

# Intelligence MEMOS



From: Daniel Schwanen

To: Canadians Concerned About Small Business Growth Amidst Reconfiguration of Supply Chains

Date: December 22, 2023

Re: **PREPARING ONTARIO SMES FOR SUPPLY CHAINS OF THE FUTURE – GETTING THE BIG PICTURE RIGHT – II**

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My previous Intelligence Memo focused on the overarching importance for Ontario's economy of being home to firms that can rely on, and are suppliers to, cost-competitive and resilient supply chains, and of the relative vulnerability of Ontario SMEs to supply chain disruptions.

There is much that a large province such as Ontario can specifically do to foster the ability of SMEs operating in their jurisdiction to access and benefit from participating in such supply chains.

Ontario is also an ideas- and talent-rich province, and the main idea here is precisely to ensure that it becomes a hub for turning ideas and talent into business opportunities that would benefit Ontarians overall. This path would help position its products strongly, ideally as uniquely valuable, within Canadian, North American or global supply chains. Although it benefits from its proximity to the large US market, Ontario needs to follow that path to compete with lower-cost jurisdictions such as Mexico, that are [benefitting from the global trend toward near-shoring](#).

Tools and policies that would advance this goal include:

- More innovative public sector procurement. The mandate of [Supply Ontario](#) is appropriately couched in terms of ensuring that Ontario's entire public sector "has access to high-quality, timely, reliable products at the best value." But public sector entities such as hospitals need greater leeway to procure innovative goods and services that can help resolve issues faced by Ontarians – goods and services they may not know exist. The use of innovation marketplaces by Ontario public entities can be a powerful tool to foster the connection between the public sector and innovative firms, and in turn provide the latter with growth opportunities which they can parlay across the broader supply chain.
- A more supportive environment for commercialization of IP and ideas generally. This starts with not focusing so much on hoarding our IP for domestic use, as much as on the ability – the technical, management, design and marketing acumen – to develop products in Ontario that will serve a unique niche in the wider market. Ontario needs to lead Canada in [overcoming its commercialization deficit](#) – including commercialization of ideas that originate elsewhere or that result from cross-country collaborations.
- Bringing large and small companies to work together, specifically around a skills and digitalization agenda. Ontario is already home to the [Ontario Global 100](#), a network of large companies that mentor emerging ones. It should seek to incent this or similar networks to develop, in partnership with relevant ministries and educational institutions, a forward-looking skills and training agenda that would benefit entire industries or activities rather than just a single company. These could focus on industries that are obviously critical to the resiliency of supplies, such as food or energy, and more generally seek to strengthen SMEs that demonstrably have a good chance of being the next "Ontario Global 100". Along similar lines, approaches that support SMEs partnering with large firms to enable their digitalization should be reinforced.

Other approaches that would help Ontario support positioning its SMEs within emerging supply chains include support for investments in technologies that would progressively reduce the need for low-skill foreign temporary workers, leading to higher productivity and better jobs, and innovative facilities and regulatory nimbleness to ensure business continuity in the event of supply chains disruptions. Future Institute research will flesh out these approaches.

In closing, it is also important for governments to avoid obvious mistakes. Policies that would seek not only to near-shore, but to "re-shore" production, diverting trade away from low-cost suppliers without genuinely resulting in more secure, safer or higher-standard supplies, would simply result in higher costs for consumers and taxpayers. They should be avoided – the best policies are ones that will leverage one's comparative advantages, including the ones highlighted in this memo.

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