

No “one size fits all” approach to scaling up businesses in Ontario, says new report from the Institute for Competitiveness & Prosperity

Toronto – A major contributor to Ontario’s prosperity gap is the small size of its firms. Aiming to close this gap, the Institute’s new Working Paper, [A place to grow: Scaling up Ontario’s firms](#), assesses the factors that contribute to a business’s size. Given the diverse nature of Ontario’s business, the Working Paper found there is no “one size fits all” solution for scaling up Ontario’s firms.

The report looked at over 140,000 businesses in Ontario spanning seven key sectors to determine the factors that were most strongly associated with large firms. The results vary drastically by sector and firm size, which implies that targeted, sector-specific efforts are required to maximize Ontario’s potential.

In general, firms in goods-producing sectors thrive when engaging in trade activities, especially exporting. Location is also a strong determinant of success. The report finds that companies in service-producing sectors make better use of their employees and demonstrate the greatest returns to scale.

As shown in the Working Paper, the 127 provincial programs that support businesses are administered by 14 different ministries and are not centrally organized or broadly marketed, making it difficult for many firms to find and apply for these programs. This excessive number of programs is in addition to the 104 federal programs already available. Worse, the service sector produces 77% of Ontario’s GDP but are only targeted by 17 percent of these programs.

In addition to the sector-specific recommendations for scaling up businesses found in the report, the Institute recommends that the Ontario government:

Adopt alternative definitions of firm size: Adopt more relevant and useful metrics such as output per worker.

Streamline initiatives directed toward firms: Consolidate business-support government programs to increase effectiveness.

Strategically allocate resources toward increasing firm inputs: Target the sectors with the greatest response to increasing labour and capital levels.

Scale up on initiatives that encourage international trade: International trade provides excellent benefits to those capable of participating. Offer increasing support to enable Ontario’s firms.

Incentivize appropriate risk taking: Calculated risks can pay off in Ontario.

About the Institute: The Institute for Competitiveness & Prosperity is an independent, not-for-profit organization that deepens public understanding of macro and microeconomic factors behind Ontario’s economic progress. The Institute has analyzed Ontario’s prosperity gap since 2001 and in its most recent Annual Report found that there is a \$12,015 gap between Ontario and its US peers. The Institute is supported by the Ontario Ministry of Economic Development, Employment and Infrastructure.

Download the report: <http://bit.ly/ICPScalingUp>

**For more information
contact:**

Jamison Steeve, Executive Director
j.steeve@competeprosper.ca
416.946.7585