

Doyletech Corporation – Economic Development Strategies



The ED Linkages Service – Creating Supply Relationships between Regional Communities and Urban Economic Clusters

A Discussion Paper:
The ED Linkages Experience in Eastern Ontario

***Making
Technology
Happen***

**DOYLETECH
CORPORATION**

We go beyond consulting reports to implement commercialization activities by working with entrepreneurs, researchers, and scientists to create new companies.

We work with economic development professionals to ensure that commercialization and incubation facilities are making the impact they should.

We work with regional and federal authorities to ensure that the innovation culture is alive and well, and that there is an appropriate strategy in place to make it all happen.

We work with university commercialization officers, business park managers, and technology transfer practitioners to ensure that they have the hands-on skills and techniques to transfer technology from their institutions.

The advertisement graphic has a dark blue background with a close-up of fiber optic cables. The text "Making Technology Happen" is written in a white, italicized, sans-serif font. The Doyletech Corporation logo is in the bottom left corner. Four paragraphs of white text describe the company's services.

The ED Linkages Experience in Eastern Ontario

1.0 What is ED Linkages?

ED Linkages is a comprehensive and proven toolset to support community economic development through the enhancement of supply relationships between rural communities and urban economic clusters, or engines. ED Linkages adds value and sustainability to the rural communications and e-commerce infrastructures which are increasingly necessary to all regions.

ED Linkages has been developed and refined through the analysis of economic factors which impact upon the development of technology clusters and the effect they have on outlying communities within their radius of influence. It has been applied successfully by many small and medium sized communities in the greater Eastern Ontario region and by their local rural suppliers in terms of supplying products and services to Ottawa's Silicon Valley North, where technology employment now rivals the federal public service. Despite the downturn in the technology sector, the Canadian economy consistently leads the G8 in growth and sustainability, in part because of the success of distributed economic development strategies as supported by products such as ED Linkages.

2.0 Background and Rationale

For communities that are outside a major technology cluster such as the ones found in Silicon Valley, Boston, Austin, Research Triangle Park, and Ottawa, it is possible to implement what will be referred to as a linkages strategy. It is really a targeted form of a grow-your-own strategy that involves a concerted effort by local companies to supply products and services to those clusters. The first step in such a strategy is to do a detailed assessment of what products and services are currently purchased by companies in those clusters. The second is to do an assessment of the local supply capability.

It will be found that every community has some supply capability, not all of which is necessarily very high on the technology ladder. For example, when the photonics industry was booming, there was a dramatic increase in machine shop work, particularly micromachining. Every city and town of any size has machine shops but most of them are focused solely on old economy or rural customers. They seldom come in contact with technology-based companies. A reasonable role for the economic development officer in such areas is to learn more about the needs of the nearest technology cluster and then work with local suppliers in meeting those needs. Even though the early trade will be mostly in low technology products such as machined parts, cabinets and enclosures, the relationship will inevitably lead to trade in higher technology products and services.

The best place to start in assessing the needs of a technology cluster is to focus on what companies buy in the way of products and services as part of their Cost of Goods Sold (COGS). COGS is usually the greatest single component of expense on a company's income statement. It therefore represents the greatest sales opportunity. COGS purchases are also continuous in nature as opposed to purchases of assets such as furniture and equipment which tend to be sporadic in nature.

In the longer term, the remote community will find that shipping products and services to the cluster will create more local wealth than shipping raw brain power in the form of recent college and university graduates.

3.0 Lessons from Eastern Ontario

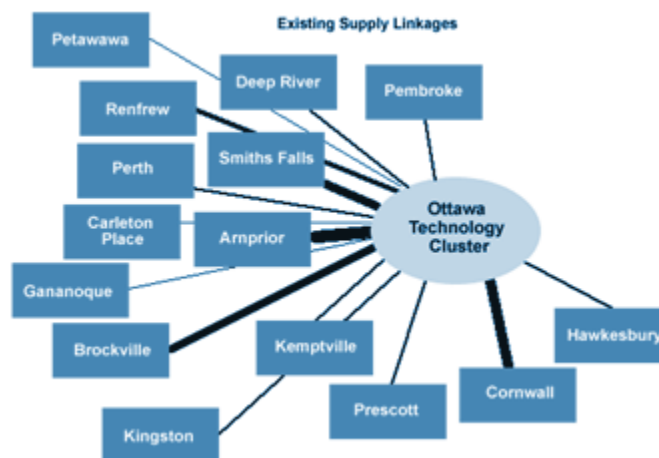
In the case of Eastern Ontario, linkages activities have helped to diversify and grow the economic base from an older economy region into a region where business focus is on "new economy" products, services and markets. The complete toolset entails the development of new partnerships, alliances and marketing initiatives on a regional level to support the business-to-business transactions taking place. Such a pooling

of efforts would result in better measurement systems, contact tools, promotion, better planning, and a geographic area large enough to be a force in marketing both to the Ottawa technology cluster and more globally.

Linkages has empowered rural Eastern Ontario suppliers by having a direct and measurable impact in the areas of strategic market research, sales facilitation, sales intelligence and lead generation, business opportunities notification, mentoring, and direct face-to-face meetings of buyers and sellers for the purpose of doing business.

Doyletech believes that full implementation of the program will further energize economic development in Eastern Ontario because it is focused on the sale of products and services rather than building of networks. Business transactions between companies will lead to the creation of networks.

The following maps identify the Eastern Ontario region in which components of ED Linkages have been applied. The first map identifies the Counties comprising Eastern Ontario while the second identifies the major supply communities within them that supply products and services to Ottawa’s technology cluster. The width of the lines between the supply communities and Ottawa identifies the relative strength of existing supply linkages. Brockville, Cornwall, Carleton Place, and Arnprior are heavily dependent on supply linkages with Ottawa’s technology companies. A community with a small line between itself and Ottawa does not necessarily mean that future supply linkages cannot be improved. A key component of linkages is to identify how new linkages can be created, not just how existing suppliers can do more business in Ottawa. In fact, significant on-the-ground work with linkages in Eastern Ontario has discovered several new linkages. For example, the existing weak linkage between Deep River and Ottawa could potentially be expanded due to the significant R&D and technical knowledge residing in that community two hours northwest of Ottawa.



The following is a sample of our findings with ED Linkages in rural Eastern Ontario:

- 79% wish to pursue business opportunities with Ottawa technology firms;
- 85% expect Ottawa's technology cluster to be a significant growth driver for Eastern Ontario over the long-term;
- rural Eastern Ontario firms are supplying about \$87.1 million into the Ottawa technology cluster currently, a figure that suppliers themselves believe should grow to \$121.3 million in 2005 (COGS purchases only);
- suppliers expect to increase their total sales with cluster firms by at least 39% by 2005;
- an estimated 14,530 jobs within about 230 Eastern Ontario firms are directly impacted by COGS-related trade with the cluster;
- rural suppliers have achieved a 2.6% market share of total cluster COGS purchases; and
- 33% of suppliers have already taken direct action towards developing more business with Ottawa's technology companies.

From the Eastern Ontario experience, the following general comments are relevant to local economic development professionals:

- having an existing technology cluster is not a prerequisite;
- the key is to match your industrial infrastructure to current needs;
- determine your community's core competencies;
- a close working relationship between local firms and economic development authorities at all levels is required; and
- strong facilitation is essential (hands-on training and general assistance for local suppliers is required).

4.0 Results Achieved

While it is difficult to assess the complete impact of linkages activities in Eastern Ontario, it is known to have resulted in increased sales between rural suppliers and Ottawa technology companies. The following comments are offered to demonstrate both the sales and non-sales related benefits achieved:

- conservatively, new sales have been realized by at least 14 rural suppliers (with some contracts of a sizeable, multi-year nature). Our surveys suggest up to 30 other suppliers may have realized new sales as well.
- there is a continued interest in, and commitment to, linkages activities from many of the participants, despite the current market difficulties in some technology sectors.
- educators and educational institutions are asking to be involved. Institutions in Renfrew, Cornwall, Kingston, and Ottawa have been engaged.
- 77% of respondents to a linkages follow-up survey indicated that the program gave them a better understanding of the Ottawa technology cluster and its potential opportunities.
- 23% of respondents to the same survey indicated that the program assisted their company in getting new business (either in Ottawa or elsewhere in Eastern Ontario).
- several participating EDOs observed more rural suppliers networking in Ottawa and a noticeable improvement in the quality of the personal networks of local firms.
- Ottawa-based venture capital firms have been introduced to some Kingston area firms directly because of the program.