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JOB CREATION & FOOD PROCESSING IN RURAL MANITOBA

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JOB CREATION & FOOD PROCESSING IN RURAL MANITOBA

Submitted to:

Mona Cornock, Director
Kim Beilby, Manager, Rural and Food Policy
Manitoba Agriculture, Food and Rural Initiatives
1129 Queens Avenue
Brandon, Manitoba R7A 1L9

Submitted by:

Wm. (Bill) Ashton, Director
Wayne Kelly, Research Assistant
Rural Development Institute
Brandon University
Brandon, MB R7A 6A9

The purpose of this research project was to help businesses and organizations engaged in Manitoba’s Food-processing Sector better understand job creation in rural Manitoba’s food-processing small and medium enterprises (SMEs). To achieve this goal, the research focused on several key questions:

- What characteristics are consistent amongst food-processing SME business owners who create jobs?
- How are jobs created in food-processing SMEs?

To help explore these questions, a model of entrepreneurial characteristics was used to help construct an interview tool and analysis framework. Semi-structured interviews conducted with owners/managers of 14 food-processing SMEs in the central region of Manitoba identified the level of importance for the model’s 11 characteristics as well as revealing 4 other key themes related to job creation. All of these businesses had recently created jobs and were engaged to help shed light onto what factors led to job creation.

The research findings indicate that some characteristics are highly consistent with job creation amongst participating businesses while others are moderate or low in their consistency.¹

HIGH CONSISTENCY	MODERATE CONSISTENCY	LOW CONSISTENCY
Length of time to hire employees	Motivation to be own boss	Motivation to create work-life balance
Presence of Innovation	Motivation due to opportunity	Economy
Motivation – Other	Previous Ownership experience	Owner Age
Motivation because of necessity	Industry Experience	Societal Changes
	Government Support	Hiring Challenges
	Food Safety	

Based on the research findings, key recommendations have been identified to help expand job creation within rural food-processing SMEs.

- I. **Identify innovation factors, supports and barriers for SME food-processors to help foster and expand a culture of innovation**
- II. **Expand understanding of motives for starting rural food-processing businesses to increase entrepreneurship**
- III. **Expand understanding of government supports in food-processing SMEs to increase uptake of supports and their and impact on job creation**
- IV. **Increase knowledge about food safety challenges and opportunities amongst rural food-processing SMEs to support business success and job creation**

¹ **High** Consistency – present in 67% or more businesses, **Moderate** Consistency – present in 34-66% of businesses, **Low** Consistency – present in 33% or less of businesses

JOB CREATION

Job creation is an important part of business growth and is held up regularly as an indicator of economic success, but what drives the creation of new jobs? To support continued business growth within Manitoba it is essential that we encourage and support job creation, but how is that done? Most of the discussion about job creation occurs at the macro level, identifying overarching solutions, such as the benefits of reducing worker dismissal costs (Garibaldi and Mauro, 2000), but not nearly as much is known or discussed about job creation at the micro level. This project researched job creation at that micro level by exploring job creation within small food-processing SMEs located in the central region of rural Manitoba.

Within Canada, small businesses have a very large role in creating jobs, as businesses smaller than 100 employees account for 42.8% of all new jobs over the last ten years (Industry Canada, 2012). Within Manitoba, small businesses account for 97.8% of all businesses while in the national manufacturing sector small businesses make up 93.8% of all businesses. Figure 1 illustrates the overall breakdown of small businesses at geographical level, Manitoba, and at an industry level, Manufacturing. To better understand job creation and to better support job creation within Manitoba it is essential

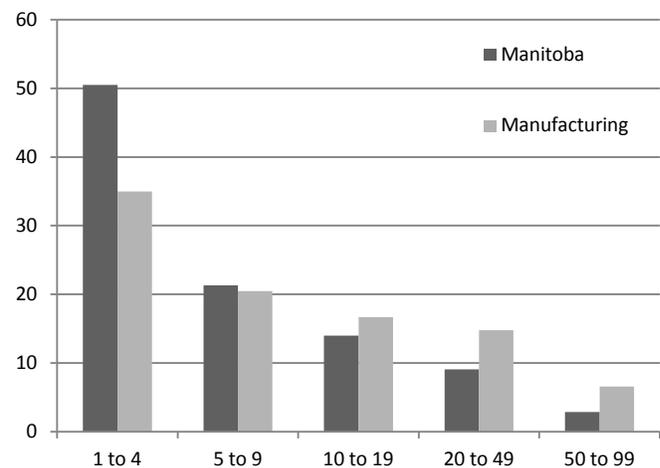


Figure 1: Small Business breakdown by employee size
Source: Industry Canada (2012)

to become more knowledgeable about how jobs are created within SMEs. At the small and medium business level, what factors do they consider when creating jobs?

The food-processing sector is a critical part of Manitoba's economy representing the largest manufacturing sector and 4% of Manitoba's employment overall. In 2010, manufacturing as a whole represented 11.2% of the province's GDP. Provincially, food-processing represents 250 businesses that are employing individuals and working to create jobs (Province of Manitoba, Agricultural Statistics website, November 2012). Labour income from the food-processing industry in Manitoba is estimated at \$816 million or 3.5% of the province's total labour income illustrating the importance of jobs for Manitoba's workforce. To better understand job creation and better support job creation within the province, becoming more knowledgeable about how jobs are created in the food-processing sector provides an important part of the answer. Within food-processing, one of the province's key sectors, what factors do they consider when creating jobs?

This purpose of this research project was to explore job creation amongst rural Manitoba's small and medium (SME) food-processing enterprises. Literature explorations were conducted to identify a model or approach that could serve as a framework for the research. After reviewing the food-processing, job creation and SME fields of literature, it was discovered that there is very little known about on job creation at either an SME level or within food-processing (Ogaraca 2010, Gibcus et al 2006). However, a recent study in the entrepreneurship literature, one by Abdelfatah (2010) provided a promising model for job creation.

Abdelfatah outlines a set of characteristics and analyzes the probability of these characteristics to better understand their relationship with becoming a job creator and in regards to business size. For the purposes of our research we have taken and adapted 11 of the most promising and relevant determinants to explore their applicability within the SME food processors of central rural Manitoba. We identify each of the determinants below in the analysis section and provide Abdelfatah's definition of the determinant along with our application.

Methods

Determining sample

The research team worked with Manitoba Agriculture, Food and Rural Initiatives (MAFRI) and staff at the Food Development Centre to identify businesses that met three criteria:

- Geography: each participating SME will be located in Manitoba's economic development central region (corresponds with the province's Central Regional Health Authority)
- Size: since the definition of SMEs can vary, our definition of SME will consist of each participating SME having between 1 and 100 employees (full time)
- Function: each participating SME will be a primary or secondary food processor; food producers and distributors will not be included

Based on a list that was considered complete with all secondary food-processing businesses with 1 to 100 employees in the central region, there were 56 businesses to select from.²

Recruiting the sample of businesses

Prescreening efforts with the 56 businesses identified 27 businesses that had created jobs within the last two years, the final criteria of eligibility. The research team then

² This list of 56 businesses was synthesized by MAFRI from several publicly available sources: Canadian Grain Commission Licensed Facilities, Federally Registered Meat Establishments, Manitoba Abattoirs, MAFRI Food Products Directory and MFPA Full Member Product Listing.

followed up with each of these businesses to determine if an owner/manager of human resources was interested in participating. Fourteen of the businesses ended up participating in the research resulting in a 52% response rate.

Data collection

Interview guides for owners and managers were drafted with 8 questions focusing on job creation factors for both owners and managers. These questions identified the number and types of jobs created, the chronology of job creation as well as different areas impacting job creation. Six additional questions related to entrepreneur characteristics were included for the owners that participated. These interviews were typically 10-20 minutes in length and were audio recorded with permission of the participants. Thirteen interviews were conducted over the telephone with one business owner requesting an in person interview. An owner or manager in charge of human resources was interviewed at each participating businesses with 12 owners and 2 managers being interviewed in total.

The research tool was developed based on the entrepreneurial and job creation factors identified in the model be explored. The key factors and characteristics included in data collection defined below are taken from Abdelfatah's model on determinants of job creation (2010).

Entrepreneurial Characteristics

Abdelfatah attributes many of the factors affecting job creation to the entrepreneur themselves. The characteristics below are entrepreneurial characteristics that were explored in this research project with owners:

- **Owner Age** – the age of the owner impacts the likelihood of creating jobs with the tendency to create new jobs decreasing after the age of 36.
- **Previous ownership experience** – previous ownership experience increases the likelihood of creating new jobs
- **Previous Industry experience** – previous industry experience increases the likelihood of creating new jobs
- **Motivation** – motivations behind starting a business factor into job creation:
 - **Necessity** – starting a business due to the need to generate income increases likelihood of creating new jobs
 - **To be own boss** – starting a business in order to be their own boss reduces likelihood of creating new jobs
 - **Product/Market opportunity** – starting a business because of an opportunity with a product or market increases likelihood of creating new jobs
 - **Create work-life balance** – starting a business to create more balance between work and life reduces the likelihood of creating new jobs
 - **Other** – starting a business due to other motivations increases likelihood of creating new jobs

Business Characteristics

Abdelfatah also identifies several factors related to the business or external environment that impact job creation. The characteristics below are business characteristics that were explored in this research project:

- ***Length of time to hire employees*** - the length of time a business is running from startup or purchase before it hires its first employee(s) impacts job creation with total job creation increasing the sooner the first employee was hired
- ***Innovation*** - the presence of new products or services within the business increases the likelihood of job creation
- ***State of the economy*** – a healthy and positive economy increases the likelihood of job creation

Analysis Framework

Three analytical steps were taken to answer the project's research questions:

1. For each SME, participant responses were examined to determine which model characteristics were present within the participating businesses.
2. Participant responses were examined and thematically coded to identify specific impacts of model characteristics on the creation of new jobs.
3. Participant responses were examined and thematically coded to identify any additional factors or critical moments impacting the creation of new jobs.

Limitations

We are only interviewing successful businesses, those that have created new positions recently. As a result, the model exploration that we conduct sheds some light on characteristics or determinants common to successful businesses and provides some insight into which determinants are more common, but it does not provide any information on the presence of these determinants in unsuccessful businesses. The findings provided from this research should be treated as informative rather than definitive.

MODEL-BASED FACTORS

To date, 14 participants have been included in the model-testing portion of the analysis. The participants included are specifically owners or managers who have created employment; managers were not asked entrepreneur-related questions due to the fact that they are not the entrepreneur in this scenario.

As a result of two participants being managers rather than owners we have 12 responses for the 8 entrepreneur-specific determinants and 14 responses for the 3 remaining determinants.

14 businesses
 14 is the median business age
 5 businesses <= 7 years in age
 16 employees is the median business size
 256 full time employees
 18 immigrant employees
 55 new jobs created in past 2 years
 28 management positions vs.
 27 Production positions created

Determinants	Respondent	Criteria	Presence in Job creation		
Length of time to hire employees	Owner/Manager	Yes* ³	12 out of 14	83%	High
Presence of Innovation	Owner/Manager	Yes	11 out of 14	79%	High
Motivation – Other*	Owner	Yes	9 out of 12	75%	High
Motivation because of necessity	Owner	Yes	8 out of 12	67%	High
Motivation to be own boss	Owner	Yes	7 out of 12	58%	Medium
Motivation because of product/market opportunity	Owner	Yes	7 out of 12	58%	Medium
Previous Ownership experience	Owner	Yes	7 out of 12	58%	Medium
Industry Experience	Owner	Yes	6 out of 12	50%	Medium
Economy	Owner/Manager	Yes**	5 out of 14	36%	Low
Motivation to create work life balance	Owner	Yes	4 out of 12	33%	Low
Owner Age	Owner	<= 36 years	3 out of 12	25%	Low

Little to no delay in hiring employees

Participating Businesses (14)



This determinant is related to the length of time a business is running from startup or purchase before it hires its first employee(s). Abdelfatah’s (2010) findings revealed that the longer it took to hire the first employee the fewer employees a business was likely to hire overall. The model findings suggest that a high level of our participating businesses who are successful and have recently created jobs should have hired their employees within a short timeframe after starting or purchasing their business. For our study, we wanted to explore

‘Employees stayed on – and manager started 3 months after the transition’
Business Owner

³ *employee(s) was hired immediately when business started or the business had staff already when business purchased
 ** was the economy a factor that impacted your job creation regardless of positive or negative

whether there was any connection between length of time to hire the first employees and the creation of additional jobs.

'I think we hired two people before we opened the door, and then we've just been growing since then'
Business Owner

Twelve out of fourteen participating businesses interviewed hired employees immediately after starting the business or the business came with employees already in place when the business was purchased. The remaining 2 businesses both hired their first employees within 4 years of business start up.

The results from our research seem to correspond with the model findings and the presence of employees upon business startup or immediately afterwards is highly consistent with job creation amongst our participating businesses.

'Pretty well right away as soon as we started in 1999 we had to hire employees right away'
Business Owner

Presence of Innovation

Participating Businesses (14)
👤👤👤👤👤👤👤👤👤👤👤👤👤👤

This determinant is related to the presence of innovation within the business. Abdelfatah's (2010) definition of innovativeness is based on the presence of new products or services and the model findings indicate that a higher presence of innovation corresponds with the hiring of more employees. Specifically, for our research, we identified the adoption of any new markets, new products, new processes or new technologies recently undertaken by the business as an indicator of innovation and we explored the presence of innovation amongst our participating businesses.

'a healthy business changes as it goes along over time – have to adjust to market place – the work connected then changes'
Business Owner

Applying this definition of innovation, 11 out of 14 participating businesses identified an innovative characteristic as a factor in their recent job creation. As Figure 1 illustrates, new markets and new products were the most common form of innovation. Several participants stated that the ability or willingness to change was the key to surviving and thriving within the food-processing market.

'New markets – processing potatoes for the salad business'
Business Owner

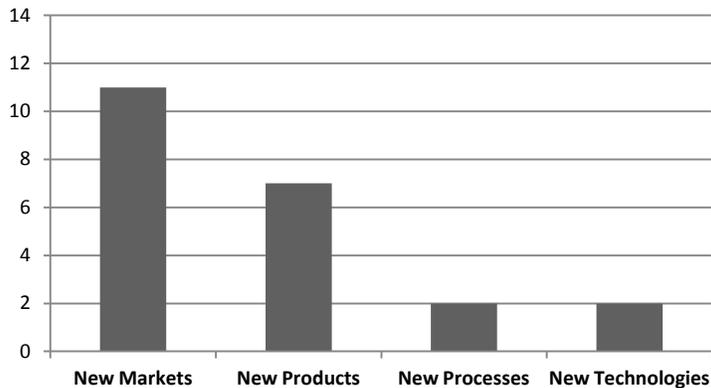


Figure 2: Innovation types identified by participating businesses

The results from our research seem to correspond with the model findings and the presence of innovation within a business is highly consistent with job creation amongst our participating businesses.

Motivation: Other

Participating Owners (12)



This determinant is related to an entrepreneurial motivation different than being their own boss, generating income, realizing a market or product opportunity or creating work-life balance. Abdelfatah (2010) used this determinant to identify entrepreneurs where the business start-up just happened. For our research we wanted to capture what specifically owners described as other motivations, identify any ‘other’ motivations that were common amongst participants and also determine the importance of these other motivations for our participants.

Nine out of twelve participating business owners identified a motivation not related to one of the primary motivations. Additionally, these ‘other’ motivations were identified as the most important motivators for participating entrepreneurs as 8 out of the 9 owners who identified other factors motivating them to start their business also identified these other factors as the most important factor in starting their business.

Business owners are motivated by a variety of reasons to start or purchase businesses and typically these other, individualistic motivations are the primary driver for them. Several motivations occurred more than once:

‘we have a new technology that has never been used for this purpose before ... We took samples to our potential customers – they told us it was the best product they had ever seen’
Business Owner

‘only shareholder that had involvement in the business so it became logical that the people who were involved in the business day to day own the business’
Business Owner

‘wanted to contribute to value-added agriculture activity in rural manitoba’
Business Owner

‘Wanted to start farming and this business attracted us ’
Business Owner

Business succession - in 2 some cases, the current owner inherited it from their parents while in 1 case, a minority shareholder expanded their role to owner to continue the business

Something the owners always wanted to do – 3 owners identified starting a business as a life goal or desire (occurred three times)

'A complicated one, my parents owned the business previously and they passed away'
Business Owner

The results from our research seem to correspond with the model findings and the presence of other motivations for an entrepreneur is an important factor and is highly consistent with job creation amongst our participating owners.

Motivation: necessity

Participating Owners (12)



This determinant is related to entrepreneurs being motivated by the need to generate income. Abdelfatah (2010) describes this motivation as being pushed into entrepreneurship either due to unemployment or dissatisfaction with wages. For our research we wanted to identify how many owners were motivated by financial necessity and the scope of its impact on job creation.

'in order to generate income, because ... [with other business] economy was very low, impacted my commissions'
Business Owner

Necessity was a common motivation for our participating business owners with 8 out of 12 identifying this as a motivation. Two owners also identified this motivation as the most important reason for starting a business and both of these participants had started their new business out of necessity because of the economy's impact on their previous business.

The results from our research seem to correspond with the model findings and the presence of being motivated by necessity is highly consistent with job creation amongst our participating owners.

'Border closed to cattle going across the states and we had a tonne of cattle that we needed to get sold – necessity, do or die'
Business Owner

Motivation: be their own boss

Participating Owners (12)



This determinant is related to entrepreneurs being motivated by the desire to be their own boss. Abdelfatah (2010) defined this determinant an intrinsic and identified that entrepreneurs primarily motivated by the desire to be their own boss are less likely to hire more employees. The model's finding suggests that this motivation should not be common amongst our participants who have all created jobs in recent years. For the purpose of our research we wanted to determine how common the desire to be their own boss was amongst participating business owners.

The desire to be their own boss was a motivator for 7 out of 12 participating owners. In 3 businesses, this desire to be their own boss was also connected to the desire to create their own products.

'The freedom to create things and to serve the customer as we see fit'
Business Owner

The results from our research seem to be contrary to the model findings as our results indicated that this motivating factor was moderately consistent with job creation amongst our participating owners.

Motivation: opportunity

Participating Owners (12)
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This determinant is related to entrepreneurs being motivated by an opportunity with a product or in the marketplace. Abdelfatah (2010) defined this determinant as the discovery of a market opportunity. His model findings suggest that market opportunity is a determinant in entrepreneurs hiring employees but is less of a predictor related to the number of employees that will be hired. For the purpose of our research, we wanted to determine which participating business owners started or purchased their business in part due to a specific business opportunity that they saw.

'Basically saw the opportunities in the market'
Business Owner

Seven out of twelve participating owners identified market or product opportunities as a motivating factor. One of the businesses identified this motivation as the most important reason for business startup, specifically the increasing market for health food and health products. The increasing importance and opportunity of the healthy food market was identified by several other businesses as well.

'30-60% of our beautiful vegetables are just discarded ... here's a real premium market for the growers and for me, I can pay them good money and still make good money so it's a win win'
Business Owner

The results from our research seem to correspond with the model findings and the presence of being motivated by opportunity is moderately consistent with job creation amongst our participating owners.

Previous ownership experience

Participating Owners (12)
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This determinant is related to the owners having previous ownership experience. Abdelfatah (2010) defined this as having started at least one business previously before the current business in question. The model found that owners with previous experience are more likely to hire employees and are more likely to hire more employees, indicating

that many of our business owners who have already created jobs should have previous business experience. For the purposes of our research, we wanted to identify if business owners had previous ownership experience.

Seven out of twelve participating owners had previous ownership experience. All 5 of the owners with no experience listed the desire to be their own boss as one of their motivations for starting their business, indicating there may be a connection between business experience or lack thereof and a desire to start a business.

'Oh I'd say about 10 [previously owned businesses]'
Business Owner

The results from our research seem to correspond with the model findings and previous ownership experience is moderately consistent with job creation amongst participating owners.

Industry experience

Participating Owners (12)
👤👤👤👤👤👤👤👤👤👤👤👤

This determinant is related to the owners having previous experience within the food-processing industry. Abdelfatah (2010) defined this as any previous work related position within the sector. The model findings indicated that entrepreneurs with industry experience are 4 times more likely to hire employees than those without industry experience. Due to the fact that we are interviewing owners that have already hired employees, the expectation was that we would find a high number of entrepreneurs with industry experience. For the purposes of research, we wanted to identify if owners had previous industry experience.

'my husband has been in the industry for 38 years'
Business Owner

Six out of 12 participating owners had previous experience with some gaining that experiencing in farming, some within the business they now own and others in related businesses. While the model's findings suggested that many of the owners would have had previous industry experience, only half in fact did. For those owners without industry experience, a common trait is that 5 of them saw an opportunity in the marketplace related to a food product.

'from farm up, since he was 18'
Business Owner

The results from our research seem to differ from the model's findings and previous industry experience is moderately consistent with job creation amongst participating owners.

Economy

Participating Businesses (14)



This determinant is related to the impact of the economic cycle on job creation within the participating businesses. Abdelfatah (2010) defined this as the annual change of the national GDP. The model's findings indicated that poor business cycles lead to lower job creation, but due to the fact that all of our participants had already created recent jobs, it is not anticipated that this will be a factor with our participants. The focus of our research was to determine if the state of the economy had impacted job creation and in what ways it had impacted job creation. We explored the model by examining if the state of the economy had impacted job creation in any way.

Only 5 out of 14 businesses indicated that the economy impacted job creation within their business and 4 out of those 5 felt that the poor economy forced them to make choices or changes that directly led to job creation. In our research, the main finding was that the state of the economy was not a factor in most of the businesses. An additional finding was that for these 5 businesses, the economy's impact was related to business decisions rather than directly to job creation decisions; however when the business decisions were successful, this success in turn led to new jobs.

The results from our research seem to differ from the model's findings and the role of the economy is consistent with job creation at a low level amongst participating businesses.

'harder to make a profit – wages and expenses have gone up but prices have not kept pace – have to limit who we hire and retain'

**Business Owner
Business Owner**

'border closing [2003 BSE Beef Crisis] was a huge factor in starting the business – 30 jobs were created because the border'

Business Owner

'I'm not waiting for the economy to get better, I'm going to do it now and that will help the economy'

Business Owner

Motivation: creating work-life balance

Participating Owners (12)



This determinant is related to entrepreneurs being motivated by the desire to create a work-life balance. Abdelfatah (2010) defined this determinant as the possibility to combine work and life priorities or due to personal circumstances. The model found that owners motivated by creating a work-life balance are less likely to hire and are likely to hire fewer employees, suggesting that this determinant should not be common amongst our participants who have all created jobs in recent years. For the purposes of our research we wanted to identify how common this determinant was amongst our business owners.

The desire to create a work-life balance was only present 4 out of 12 participating owners and was not identified by any owners as the most important reason for starting their business. In addition, no owners

'Something I wanted to do for a number of years and finally got around to doing it'

Business Owner

cited work-life balance as an impact in their job creation and in fact 2 owners discussed hiring employees to fulfill some of the owners current duties so the owner could expand their other roles related to the business. Amongst those business owners who did identify work-life balance as a motivator, family seems to be a common element with 1 owner employing three family members while 1 other owner inherited the business in which he had worked with his parents.

The results from our research seem to correspond with the model findings and the presence of being motivated by creating a work-life balance is consistent with job creation at a low level amongst participating owners.

Participating Businesses (12)



Owner Age

This determinant is related to the age of the owner. Abdelfatah (2010) defined the as the age of the entrepreneur. The model found that the likelihood of hiring increases as the entrepreneur approaches the age of 36 and then decreases afterwards. Our focus for the research was to determine how many owners were younger than 36 and therefore increasing their likelihood towards hiring.

Only 3 out of 12 of owners were 36 years or younger with the majority of owners being older than 36. For those owners who were younger than 36, 2 out of the 3 were in business with family members or had inherited the business from parents, which might have impacted the model's findings as well.

The results for our research seem to differ from the model's findings as a young owner age is consistent with job creation at a low level amongst participating owners.

CRITICAL FACTORS

Critical factors are factors or moments beyond the model scope that were identified by multiple participants as very important to job creation. Context for each of these critical factors was a key emphasis from participants and is provided below. The timing or sequence of these factors and moments were not emphasized by participants and is provided below when available.

Government Support

Participating Businesses (14)



This critical factor is related to the role of government support in job creation. The issue of government support was one that we wanted to explore as part of this research, to determine what role and impact, if any government support was having in job creation for the food-processing SMEs. For the purposes of our research we asked what other supports and information were used in job creation and we coded any mention of government support that appeared in other questions.

Seven out of fourteen participating businesses identified government support as a critical factor that impacted business success and job creation. The type of support varied between businesses and between government sources but was identified as important by all of those businesses that received support. Participants identified six types of support:

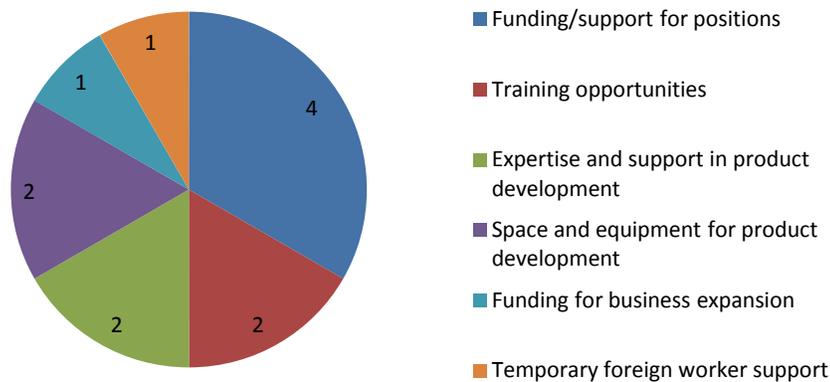


Figure 3: Types of Government Support by Participating businesses

In addition to the 7 businesses who identified some form of government support, 1 other business expressed the need for more management position funding.

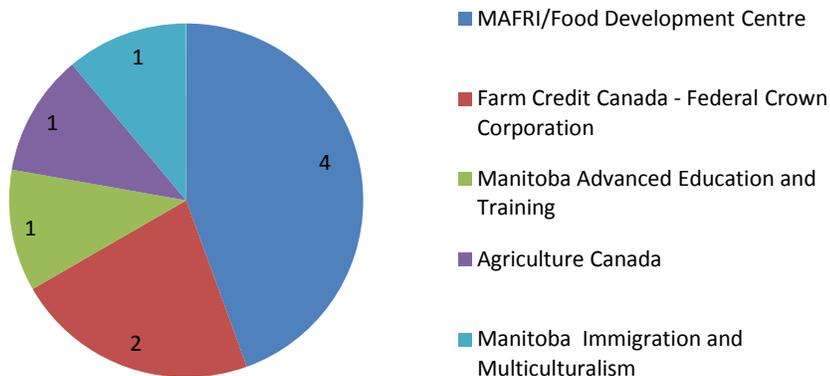
'The MB government from the standpoint of MAFRI have been assisting us all the way along'
Business Owner

'Got loan funding from federal agricultural innovation program which really provided us with the stepping stone'
Business Owner

'had all of these people at the Food Development Centre for evaluating HACCP plan, for checking the tests – all of these professionals, they were involved in the processes'
Business Owner

'a lot of grants available on the processing side – but not for the management jobs'
Business Owner

The source of support varied amongst participants as well:



'There was some support, including from MAFRI ... that helped toward the more easier development of a sanitation position'
Business Owner

'we had been working with advanced education and training – sometimes they will do a funding to help you pay for a new position for 6 months for training and so on'
Business Owner

The results from our research indicate that government support is a critical factor consistent with job creation amongst our participating businesses.

Food Safety

This critical factor is related to the penetration of food safety into all facets of business within the food sector. Food safety was an issue repeatedly identified by participants as a critical factor impacting both their business and job creation. While it was identified by participants as something that has always been a priority in regards to food handling, it has expanded its influence throughout the business recently.

'have to run food safety now so that is a lot of extra work ... documentation has increased'
Business Owner

Seven out of fourteen businesses referenced food safety as a factor within job creation and all 7 of these participating businesses had specifically created food safety related positions within the last 2 years. Thirteen out of the fifty-five new jobs created by participating businesses were directly related to food safety, ranging from quality control and production managers to administrative support to sanitation workers. While specific timelines were not provided, participants identified that increasing regulations and reporting requirements from government and increasing food safety concerns from consumers have made food safety positions more critical than ever.

'we have new customers in the store every hour buying beef based on fear now, media can swing your business a long way, the last 3 weeks we've been running out of ground beef [since the XL recall] – if that demand continues we are going to need another meat cutter'
Business Owner

Food safety was mentioned by participants in relation to entrepreneurial motivation, in relation to supports they have received from government, in relation to an important marketing element and most substantially, in relation to job creation.

'requirement for a safe meat product has become more prevalent'
Business Owner

The results from our research indicate that food safety is a critical factor that is essential to business success and is consistent with job creation amongst participating businesses.

Societal Change

Participating Businesses (14)


This critical factor is related to the change in societal values and demands as consumers. Several participants raised the issues of consumer demands and expectations and the impact of these changing demands impacted business opportunities, job creation, and market innovation.

'changing values in society have made it hard to employ people at the meat plant'
Business Owner

While this factor is related to food safety, 4 participating businesses specifically referenced changing consumer demands in relation to their business success and job creation, establishing this factor as a critical factor in its own right. Three participating businesses identified that consumers want healthier and safer foods while two identified that consumers want more local sustainable foods. One of the participating business owners even started his business as a result of this changing market while two other owners stated that their continued success is due in large part to the demand for local, healthy food products. An international beef recall occurred during the interviewing time frame and one participant identified that the food recall was dramatically increasing sales of ground beef in his store was impacting his ability to meet demand.

'Big thing – the natural aspect, people generally wanting to know whats in your meat'
Business Owner

'created a marketing plan that focuses on the goodness of pulses'
Business Owner

'more and more interest in products as sustainable source of nutrition'
Business Owner

The results from our research indicate that societal change is a critical factor impacting job creation at a low level amongst our participating businesses.

Hiring Challenges

Participating Businesses (14)


This final critical factor is related to the challenges hiring staff in the food-processing sector. This issue was raised by several businesses as a critical concern around job creation. Four out of 14 participating businesses (4 out of 14) discussed hiring concerns and identified several different aspects to their concern.

'work force is limited due to the large industry around us'
Business Owner

Three of the businesses identified a difficulty in finding workers for the food process industry and acknowledged fewer people want to work in this industry than in the past. One business also stated that it was difficult to compete with wages offered by larger meat processing plants while another business noted that even with high wages it was not easy attracting workers to the industry.

The results from our research indicate that hiring challenges is a critical factor impacting job creation at a low level amongst our participating businesses.

'A very physical job – younger generations don't have the same work ethic anymore '
Business Owner

Discussion

There were several factors within the model that varied from expectations and some of the critical factors were also unanticipated or warrant further discussion. This section reviews those factors and puts forward some ideas regarding those findings.

The presence of innovation was the second most consistent factor from the model, present in 11 out of the 14 participating businesses. The findings for this factor are not a surprise as the model predicted the impact of this factor, but the importance of innovation in relation to job creation needs to be underscored. As illustrated, innovation was a key element in success for most of the businesses with the primary types of innovation being new markets and new products. The participating businesses are clearly businesses that have been able to adapt and change with the markets and with society. Expanding into new markets, developing new products or a combination of both of these innovations and other innovations contributed to job creation in 79% of the participating businesses. Fostering a similar culture of innovation within other rural food-processing SMEs would appear to be a significant tool for increasing job creation within rural Manitoba.

Motivation was an important factor related to job creation but the types of motivation that were most consistent with job creation amongst the participating businesses were unanticipated based on the model predictions. The model suggested that necessity and opportunity were the two motivations that would be the main reasons for starting a business amongst job creating owners. While necessity and opportunity were two important motivations amongst owners, 'other' was the top motivation category and one of the top model factors consistent with job creation. In addition, a higher than anticipated number of owners identified the motivation to be their own boss as a key reason for starting or purchasing a business, ranking it right behind opportunity as a factor in job creation. This range of motivations highlights the variety of reasons individuals are entering into the food-processing sector within rural Manitoba and identifies that these unanticipated motivations are not barriers to becoming the owner of a growing company. To better understand and support the starting or purchasing of food-processing SMEs in rural Manitoba, more exploration of the different entrepreneurial motivation is needed.

Government supports was identified as a critical factor in job creation by half of the participating businesses. The types and sources of government support were varied amongst the businesses but the importance of this support was consistent. One of the businesses attributed its success and job creation growth directly to government support while 2 other businesses identified the importance of government support in funding or facilitating job creation. The remaining businesses who identified government support described business supports such as training and product development which contributed to business success or expansion. The importance of government support amongst these successful businesses was an important finding and

further knowledge should be developed about what other government supports would be useful. In addition, understanding how government supports are being utilized by businesses that have not recently created jobs would also provide an important comparison.

Food safety was an unanticipated critical factor that emerged from the research. While food safety is understandably an important factor within food-processing, the extent of its impact on job creation was unexpected. Seven out of 14 participants indicated that they had created food-safety related jobs within the past two years and nearly ¼ of all the new jobs created by participating businesses in the last 2 years were focused on food safety. Businesses stated that the emphasis on food safety was due to customer concerns and government reporting requirements. While participants did not question the importance of food safety, they did indicate that documenting it can be a challenge. Food safety is clearly an important factor to rural food-processing SMEs businesses, both as a requirement to doing business and as a marketing feature. Expanding understanding of food safety challenges and opportunities within rural food-processing SMEs would provide knowledge to help increase the benefits of food safety and its related job creation.

RECOMMENDATIONS

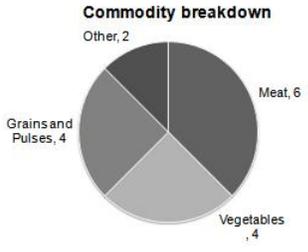
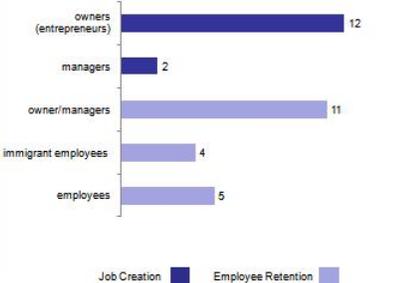
The findings of this exploratory study have identified several key research recommendations that are important next steps for rural SMEs in the food-processing sector.

1. **Identify innovation factors, supports and barriers for SME food-processors to help foster and expand a culture of innovation** – innovation was identified as a key determinant for success and job creation amongst participating SMEs. Increasing understanding of the factors and supports that led to innovation, and discovering the barriers that are currently preventing innovation is critical to increasing innovation and job creation within Manitoba’s food-processing sector and for rural SMEs.
2. **Expand understanding of motives for starting rural food-processing businesses to increase entrepreneurship** – motivations amongst participating businesses varied with several unanticipated motivations being identified as important factors related to job creation. Conducting further research into entrepreneurial motivations will expand understanding of rationales for starting businesses within the food-processing sector. This increased understanding of entrepreneurial motivations could increase the effectiveness of business start up programs and supports for the food-processing sector in rural Manitoba.
3. **Expand understanding of government supports in food-processing SMEs to increase uptake of supports and their impact on job creation** – participants took advantage of government programs and supports for food-processing and these findings help demonstrate the importance of government programs. Expanding the understanding of those supports in food-processing SMEs is an important next step. Understanding what other supports could benefit successful SMEs in addition to identifying uptake levels and patterns amongst SMEs who haven’t created jobs recently could increase the impact of government programs on job creation.
4. **Increase knowledge about food safety challenges and opportunities amongst rural food-processing SMEs to support business success and job creation** – food safety was an important topic raised by participants and food safety related roles accounted for a substantial portion of all recently created jobs. Participants have embraced food safety and its importance will continue to grow but reporting requirements can be difficult or even prohibitive for some SMEs. Expanding understanding of food safety challenges and opportunities within rural food-processing SMEs would provide knowledge to help increase the benefits of food safety and related job creation.

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Appendix 1

Research Purpose	Research Methods
 <ul style="list-style-type: none"> To identify factors that influence job creation amongst rural food processors To better understand retention strategies being used by rural food processors 	 <p>Research Sample</p> <ul style="list-style-type: none"> Small and Medium Enterprises <100 employees Central region of Manitoba Participating businesses are primary or secondary food processors – producers and distributors not included 
Research Sample	Location of Research Sample
 <ul style="list-style-type: none"> 56 primary or secondary food processors identified by MAFRI in the central region Prescreened businesses <ul style="list-style-type: none"> 27 had created jobs within the past 2 years 13 employed immigrant employees 	 <p>16 businesses were engaged in total</p>  
Research Sample	Data Collection
 <p>16 businesses were engaged in total</p> <p>Commodity breakdown</p>  	 <p>34 interviews were conducted</p>  <p>Job Creation (dark blue), Employee Retention (light blue)</p> 

Job Creation – General Numbers



14 businesses were engaged in the job creation research and provided general business demographics





14 is the median business age

5 businesses are less than 7 years in age



256 full time employees
18 immigrant employees

55 new jobs created in past 2 years



27 Management
28 Production







Job Creation Model




ENTREPRENEURIAL DETERMINANTS

- Owner Age
- Previous ownership experience
- Previous industry experience
- Motivated by necessity
- Motivated by desire to be own boss
- Motivated by opportunity
- Motivated by work-life balance
- Motivated by other factors

BUSINESS DETERMINANTS

- Length of time to hire employees
- Innovation
- State of the economy




Agriculture and Rural Development: Modeling the Determinants of Job Creation: Microeconomic Models Accounting for Ability, Entrepreneurial Ability, EIM Research Reports (R201018) Zoetermeer, NL

Job Creation Model Analysis




1. Determined which model determinants were present.
1. Identified specific impacts of model determinants on job creation.
1. Identified any additional factors or critical moments impacting the creation of new jobs.




Entrepreneurial Determinants




- **Owner Age** – the age of the owner impacts the likelihood of creating jobs with the tendency to create new jobs decreasing after the age of 36.
- **Previous ownership experience** – previous ownership experience increases the likelihood of creating new jobs
- **Previous Industry experience** – previous industry experience increases the likelihood of creating new jobs




Entrepreneurial Characteristics cont'd




- **Motivation** – motivations behind starting a business factor into job creation:
 - **Necessity** – starting a business due to the need to generate income increases likelihood of creating new jobs
 - **To be own boss** – starting a business in order to be their own boss reduces likelihood of creating new jobs
 - **Product/Market opportunity** – starting a business because of an opportunity with a product or market increases likelihood of creating new jobs
 - **Create work-life balance** – starting a business to create more balance between work and life reduces the likelihood of creating new jobs
 - **Other** – starting a business due to other motivations increases likelihood of creating new jobs




Business Characteristics




- **Length of time to hire employees** - the length of time a business is running from startup or purchase before it hires its first employee(s) impacts job creation with total job creation increasing the sooner the first employee was hired
- **Innovation** - the presence of new products or services within the business increases the likelihood of job creation
- **State of the economy** – a healthy and positive economy increases the likelihood of job creation




Additional Factors



- Government support** – government is impacting job creation within SME food processors
- Food Safety** – food safety has become a critical factor in all facets of participating businesses, including job creation
- Societal Change** – the changing values and demands of society are impacting food processing businesses and job creation
- Hiring Challenges** – participants identified that hiring challenges were impacting job creation



Job Creation Results – Model Factors



Determinant	Presence in Job Creation
Little to no delay in hiring employees	83%
Presence of innovation	79%
Motivated by other factors	75%
Motivated by necessity	67%
Motivated to be their own boss	58%
Motivated by opportunity	58%
Previous ownership experience	58%
Previous industry experience	50%
State of the economy	36%
Motivated by work-life balance	33%
Owner age	25%



Job Creation Results – Additional Factors



Determinant	Presence in Job Creation
Government Support	50%
Food Safety	50%
Societal Change	29%
Hiring Challenges	29%



Consistency with Job Creation – All Determinants



HIGH CONSISTENCY WITH JOB CREATION

- Length of time to hire employees
- Presence of innovation
- Motivated by other factors
- Motivated by necessity

MODERATE CONSISTENCY WITH JOB CREATION

- Motivated to be their own boss
- Motivated due to opportunity
- Previous ownership experience
- Previous industry experience
- Government support
- Food safety

LOW CONSISTENCY WITH JOB CREATION

- Motivation to create work-life balance
- State of the economy
- Owner age
- Societal changes
- Hiring challenges



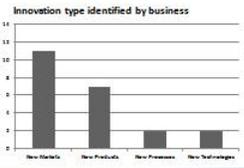
Key Findings - Innovation



Importance of Innovation

- Defined as the adoption of new markets, new products, new processes or new technologies
- 11 out of 14 businesses identified an innovative aspect
- Innovation is a key determinant for job creation amongst participating businesses

Innovation type identified by business



"A healthy business changes as it goes along over time – have to adjust to market place – the work connected then changes"
Business Owner



Key Findings - Motivation



Importance of Motivation

- Motivation factors accounted for 4 out of the top 6 determinants for job creation
 - Other factors
 - Necessity
 - Opportunity
 - Desire to be their own boss
- Understanding owner motivations is essential for understanding business start up and job creation

Most common other factors

Business Succession – ||||
"Something I Always Wanted to do" – ||||

"A complicated one, my parents owned the business previously and they passed away"
Business Owner

"Wanted to start farming and this business attracted us"
Business Owner



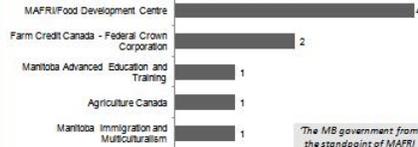
Key Findings – Government Support



Role of Government Supports

- Government support directly impacted job creation in 3 businesses while 4 other businesses indicated government support improved overall business success

Source of Government Support

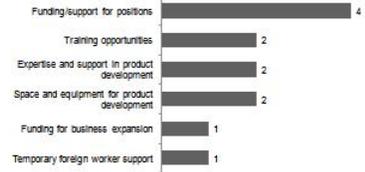


'The MB government from the standpoint of MAFRU have been assisting us all the way along'
Business Owner

Key Findings – Government Support cont'd



Types of Government Support



'Get loan funding from federal agricultural innovation program which really provided us with the stepping stone'
Business Owner

'a lot of grants available on the processing side – but not for the management jobs'
Business Owner

Job Creation Recommendations



Recommendations

- Identify innovation factors, supports and barriers for SME food-processors to help foster and expand a culture of innovation
- Expand understanding of motives for starting rural food-processing businesses to increase entrepreneurship
- Expand understanding of government supports in food-processing SMEs to increase uptake of supports and their impact on job creation
- Increase knowledge about food safety challenges and opportunities amongst rural food-processing SMEs to support business success and job creation