the eleven businesses and one of the two public sector officials surveyed mentioned immigration, all in positive and substantial terms.

**Table 6: Open-Ended Responses, Cultural Dimension**

<b>Culture Sub-Themes</b>	<b>Number of Institutions Mentioning<sup>†</sup></b>	<b>Fraction of Total Institutions Mentioning</b>
Traditional Values	4	30.8%
Immigration and Work Ethic	3	23.1%
Cooperation and Collaboration	3	23.1%
Impact of Religious Faith	5	38.4%
<b>Total with Some Form of Culture Mention in Response</b>	<b>10</b>	<b>76.9%</b>
<b>Total Institutions Responding</b>	<b>13</b>	<b>100.0%</b>

<sup>†</sup> Responding institutions were free to mention more than one sub-theme.

A second substantial survey discussion theme focused on the role of *culture* and its impact in shaping and directing the emergence of local business communities in Steinbach and Winkler. A total of eight out of eleven businesses surveyed cited this dimension as noteworthy, echoed by both of the two public officials included in the study. Table 6 summarizes the culture-related commentary offered in the open-ended portion of the surveys. Four key culture-related subthemes from the survey. The first concerns *identification of traditional values associated with hard work, and dedication to quality work*. This relates to the belief that such work-related values have been a primary reason for the business success of the local area, and a concern over whether these traditional ideals were being transferred adequately to the next generation (Lee & Peterson 2000). The official from Public Institution B pointed to a local “can-do attitude”, desire to “do it yourself”, and orientation toward asking government to “get out of the way”. In terms of describing the active approach of the local community, the respondent for Firm I went so far as to say that the local workforce is broadly driven by “an infatuation with the concept of building things,” and that this singular “desire to create” is a key foundation of the current business expansion.

The second, related cultural subtheme was *immigration and work ethic*. Overlapping with the previous points made about immigration, when immigration was cited, newcomers from other countries were consistently characterized as sharing a traditional work ethic that is highly valued by local businesses (Green, De Hovos, Jones, & Owen 2009). Community leaders viewed immigration as necessary and good. For

example, Firm A's representative volunteered the view that immigration is a key factor in maintaining select cultural traits, including work ethic. Firm E's respondent volunteered that "...immigration has huge, positive impacts on maintaining a productive workforce." Firm J stated that migration from Mexico remains a "huge positive" in drawing productive workers to the region, with Firm D indicating that one-third of their employees were born outside of Canada. Four business respondents out of thirteen made comments linking immigration and work ethic or business advantage.

However, in this same work ethic dimension, the survey respondents did have substantial concerns over the region's prospects going forward. The fact that immigration was needed to address a local gap was a circumstance that troubled local leaders. For example, the respondent from Firm J said that a generational change in attitude was underway in the area, and that the change was having a negative impact on the culture of the community. Firm E's representative stated that the community was seeing a decline in work ethic, rooted in flawed mentorship in schools and the community ("...local education is of low quality and has low standards", "...there is a lack of responsibility in our schools. We don't teach consequences."). The official with Public Institution A asserted that the issue of "passing down work ethic from one generation to the next" is a crucial barrier to future prosperity. Firms D and J also framed this generational transfer problem as an issue in terms of a decline in entrepreneurial skill and desire to operate a business. In total, this generational transfer dimension mentioned by four local business and public leaders.

Another key premise was *cooperation and collaboration*. Beyond work ethic and quality work, survey respondents also highlighted a substantial willingness for local businesses to collaborate and help each other by sharing business and offering other tangible support (Lee, Feiock & Lee 2012). Firm J cited collaboration in its most basic form: "...avoiding practices that would cripple a competitor." Firm F went further in discussing local networking opportunities that allowed both formal and informal sharing of business resources and advice. Firm I cited situations where local businesses would provide mutual assistance by manufacturing replacement parts for broken machinery, saving expense and downtime associated with parts ordering from nonlocal suppliers. Firm I also mentioned losing some of its best workers to startups but expressed a desire to subcontract business with these new firms because of the quality of their work and the local cultural values of collaboration and cooperation. Such flexible, informal collaborations might be viewed as substituting for the large and formal business networks associated with EE development in larger centers.

A final, interesting theme not typically featured in economic development investigation was the centrality of *religious faith* to the local economy. Several business leaders made explicit mention of the local Mennonite faith community in connection with business and community development success (for earlier evidence of this, see Dana 2010; Thiessen 2013). These leaders saw the Mennonite faith as promoting harmony and cooperation, reinforcing the observation above about business cooperation and support.

Firm A cited the region's churches of all faiths as forming an influential "social network" that aids business startups, a factor repeated and amplified by the respondent from Firm E: "placement in local networks is key" in promoting new business development. Both Firm E and Firm I drew a specific connection between the region's Mennonite heritage and the local business community's willingness to cooperate. Firm C and I made the further assertion that the Mennonite culture leads firms in the area to not engage in all-out competition with other local businesses, but Firm I's representative qualified this statement by saying "...the situation would be different if business conditions were tougher". Taken collectively, these findings regarding the importance of culture as a possible success factor, extending on and supporting earlier findings from James (2007) concerning the role of the Mormon faith and culture in the success of Utah's high-technology sector.

On balance, the qualitative component of this research provides important insights into the environments that foster business growth and success in Steinbach and Winkler. These results highlight the pivotal role played by nonlocal linkages and local resource endowments for firms emerging in the case study small city contexts, and further raise the question of how other small cities might leverage their local cultural resources and connections to catalyze business development. These qualitative findings illustrate the operation of EEs within a small city setting. That is, the local social resources and connections illustrate one network configuration (e.g. Cohen 2006; Spiegel 2017) that have the potential to foster growth within smaller urban areas, in contrast to those found in larger metropolitan areas. The following provides some concluding commentary on the key findings of the present study, along with directions for future work and policy application to follow in continuing to explore and spur on increased business development in the small-city setting that continues to be central to so many regional economies.

### **Discussion and Concluding Remarks**

This paper provides a focused look at the business environments of the small cities of Steinbach and Winkler, Manitoba, with the goal of assembling evidence from an under-served setting that contributes to a growing area of research interest into EEs and small city development dynamics (Robinson 2006; Waitt & Gibson 2009; Parkinson, Meegan, & Karecha 2014; Meili & Shearmur 2019). Together, Steinbach and Winkler form a compelling base for this research because they share many highly-unique historical, cultural, and economic characteristics, both belong to a city size class (less than 20,000 population) that deserves more attention, and both have a demonstrated record of sustained business expansion over the past decade and a half in a broader regional context that has not been so successful. The foundational question here focuses on what have the business communities of Steinbach and Winkler done to create such positive outcomes.

Given this research focus, it is important to emphasize that the design of the present study does not allow for the study results to be generalized into overarching statements about development in many or all smaller cities. This was not this study's

intent. Thus, it is important to recognize that the current findings cannot (and should not) be applied directly to other regional contexts without the appropriate local qualification of any conclusions drawn. The present results are a product of the precise mix of cultural, historic, economic, and geographic factors that characterize Steinbach and Winkler and no other places. Certainly, policymakers in the two study cities are on a solid footing to make direct use of these findings to emphasize maintenance and protection of key local assets such as the local culture, while working to proactively develop other valuable business practices such as network development with external suppliers and consultants. Care must also be taken to not overextend the use of these findings: it would not be valid to pursue direct application of study findings in other business communities, even nearby ones in Manitoba (especially ones that do not share key social and cultural characteristics with Steinbach and Winkler). However, despite this limitation, this investigation and its findings can still inform and provoke further small-city research moving forward in other places and geographic scales.

This research design led to definition of two areas of contribution to the development of the conceptual frameworks that provide the context for this study. The following addresses each in turn.

1. The first contribution to the study frameworks is definition of the developmental dynamics and strategies represented in the business communities of Steinbach and Winkler (Bell & Jayne 2009). The survey emphasis of this research probes underneath aggregate business performance numbers and trends (see Table 1) to provide insight into the strategies and perceptions of senior local leadership associated with those overall results. This research demonstrates that two primary factors driving the business expansion of Steinbach and Winkler have been, firstly, the efforts expended by local firms to *gain access to complex business networks* (Cohen 2006) and, secondly, their work to leverage local *social and cultural endowments* (Spiegel 2017). The study survey findings provide empirical examples of local firms engaging in planned, stepwise processes of identifying and engaging national and continental networks that allow access to needed resources, markets, and ideas. For example, these formal processes were evident in the strategies conveyed by Firms F, H, and K. However, Steinbach and Winkler also encompass examples of firms engaged in informal but no less rational and intentional processes of leveraging local cultural endowments (support found in the practices of Firms D and I, and further observed by Public Institution A). Yet another example of broad, community-wide planning and execution is also illustrated in the immigration realm, as widespread, local support for international immigration emerged from a broad set of local business and public sector leaders across the two cities who realized the need for newcomers to be welcomed and integrated into the community (Firms A, D, E, G, J, and Public Institution A).

These findings also link directly to the related, first criticism of the EE conceptual framework advanced earlier: that inter-firm and inter-regional

connectivity (partners, suppliers, and export trade) has been particularly under-emphasized by past research. As highlighted above, the study survey provides direct evidence of Steinbach and Winkler-based firms generating growth through implementation of a complex, multi-dimensional set of strategies that link local firms to the resources needed to generate and sustain business growth. Indeed, the key point here is that survey results demonstrate that connectivity strategies have not been the domain of an elite set of the most successful businesses alone. Rather, a broad cross-section of local firms has initiated a range of linkage efforts that appear to have made a material contribution to regional business growth.

Despite these encouraging results, the local developmental dynamics profile is not all positive. A broad, local survey consensus was also clear in identifying a breakdown in the intergenerational transfer of values related to work ethic, responsibility, and consequences (Wyrwich 2015; Cemalcilar, Secinti & Sumer 2018). Supporting examples came from Public Institution A, who cited a local issue with “passing down a work ethic from one generation to the next”, and Firm J, who mentioned observing a “difference in generations,” as “young people are not entrepreneurial”. The structure of the local business ecosystem is illustrated through these issues, as each local value issue links to the need for international immigrants from countries where such value transfers are perceived as still ongoing. Overall, the consistent communication of overlapping priorities (positive factors, and bad) in multiple firms is a powerful indication of a highly specific match between current business strategies and practices in the two cities and the configuration of the local, regional, and continental competitive environments confronting local businesses. The strong endorsement of these factors by a cross-section of local leadership indicates that the conditions revealed by the survey results are central to regional business prospects.

These results also build a strong linkage to the second EE criticism registered earlier: that the EE paradigm often minimizes or ignores factors that are of heightened importance in a small city context. In the case of Steinbach and Winkler, the results discussed above indicate that local workplace culture plays a substantial role in regional business success. The distinctive lack of local consideration for many other traditional business growth factors, such as government support, and local land and labor costs (Mason & Brown 2013; Mack & Mayer 2016; Motoyama, Henderson, Gladen, Fetsch & Davis 2017) provides further context for this cultural finding: cultural goods such as an entrepreneurial disposition and the prioritization of quality work are clearly central to local business success. It is possible that these local cultural attributes take on a greater prominence in Steinbach and Winkler compared with larger centers, compensating for the regional difficulty of leveraging economies of scale that are more elusive in smaller cities.

2. A second major contribution of this research relates to the unique innovation-related challenges found within regions with low economic growth rates, such as Manitoba (Rodríguez-Pose & Wilkie 2018). Steinbach and Winkler's business communities in many ways must look beyond even the regional metropolis of Winnipeg to access scarce business resources to aid their growth. Indeed, the survey results include examples of Steinbach and Winkler firms addressing a regional capabilities gap using a range of strategies (Filippetti & Peyrache 2015; Lin & Zhao 2016). To address this local gap, some local businesses indicated reliance on a complex set of outside resources (well exemplified by Firms F and H, who sought advice from entrepreneurship centers and business consultants in Winnipeg, but also pursued crucial industry knowledge and connections outside of the region completely). However, yet other firms cite Steinbach and Winkler's local abilities to solve problems as comparable to or better than any capabilities that could be found in Winnipeg (Firm I's manufacturing support experience provides the clearest case). Overall, the proactive search for a spectrum of business links (partners, suppliers, advisors, and markets) needs to be viewed at various scales, from region, to province, country, and beyond. The linkage results and ideas presented here provide a potential ingredient for a business development template worth investigating in other small city/low-growth region contexts.

One final, minor point is worth re-emphasizing in conclusion: as highlighted earlier, what is not important in the local context might be worth as much attention as what is portrayed as important. A lack of reliance on government support, verging on active disdain, is a crucial characteristic of the Steinbach and Winkler business community (Public Institution B: a local desire to "do it yourself", while local businesses ask government to "get out of the way"; Firm J: "government intervention in the economy is a huge negative"). Such comments demonstrate a regional divergence from the active role for government supports (such as tax breaks and operation of business incubators) that is prominent in the development toolkit for many regions (Mason & Brown 2013; Mack & Mayer 2016; Brown & Mason 2017). Further empirical attention is warranted in this dimension of rural and small city development.

Overall, this investigation serves as a solid but partial template for further research on business development in urban contexts of all kinds. This regional investigation has provided an example of business community development that is succeeding in a non-traditional geographic setting. However, it is important to note that the complete research need in this theme has only been partially satisfied in the present study. Research needs to continue on how new and innovative industry clusters develop throughout the urban size spectrum, with a focus on identifying unusual business development situations capable of providing new insights. Just as Steinbach and Winkler moved beyond their agricultural roots to build complementary manufacturing success using a combination of local and nonlocal resources, observation of rapid business growth in other centers and

regions, or expansion of an industry that is new to a region, would indicate an opportunity to take on a similar, survey-based approach to gather insight into the strategies and perceptions that underlie regional business success. Additionally, Steinbach and Winkler's ability to leverage social and cultural resources to support local business development efforts creates an opportunity to survey other regional settings: to what extent does this happen elsewhere? Such survey occasions provide the chance to identify further business cluster development successes where local society and culture could play a contributing or driving factor. Research from across a diverse set of regional, industrial, and cultural contexts therefore has promise in further extending the insights generated by small city research, and in recognizing the potential for small and new industries to scale up to become major regional business and employment generators.

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