Northwest Florida's Business Climate

A Comprehensive Analysis of Target Industry Surveys

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Great Northwest

Executive Summary

A holistic approach to economic development is necessary to build a sustainable and diversified economy. A successful economic development strategy must include efforts to build key linkages between the community, the educational system and target industry businesses. The strategy must be based on accurate information and verifiable data that address the current state of the economy and provide a plan for the future that is championed by its stakeholders. Florida's Great Northwest, in lock-step with local businesses, educational institutions, workforce agencies and economic development leaders, is working to provide strategic leadership in economic and workforce development that will foster a vibrant Northwest Florida economy that increases the per capita income and preserves the quality of life.

A critical component of a basic economic development strategy is business retention and expansion or more simply, taking care of existing business. Recognizing that the majority of job creation and new capital investment is created from existing businesses, Florida's Great Northwest and its economic and workforce development partners initiated a regional, coordinated business retention and expansion program in 2007. This program seeks to complement the development of the region's target industry clusters, provide regional and local data for sound decision-making and supplement retention and expansion efforts of the local economic development organizations.

In an effort to quantify the existing state of Northwest Florida's business climate, industry-specific data was collected using Blane Canada Ltd.'s e-Synchronist software program, a nationally-utilized economic development tool used primarily in business retention and expansion activities. The data was then analyzed by the University of West Florida's Haas Center for Business Research and Economic Development. This information was acquired through interviews with top-level company executives from businesses within Northwest Florida's six target and support industries of aviation, aerospace, defense and national security; health sciences and human performance enhancement; renewable energy and the environment; transportation and logistics services; information technology; and research and engineering. The total composite represents two rounds of data collection and analysis that have been completed – one round in 2008, which resulted in 257 unique business interviews, and a second in 2009 that amassed 151 interviews.

This report summarizes the 2009 (year two) data collected June 1, 2008, through August 31, 2009, and provides comparisons for notable differences to the 2008 data. The industry profile section represents a composite of the two rounds of interviews. The samples were statistically identical and represent a comprehensive profile of the surveyed businesses.

Company Profile

A composite of 408 business interviews from the two years of data collection revealed that 68% of all the target industry businesses surveyed are single-location companies with stand-alone operations that are native to Northwest Florida. Ownership is dominated by privately-held companies (76%) while 23% are publicly traded. Headquarters and office locations dominated the sample, comprising 67% of the companies surveyed, with manufacturing making up just 8% of the operations.

66% of the companies interviewed between 2007 and 2009 stated that they lease their building, indicating that the majority of target industry businesses do not own real estate assets. The industry trend of leasing facilities instead of owning facilities reinforces the burden on the local development community to anticipate demand and provide an adequate inventory of available buildings. In total, 67% of respondents rated their facilities above average with three-fourths of the interviewees indicating their facility is less than 25 years old. Furthermore, one-third noted they are housed in facilities that are less than 10 years old.

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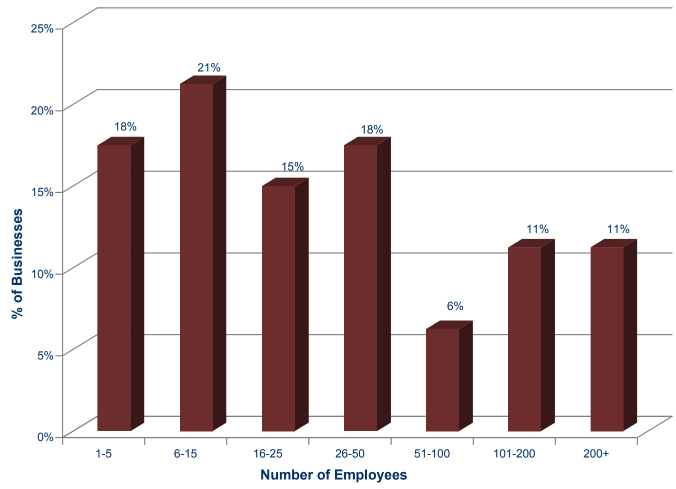
Northwest Florida Employment



Looking again at the combined, two-year survey results revealed that Northwest Florida businesses are relatively young, with 68% having been in business less than 25 years and 26% in business less than five years. The Northwest Florida business community is dominated by small business with 72% employing fewer than 50 employees. Only 11% of the respondents had more than 200 employees. This finding represents an employment base of 22,338 in Northwest Florida and highlights the importance of following a regional, strategic focus on fostering the growth and attraction of small companies while remaining cognizant of the needs of large businesses.

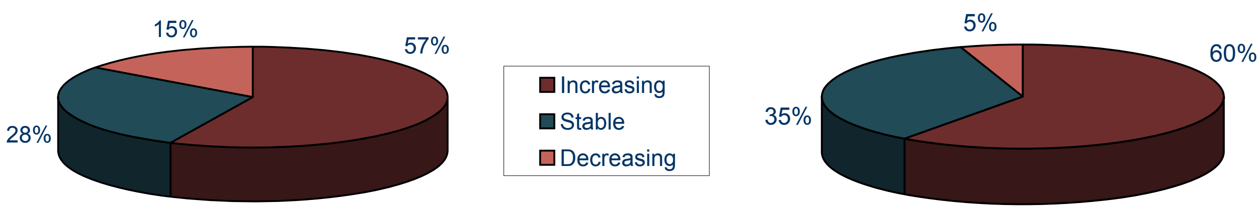
Northwest Florida companies continue to be innovators, with the 2009 data revealing that 80% of companies have introduced new products in the past five years and 74% plan to introduce new products in the next two years. Two-thirds of businesses reported that products and services are either in the growing or emerging stages of the product life cycle. This signifies promising opportunities for the region and the continued health of the target industries through increased growth and possible company expansions. Only 1% of companies indicated a declining product life cycle.

Stability of company leadership emerged from the survey responses. In 2009, 89% of respondents indicated no ownership changes in the preceding 18 months or plans for change in the upcoming 18 months. Likewise, 82% reported no changes among top management during the same period of time.

Market

Sales forecasts were identified as either increasing or stable by 85% of the businesses surveyed, an impressive figure in the midst of a global recession. A full 95% replied that the company's market share was either increasing or stable.

Company Sales **Market Share**



When asked to identify the company's primary market, Northwest Florida businesses responded that 12% focus on marketing their goods or services locally, 33% regionally, 39% nationally and 16% internationally. While international trade represents an opportunity for growth for Northwest Florida, the fact that 88% of the companies that produce their goods and services in the region are primarily selling those goods or services outside Northwest Florida bodes well for the region's future economic prosperity. Of those surveyed in 2009, 28% reported sales through export activity as either increasing or stable. No companies reported declining export sales.

Northwest Florida's target industry businesses are signifying market growth through new product development, mergers and/or acquisitions. A significant 64% of businesses indicated they plan to expand in the next three years. However, of the 2009 survey respondents that indicated plans to expand, only 53% can accommodate this expansion at their current facility.

Overall Industry Trends

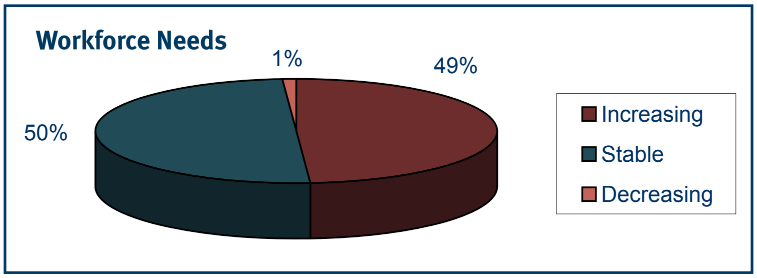
The businesses were asked to express their opinions on global trends in their respective industries:

- When asked about merger, acquisition and divestiture activity in the company, 58% of respondents indicated increases; 14% reported decreasing activity; and 28% said activity was stable.
- In general, the survey respondents believe that their global industry has adequate existing capacity to meet global demand: 31% of the sample believes that industry production is under-capacity, 55% believe that the industry production is balanced and only 14% see their industry production as being over-capacity. This indicates that 31% of those responding to this question felt that the industry as a whole has the capacity to handle more business than the global market is currently demanding.

Workforce

As in most surveys of this type, Northwest Florida's workforce was identified as a strength and weakness of the region. Respondents gave high marks to the productivity of Northwest Florida's workforce, rating workers at 6.1 on a 7-point scale, with 7 indicating an excellent rating. Workforce stability, quality and availability all scored above average with a 5.2, 5.0 and 4.7, respectively. The satisfaction level regarding workforce improved across all categories in 2009 over 2008.

Half of companies noted that employment needs are stable, while 49% indicated that employment needs were increasing. Only 1% responded that they anticipated a reduction in the number of employees. In 2009, as in 2008, approximately one-third of companies surveyed said they had added jobs in the last three years.



In 2008, 76% of companies anticipated significant changes in the make-up of their workforce. That figure increased to 85% in 2009. For education and training organizations, this data presents the challenge of being flexible and forward-looking to educate and train for the ever-changing jobs of the future rather than the curricula of today. This parallels the 2008 survey results where 67% of respondents identified concerns regarding a recruitment problem with a particular position or skill. Anecdotally, the respondents attributed this to difficulty filling skilled and professional positions such as engineers and senior analysts. However, in 2009, the affirmative response to the question on recruitment problems dropped significantly to 38%. The drop is surmised to be a result of increased worker availability due to the recent economic downturn.

Community Assessment

The survey asked respondents to assess community features, including government services (police, fire, education), transportation, planning, business support and health care. Assets receiving consistently high rankings (5.0 or above on a 7-point scale) throughout the region include police, fire, ambulance, health care, child care, K-12 schools, technical and community colleges, universities, air cargo, trucking, city services, county services, chambers and business associations, and economic development organizations. Public transportation was the only category that received a ranking below 4.0 with a 3.2 regional average.

All survey respondents indicated the technology infrastructure was adequate for their growth plans. Water and sewer services were rated at 5.8 with fully 67% of respondents rating these services a 6 or 7. Natural gas and electricity services received a 5.6 rating with 62% of respondents giving the services a 6 or 7. Voice and cellular communication services and Internet access scored slightly lower with an overall rating of 5.3 and 5.4, respectively.

From 2008 to 2009, the number of businesses indicating that there are barriers to future expansion within the region dropped from 29% to 15%. Both rounds of data identify a positive quality of life, positive business climate and location as community strengths.

The data collected represents businesses from Northwest Florida's target industries and thus, represents vital information in ascertaining the economic state of the region. Overall, the data identified Northwest Florida businesses as small, privately-held, yet innovative, enterprises. The region's businesses are experiencing stable, and in many cases growing sales and employment, in spite of recent economic conditions. Florida's Great Northwest and its partners are committed to staying abreast of the needs of existing businesses to ensure a sustainable and diversified Northwest Florida economy.

Background

Florida's Great Northwest provides regional leadership in economic and workforce development, serving 16 counties in Northwest Florida from Pensacola through Tallaha ssee. Its primary mission is the creation of high-wage, high-skill jobs, branding and marketing, as well as supporting the local economic and workforce development organizations in the region.

On February 1, 2006, Florida's Great Northwest was awarded a U.S. Department of Labor Workforce Innovation in Regional Economic Development (WIRED) grant which resulted in the creation of the WIRED Northwest Florida Initiative. The WIRED Northwest Florida Initiative acts as a catalyst in the creation of a highly-skilled workforce by developing targeted training programs throughout the Northwest Florida region. These training programs must serve the target industries of aviation, aerospace, defense and national security; health science and human performance enhancement; renewable energy and the environment; transportation and logistics services; and the two support sub-clusters of information technology services and research and engineering.

It is vital to Northwest Florida's strategic economic development that the programs and policies are based on accurate, representative data. Therefore, Florida's Great Northwest entered into an agreement with Blane Canada Ltd. to hold a regional license for the e-Synchronist software system, an internet-based business assessment software program used to administer and manage collected data from area business leaders. The e-Synchronist program was chosen because it has a proven track record, having been utilized successfully at the local, regional and state level throughout the United States and Canada.

In May 2007, Florida's Great Northwest began contracting with the local economic development organizations and workforce boards throughout the 16-county region to conduct face-to-face interviews with local businesses. Comprehensive industry-specific lists of Northwest Florida companies were developed through a combination of research conducted by the Agency for Workforce Innovation and Florida's Great Northwest. The sample was limited to businesses whose NAICS Codes classified them as aviation, aerospace, defense and national security; health sciences and human performance enhancement; renewable energy and the environment; transportation and logistics services; information technology; or research and engineering. The company lists of qualified Northwest Florida companies on a per county basis were distributed to the partner organizations that would be conducting the interviews. Once a personal interview was conducted, the data collected was entered into the e-Synchronist system where it was then analyzed.

The data collected assists in the monitoring of company and community specific information pertaining to the particular industry; company management; workforce data; and technology, utility and community services as well as information specific to Northwest Florida.

Additional Data uses:

- Locate gaps that exist between the talent competencies employers need in their workforce and the educational and training resources that are currently locally available
- Assist local businesses with expansions
- Business attraction activities
- Identify support industries that should be recruited to or developed in the area
- Determine benchmarks on critical economic indicators, such as value, satisfaction, growth and risk
- Track business and workforce status
- Identify business climate issues
- Validate research and serve as a basis for revising the region's strategic plan for workforce and economic development

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