



# Report on Survey Results

**2008**

**Executive Call Program**

**February 17, 2009**

1601 Golden Aspen Drive, Suite 110  
Ames, Iowa 50010  
515.232.2310 phone  
515.232.6716 fax



## OVERVIEW

The mission of the Ames Economic Development Commission is as follows:

**“The AEDC will organize and promote sound economic growth in the Ames area by stimulating expansion of existing business, attracting new enterprises and assuring a favorable community climate for new ideas and economic growth.”**

The primary focus of this report is on our existing business and industrial base in the Ames, Story City, and Huxley area. The gathering of data for this report is based on personal interviews by the AEDC Vice President of Existing Business and Industry. This is the second year of the revised format of the Executive Call Program which was instituted to enable a more consistent gathering of information and the ability to prepare a report with more factual information and define actionable projects based on the participating companies’ responses. Our appreciation goes out to these participating companies in spending their valuable time to gather the information for the following report.

This report achieves several purposes: it demonstrates the community’s interest in existing business and industry, better determines their needs and concerns so we can try to address them, helps determine the health of our industrial base and its individual companies, and tries to assess the opportunities and risks for retaining and growing them. AEDC is continuing to utilize a national software program called *Synchronist* to track and analyze employer information. Conclusions and graphs are based on information supplied through direct answers, analysis and comparisons made from extracted data, and background information. We will use historical information in developing trends. Internal efforts are also made to ensure that AEDC staff follows up with the companies looking to expand their operations here or facing issues that may put their current operation at risk.

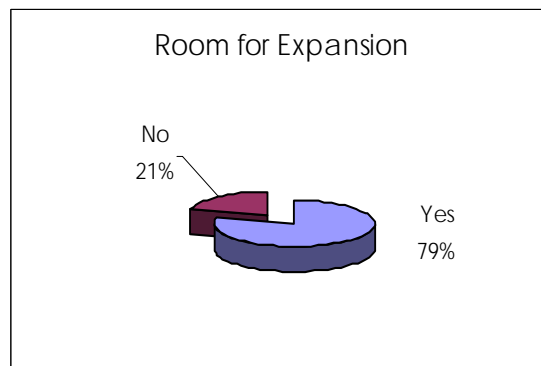
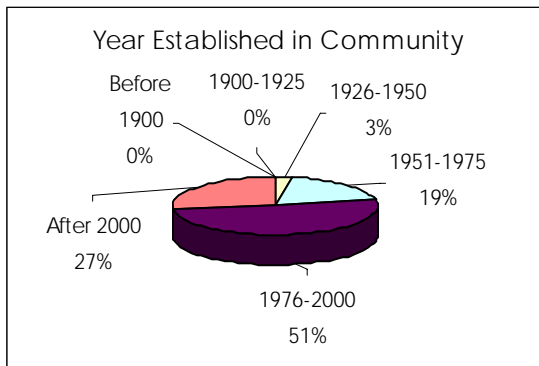
The Executive Call Program continues to be an integral part of keeping the AEDC informed about the activities of Ames, Story City, and Huxley area primary employers. It is also our means of communicating with employers and emphasizing our desire to assist in any manner practical. The information gleaned from these contacts helps direct our activities and programs. In real terms, there are limits on our ability to assist companies as many threats are market oriented and therefore outside our control. What we can do is stay aware of the issues facing our companies, address the ones we can influence and continue our focus on maintaining the Ames area as a quality business environment.

The Executive Call Program this year focused on an identified base comprising of 52 primary employers, providing more than 4,250 jobs. The survey did not include any retail outlets, financial institutions, educational institutions (K-12 through college), or local governmental organizations (i.e. Iowa Department of Transportation, USDA complex, etc). Sixty-three percent of Ames area surveyed companies are headquartered here, and over a third of our primary employment resides in advanced manufacturing companies.

52**	Total Primary Companies on contact list	
40	In Person Surveys	77% Completed

*\*\*Some of the companies have requested not to be surveyed or did not want to participate*

Seventy-one percent of the companies responding have been in business for 25 years or less. Of note is the establishment of these companies over 25-year increments, which indicates a long standing health of the area for the creation of new businesses. Forty-five of those responding are in facilities under 10 years old with the remaining companies in buildings 11-25 years (35%) old and over 25 years (20%). The companies indicated that 97% of these buildings are in either excellent or good condition. Fifty percent lease their facilities and 79% say that there is room for expansion at their current site. Compared to the surveyed companies in 2007 the statistical variance is small as to age of the buildings, their condition, and room for expansion. The key indicators here would support that there remains good opportunity for business expansion in a number of the companies' facilities.



## **INDUSTRY VITALITY**

### **Company Evolution**

This section of the report gives us an overview of the company's achievements, product/service life cycle, and their research and development efforts. Answers from this section help us to determine how well a company is poised to take advantage of market opportunities.

#### ***Achievements***

In 2008, the number one category of achievements amongst companies responding was by far "Business Growth or Increased Sales" at 43%. The second highest category at 28% was "Business Challenge(s) Successful Completion." As reported by the growth or increased sales indicator the businesses are showing an increase in the growth of their companies – a positive for the local economy. Another key category was "Facility Renovation, Modernization, and Relocation" at 15%. This area is supported by the expansions of Sauer-Danfoss and Ag Leader Technology as well as the construction of the new Colorbiotics building.

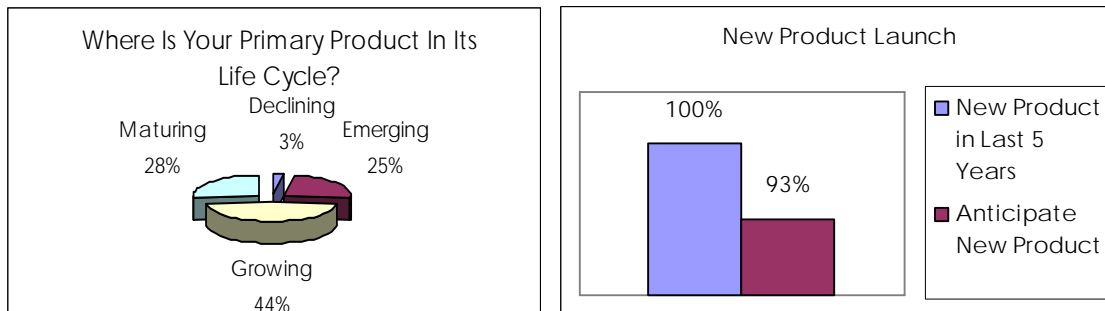
#### ***Research & Development***

Research and Development (R&D) is an important aspect of the vitality of any business. Seventy-seven percent of primary employers are conducting R&D. Eighty-three percent of these employers are doing R&D services in the Ames area. R&D efforts are reflected in the fact that 100% of responding companies have introduced a new product or service in the last five years and 93% anticipate doing so in the next two years. Although figures for new product introduction are down

slightly compared to the previous five years, we are still seeing a high percentage of companies with a positive outlook on new product growth.

**Product Life Cycle**

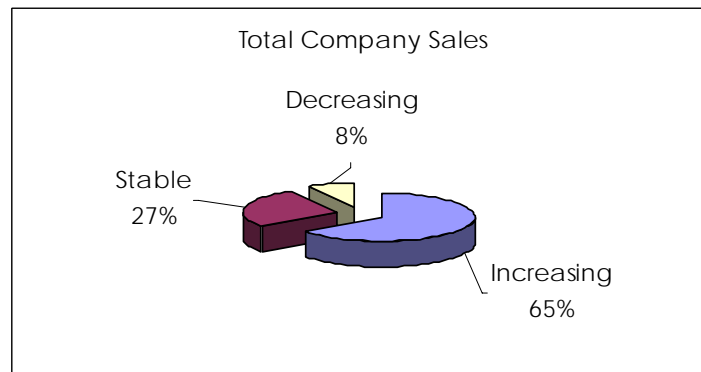
Sixty-nine percent of the companies responding noted that their company’s primary product or service life cycle is either emerging or growing. The indication of this figure is that companies are again engaging in new product development, rather than relying on maturation of existing products. Of the remaining employers, 28% said the life cycle of their product/service was maturing and 3% were declining. The AEDC will continue to monitor this 31% of employers as their potential for either changing products or closing operations is higher. This indicator rose by five percentage points over 2007.



**Market Conditions**

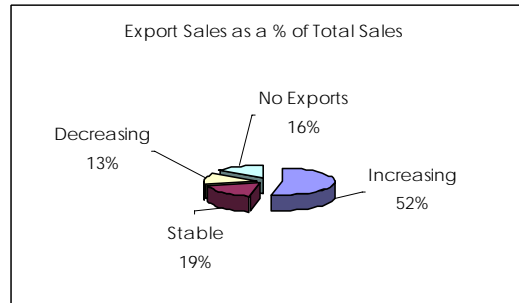
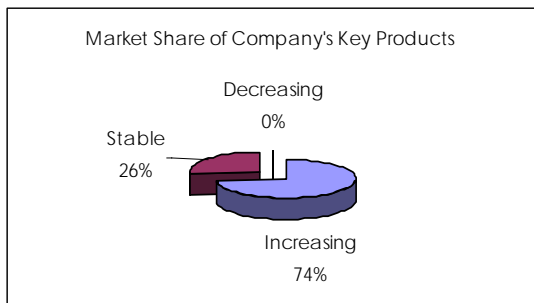
**Status**

This section provides a snapshot of the company’s current market situation. It reviews the status of company sales and addresses export markets and foreign operations. Sixty-five percent of the companies responding said that their company sales were increasing, while 27% were stable. Further, 74% indicated the market share for their main product was increasing while 26% reported it as stable. In 2007, company sales as a percentage was higher, but many of these same companies indicated that their greatest achievement was growth of the company or increased sales. From the company’s perspective, this indicator is still in line with their expectations but needs to be monitored for year to year changes and especially during current economic conditions.



Twenty percent of our employers indicated that their primary market was international while 70% indicated national as their primary market and the remaining 10% regional. The major change from 2007 is the decrease in international primary markets down from 30%, and an increase in the national market to 70%. No company has indicated local as their primary market.

In 2008, 52% reported export sales, as a percentage of total sales, were increasing while 19% indicated they were stable. The majority of markets for these exports continue to be in Europe and South America. A key shift from 2007 is that companies with “No Exports” decreased from 26% to 16% indicating that more Ames area companies are moving into the international arena.



**Challenges**

This section explores changes in the company’s industry sector, including competition, mergers & acquisitions, and production capacity. It also reflects on legislation which may impact their industry. Only a low percentage of companies indicated that overseas production by US competitors is a major issue at this time. Eighty-six percent of the surveyed companies indicated that merger and acquisition activity has increased. While this is a slight decrease from 2007 it reflects that the market is still volatile with constant change in technology reflected through companies that are purchased or merged. We need to work harder to be aware of company changes in our community, both technological and management, as well as corporate.

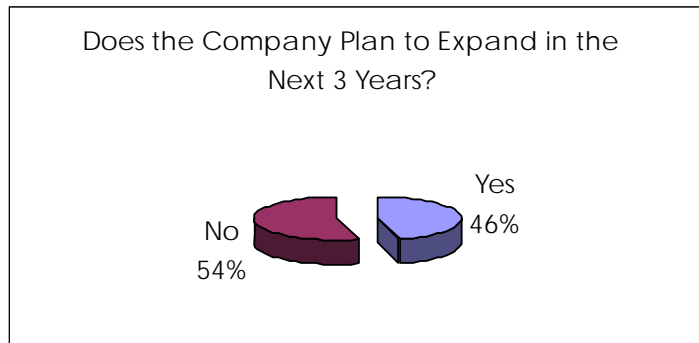
**Growth Potential**

These questions are designed to provide some insight for the potential growth of companies in our area. They cover plans for expansion, capital investment and job growth, and allow us to further analyze the data by geography and industry sector.

**Expansion Plans**

Company expansion plans for the next three years continue to demonstrate a positive sign for employment growth, but at a slower pace. A shift from 2007 indicates that only 27% of companies now indicate that current production is balanced in their industry which is a decrease from 40%. It appears that capacity is being managed more closely as only 36% (vs. 43% in 2007) believe current production is under capacity. Currently only 23% of employers said their employment needs were growing as compared to 67% in 2007. Some of the reasoning is that a number of companies completed projects in 2008 which drove the hiring. Additionally, existing economic conditions are causing some companies to take a “wait and see” position on future hiring.

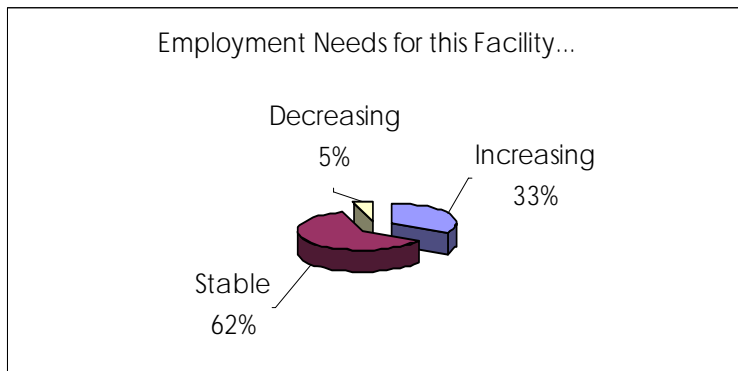
Seventeen of the 37 companies responding (46%) still indicated plans to expand in some form (capital, jobs, facilities) **within the next three years**. While this indicator is down from 67% last year, we must remember that the Ames area had major expansions in 2008 which drove the expansion responses in 2007.



The percentage of companies that said their existing facilities were adequate for future operations was 79%. Of the companies that don't have adequate facilities to expand and are planning to expand will require 66,000 square feet of commercial/industrial space.

**Potential Impact**

Planned expansion by companies reporting specific numbers is expected to result in 111 new jobs; \$15,000,000 in capital investment; and an additional 113,000 square feet in the next 3 years. While this information is positive, it should serve as a warning that existing available buildings and land are scarce as we continue to aggressively market to new businesses.



**Sector Analysis**

The *Synchronist* system allows us to break the figures down even further by industry sector. For example, of the 111 new jobs anticipated over the next three years, 50 (45%) are represented in health care & pharmaceuticals, 25 (23%) in advanced manufacturing companies, and 23 (21%) in technology & information companies. Overall these three industries represent 82% of the total respondents looking to expand in some form over the next three years.

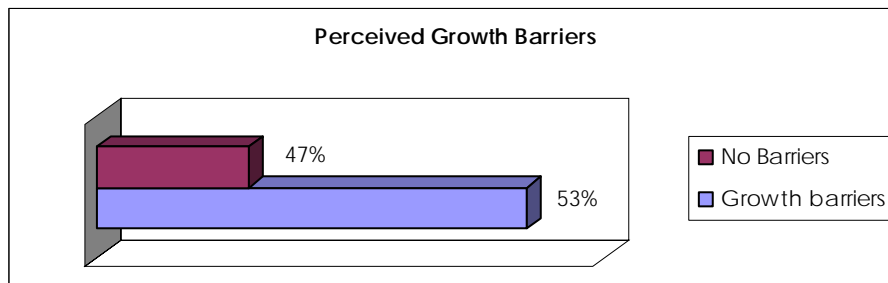
**Legislative Impacts**

This year 56% percent of the Ames area employers believed that current legislative initiatives would have an adverse affect on their operations. This indicator is up 14 percentage points from 2007. As last year the most frequent areas of concern were Iowa’s Right to Work laws with the current Fair Share legislation in discussion and immigration laws and how that will affect employee hiring. Of equal importance, there were numerous concerns on the economic climate and what would be done by the new administration in the area of business taxes. In cases where these legislative issues may affect their business, only 36% felt they would positively affect their business compared to 48% last year. The main focus for issues on the beneficial side were in the areas of renewable energy mandates and a strong hope for business friendly legislation in any stimulus bill.

**BUSINESS ENVIRONMENT**

**Management Perceptions**

The “management” section asks about company management changes and management feelings toward the community. This includes community strengths, weaknesses, barriers to growth and executive attitudes at corporate headquarter levels about our community. Fifty-three percent of companies responding note that there are barriers to growth in our community. It is important to note that 95% of the executives at corporate headquarters agree with local management about the quality of the Ames area business environment. Fifty-five percent of all respondents answered this specific question.



Some of the common barriers noted include (in order by number of people responding in the category): business climate negative, cost of doing business high, skilled worker supply inadequate, and land availability or cost. Within each of these categories there were specifics mentioned on why they said there were growth barriers. Fifty-three percent of the responding companies said that our community may not be considered for future expansion due to many different factors including skilled/unskilled labor shortages, cost of doing business high, land availability or cost, and transportation weaknesses which specifically addressed the availability of flights and cost to fly out of the Des Moines airport. These growth barriers are in line with the same comments received in 2007, but with some minor order changes as to the significance.

**Strengths**

Companies responded that the following top categories were community strengths: Education System (due to Iowa State University) (22%); Workforce/Labor Market Attributes (17%); Quality of Life (14%); Location (12%); Employee Work Ethic (8%). On a year-to-year comparison these

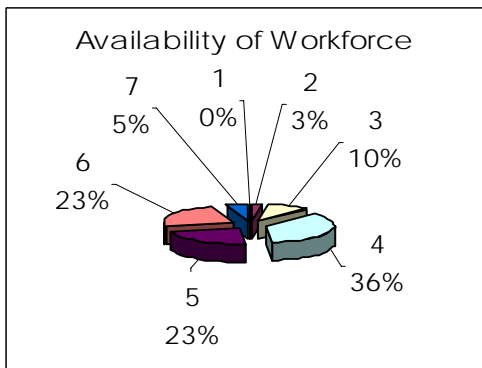
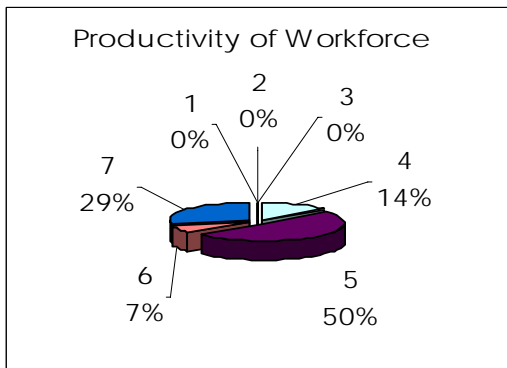
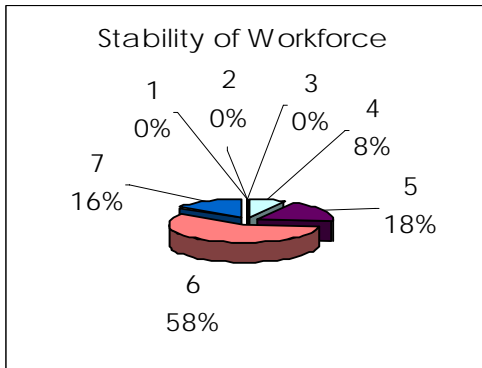
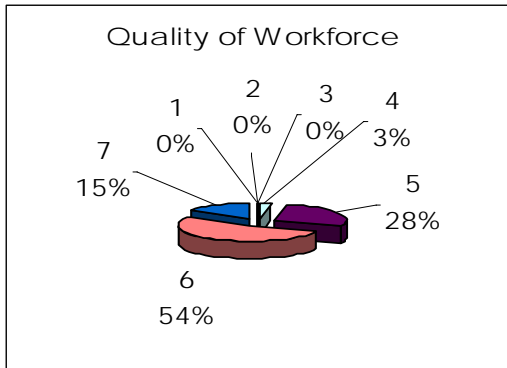
strengths remain the same with minor order changes. Maintaining this consistency is important in selling the Ames area as a good environment for business.

**Weaknesses**

Community weakness categories cited by companies were: Labor Supply (19%); Transportation (16%); Community Leadership (9%); Community Services (9%). The categories represented as Weaknesses have not changed much from 2007, but there was a major decrease of ten percentage points in the area of inadequate supply of labor. Some of the decrease is due to the fact that some businesses cut back on their hiring plans. There were comments that Ames needs to have a more consistent “pro-business” view from our community leaders. A number of respondents believe strongly that too many mixed signals are being sent which does cause confusion. In the area of “Community Services Poor” there was some frustration on the lack of retail shopping opportunities. Transportation generally referred to the lack of flights and cost when using the Des Moines airport. Many respondents mentioned they use alternative airports in Minneapolis, Kansas City, and Omaha.

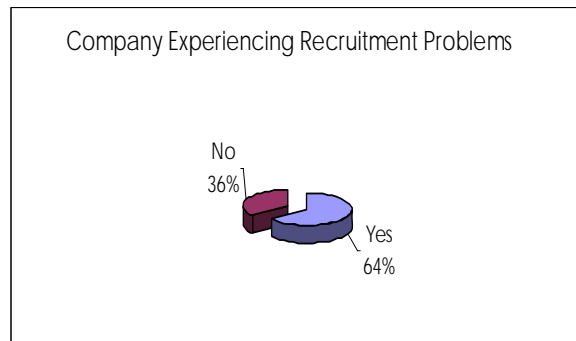
**Workforce**

“Workforce” looks at the availability and quality of labor in the area. It includes information on specific skills, recruiting efforts and training programs. These “Workforce” issues are ranked on a 1-7 scale with 7 being high. Based on the information provided, Quality of Workforce ranked highest (5-7) at 97%. Stability of Workforce was second highest at 92%, Workforce Productivity came in third at 86%, and Availability of Workforce ranked fourth at 82%. There was significant change in the Availability of Workforce from 2007 (34%). While the availability of “skilled/unskilled workers” was not a community strength, it still remains a top community weakness. The companies surveyed do consider the worker availability an ongoing issue and one that we must continually monitor.



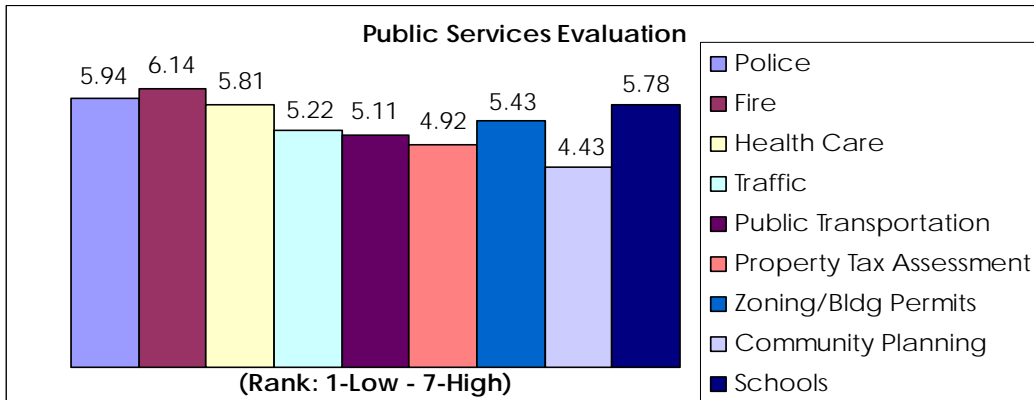
Eighty-five percent of companies responding note that the number of unfilled positions in their firms is stable, while 10% say that their number of unfilled positions is decreasing. Thirty-three percent of those responding said that their employee needs for this facility are increasing and in response to the workforce quality issue, 43% of our primary employer respondents are increasing their employee training investment. The number of unfilled positions has decreased from 2007 which is an indicator of the current economic conditions, but more importantly reflects the planned hiring from the 2007 survey which occurred in 2008. Sixty-four percent of responding companies note that they are having recruitment problems of which 58% of those are community-related (versus industry-related). Eighty-seven percent said that they anticipate significant changes in their workforce. Note that this does not specify positive or negative.

Specific skills gaps reported by companies included: Scientific/Technical at 48%; Skilled Production Labor at 28%; Management/Marketing/Sales at 21%. One of the issues in recruiting top talent in the areas of Scientific/Technical is the lack of multiple companies in the same industry category. For example, when recruiting top pharma experienced individuals they may like the opportunity presented to them, but the candidate is also looking at what other companies are in the same industry for their next career move. Without many similar companies the candidate may pass up the Ames opportunity for some place else. In the Skilled Production Labor pool many manufacturers responded that they have a need for highly qualified individuals to perform maintenance on highly complex machinery used for production. With the number of companies still experiencing recruitment problems, we see the continuing need to work with the companies, the area educational providers, Iowa Workforce Development to investigate new ideas and ensure that the Ames area labor base is meeting the needs of our area employers.



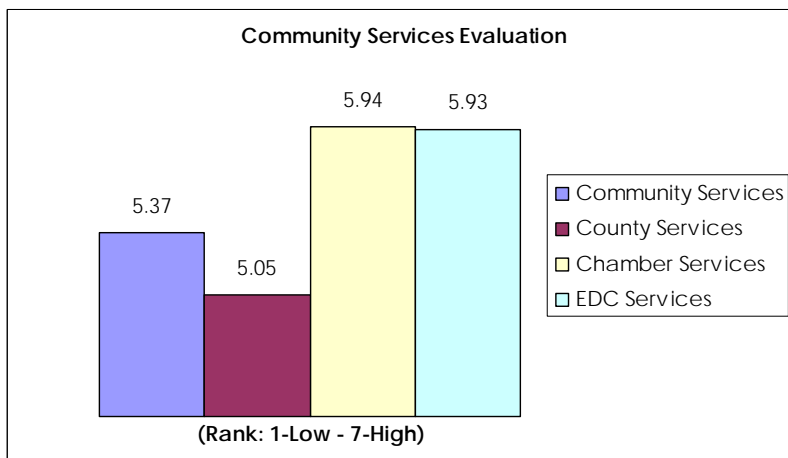
**Public Services**

Below is a graph to show you the ranking of public services on a scale of 1-7 by company executives. These are based on a 1-7 scale with 7 being high. The lowest ranking public service was Community Planning with a 4.43. Fire service was our highest ranked public service with a 6.14. All other public services were around 5.50 on the scale with Property Tax Assessment being the second lowest ranking. A number of companies on the east side of Ames this year questioned the viability of CyRide services in their area. Additionally, these same companies brought up traffic control on Dayton at the intersections of Lincoln way and East 16<sup>th</sup> Street. Comments on Community Planning were about a perceived lack of vision, the amount of lengthy debate on issues, and the ability to make timely decisions.



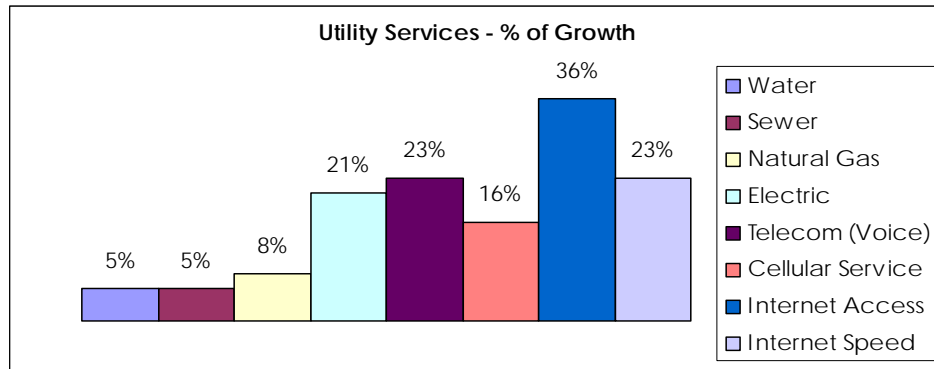
**Community Services**

Respondents are also asked to rank Community Services. The Community Service graph reflects rankings on a scale from 1-7 with 7 being high for Community Services as a whole and individual groups.

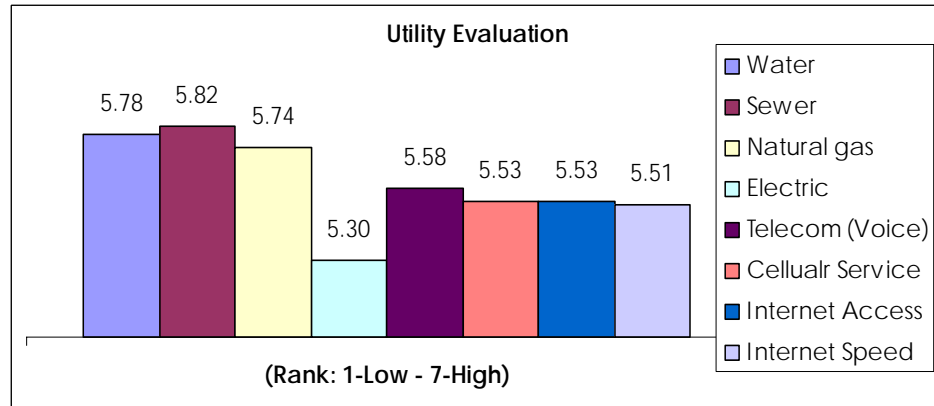


**Utility Services**

Utility services included in this section are Water, Sewer, Natural Gas, Electric, Telecom (voice), Cellular Service, Internet Access, and Internet Speed. Telecommunication services collectively this year show the greatest increases in growth. While Electric is still increasing at 21% this is down from 39% in 2007. The majority of companies indicated that they need to continue to investigate ways to reduce consumption as utility rates increase.

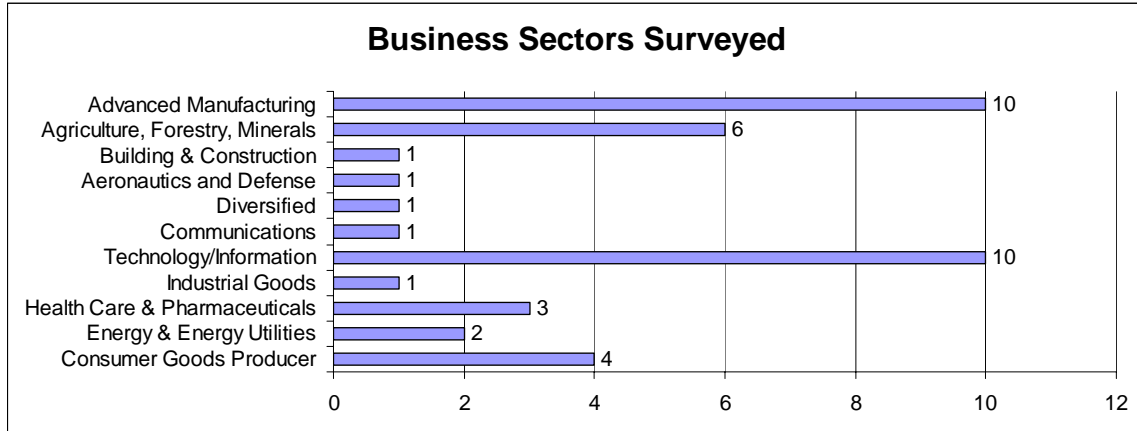


Companies were also asked to rank their satisfaction with utility providers. Companies in 2008 ranked Sewer, Water and Electric as their highest in satisfaction.



**SUMMARY**

During the second year of the revised Executive Call Program the AEDC again received high participation (77%) of our targeted existing business and industries. The business sector categories of our surveyed companies are as follows:



As previously reported these business sectors represent some very old and mature firms, but also a number of relatively new ones especially in the Technology/Information field. Almost fifty percent of these companies indicated a continuing increase in merger and acquisition activity. Technology/Information, Advanced Manufacturing, and Agriculture commanded the most activity and as such, demand our close watch of these business sectors.

Expansion forecasts are down considerably, but this is a reflection of the projects (i.e. Colorbotics, Sauer-Danfoss, and Ag Leader Technology) completed in 2008 and early 2009. The survey does indicate that around 46% of the companies still plan expansion over the next three years. The current economic conditions are definitely creating a “wait and see” attitude on near term expansions. The Ames area more than anytime in the recent past needs to continue creating an atmosphere for existing business growth and new company opportunities.

In the past twelve months there has been a subtle shift in the companies’ primary product or service life cycle. Twenty-eight percent now report that they are in the “maturing” stage and 69% responding that their primary product or service life cycle is either emerging or growing. This remains a positive indicator coupled with the fact that 93% of the surveyed companies anticipate new product introductions over the next two years.

In order maintain the businesses we currently have in the Ames area we need to address the issues of “Perceived Growth Barriers” by analyzing our strengths, weaknesses, and workforce issues.

**Industry Vitality**

Our businesses readily were able to identify their greatest achievements with the 2008 highest ranking in “business growth or sales increase.” Forty-three percent of the businesses saw this as their greatest achievement and up from only 16% in 2007. Coming in second and third were “successfully completing business challenges” and “facility renovation, modernization, relocation.”



The fact that 77% of the primary employers are involved in research and development indicates that our companies continue to look toward the future.

The economic downturn has had an impact on these companies. While the majority indicated they are weathering the economic situation OK right now, they see a wall of uncertainty, customer delays in purchasing decisions, and an increase in some customer account payables. There exists a general optimism that these businesses are somewhat insulated in Ames, but their customer base is external to the surrounding area. Actions that the businesses are taking are mainly in cutting back on expenses, watching their employment levels very carefully, and keeping in close touch with their customers to insure a win/win situation

It is more important than ever for the Ames area to collectively use our resources to maintain a very competitive environment for our existing businesses and industries.

### **Business Environment**

Many of our businesses see considerable strengths in locating their business right here in the Ames area. They believe that the quality of life is extremely good and view Ames as a great place to raise their families. The majority of public services appear acceptable and there exists relatively high satisfaction with the area's utilities.

As with any community, there are always issues to address. In the area of "perceived growth barriers" we have seen over the last two years more than a 50% concern when it comes to growth. The issues of our business climate being negative and high cost of doing business rank at the top of concern. Whether real or perceived is not the issue, but that they exist in conversation demands that we address them. In the same vein 59% responded that there are reasons not to consider the Ames area for future expansion. This is not the climate one would want for a strong and growing business environment.

The area continues to show strength in the quality, stability, and productivity of our workforce. Even though we saw an improvement in the availability of the workforce there certainly are areas that require our attention.

### **Next Steps**

The 2008 Executive Call Program has been successful in gathering a wide array of information about our existing business and industry and has given us the ability to compare against our 2007 data. The development of this 2008 report only summarizes our findings. It is now incumbent to take this data and better analyze both 2007 and 2008 as it pertains to all our surveyed companies but also at the individual company level. Many companies will not need any individual help, but will be more interested in how the overall business climate changes to make their individual operations more productive or attractive. Additionally, a post-visit component to our survey allows us to make comments and observations in assessing the interview and record follow-up actions, if any.

Based on the results of this year's survey the following "Action Items" will be addressed:

- a. Investigate further the issues revolving around the "availability of workforce".
  1. Promote the Ames area better to potential employees through the AEDC and Chamber of Commerce websites, continue to collaborate with ISU Career



## Existing Business & Industry: 2008 Executive Call Survey Results

- Management Services, continue to host the Story County Career Fair, and develop a community recruitment packet for potential area employees.
2. Facilitate with the area manufacturers a solution to a common problem where there is a lack of skilled maintenance personnel for complex machinery.
- b. Evaluate perceptions of businesses providing products and services locally.
    1. Institute a corresponding business survey in addition to the current Executive Call Program.
    2. Compare and contrast survey results.
  - c. Reinstate the “Quarterly Roundtable” for Advanced Manufacturing companies to discuss common business issues.
  - d. Investigate the need for CyRide services for the businesses on the east side of Ames.
  - e. Create an “Executive Dashboard” on the AEDC website which will track the year-to-year changes of the Executive Call Program surveys.

The AEDC is committed to reporting progress on these issues on a quarterly basis.