



Report on Survey Results

2007

Executive Call Program

October 11, 2007

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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 different than in previous years in that the AEDC Vice President of Existing Business and Industry conducted all the surveys rather than use volunteers as has been done in the past. The primary rationale was 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 to tries to assess the opportunities and risks for retaining and growing them. AEDC is beginning to utilize this year 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. In following years we will be able to 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.

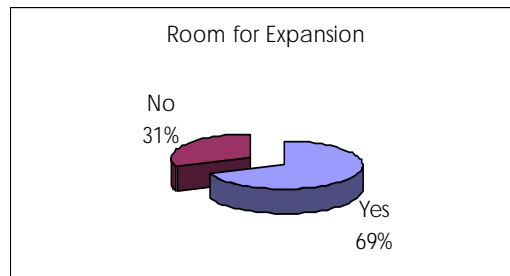
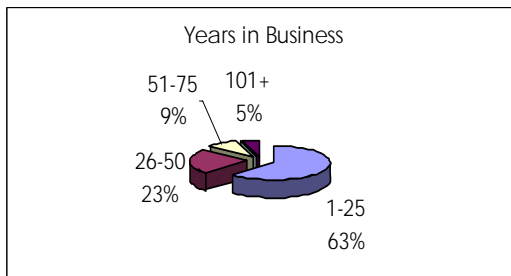
The Executive Call Program continues to be an integral part of keeping the AEDC informed about the activities of Ames, Story City, and Huxley area primary employers. It is also our means of communicating with employers and emphasizing our desire to assist in any manner practical. The information gleaned 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 a smaller business and industrial base than we have in prior years. This identified base is comprised of 60 primary employers, providing more than 4,800 jobs. The survey did not include any retail outlets, financial institutions, educational institutions K-12 through college, and local governmental organizations (i.e. Iowa Department of Transportation, USDA complex, etc). Sixty-three percent of Ames area surveyed companies are headquartered here and roughly a third of our primary employment resides in advanced manufacturing companies. An attempt was made to contact the identified primary employer in AEDC's service territory this year.

60** Total Primary Companies on contact list
 54 Companies Contacted 90% Contacted
 47 In Person Surveys 78% Completed

**Some of the companies have requested not to be surveyed.

Sixty-three percent of the companies responding have been in business for 25 years or less. Thirty-seven percent of those responding are in facilities under 10 years old with the remaining companies in buildings 11-25 years (35%) and over 25 years (28%). The companies indicated that 92% of these buildings are in either excellent or good condition. Forty-nine percent lease their facilities and 69% say that there is room for expansion at their current site.



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

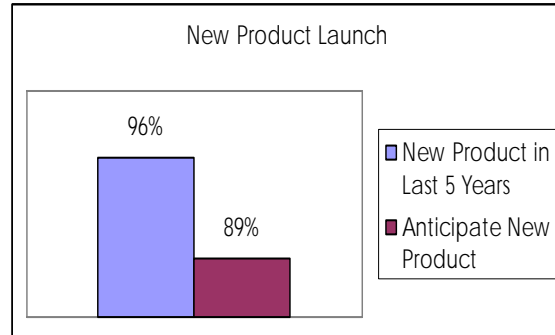
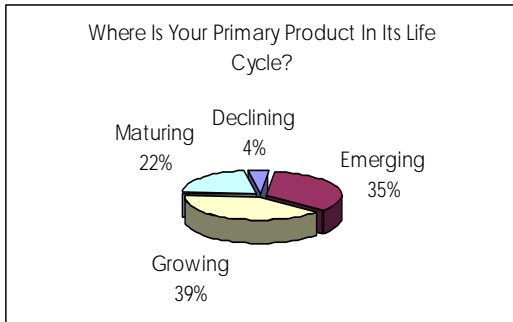
In 2007, the number one category of achievements amongst companies responding was “Business Challenge(s) Successful Completion” at 21%. The second highest category at 16% was “Business Growth or Sales Increase.” Businesses are showing an increase in the growth of their companies through these figures - a positive for the local economy. Other categories that were noted included 14% for both “Financial Objectives Met” and “Product/Services Added”.

Research & Development

Research and development (R&D) is an important aspect of the vitality of any business. Seventy-nine percent of primary employers are conducting R&D. Of those employers 77% perform R&D services in the Ames area. R&D efforts are reflected in the fact that 96% of responding companies have introduced a new product or service in the last five years and 89% 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

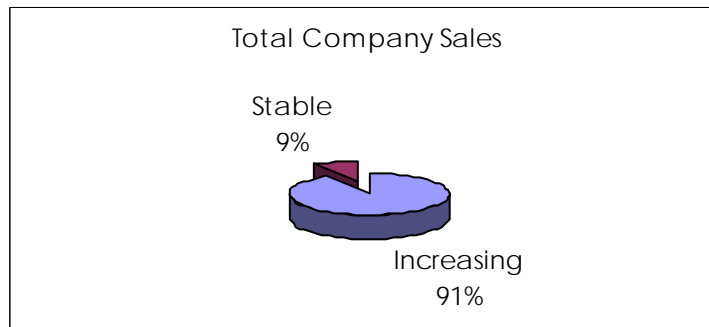
Seventy-four percent of the companies responding noted that their company’s primary product or service life cycle is either emerging or growing. The indication of this figure is that companies are again engaging in new product development, rather than rely on maturation of existing products. Of the remaining employers, 22% said the life cycle of their product/service was maturing and 4% were declining. The AEDC will continue to monitor this 26% of employers as their potential for either changing products or closing operations is higher.



Market Conditions

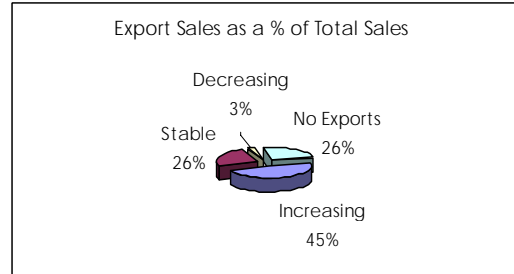
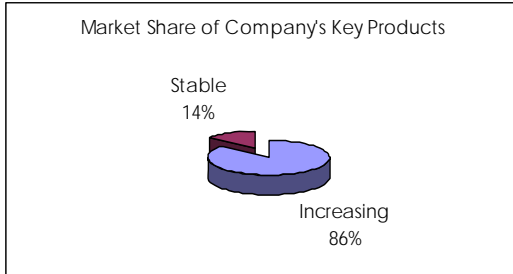
Status

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. Over 90% of the companies responding said that their company sales were increasing, while 9% were stable. Further, 86% indicated the market share for their main product was increasing while 14% reported it as stable. In future reports we will monitor the year to year changes in order to flag where we need to continue our efforts to communicate with companies on their plans for growth and how the AEDC may assist with those efforts.



Thirty percent of our employers indicated that their primary market was international while 57% indicated national as their primary market and the remainder local.

In 2007, 45% reported that export sales, as a percentage of total sales, were increasing while 26% indicated they were stable. The majority of markets for these exports are Europe and South America.



Challenges

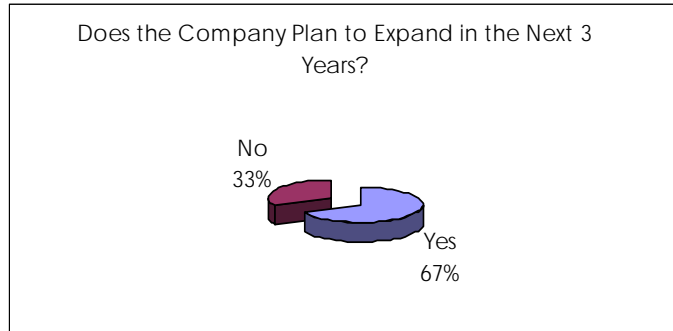
This section explores changes in the company’s industry sector, including competition, mergers & acquisitions, and production capacity. It also reflects on legislation which may impact their industry. There were not a high percentage of companies indicating that overseas production by US competitors is a major issue at this time. Over half of the surveyed companies indicated (93%) that merger and acquisition activity has increased. This reflects that the market is becoming 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

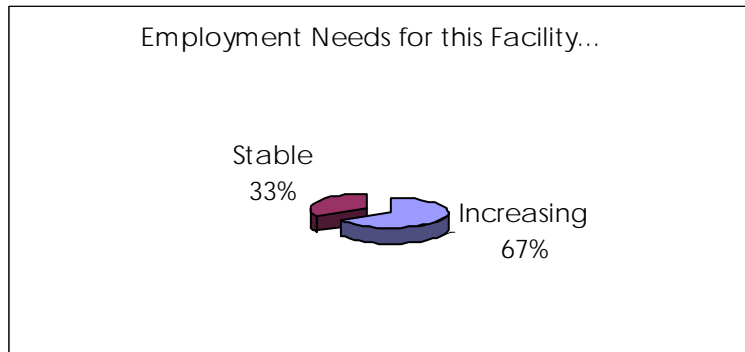
Company expansion plans for the next three years demonstrate a positive sign for employment growth. Forty percent of companies indicated that current production was balanced in their industry, while 43% of current production is under capacity. With current industry production under capacity coupled with the fact that 67% of employers said their employment needs were growing and 33% said that employment needs were stable; we have a good indicator for a potential increase in production activity and employment. Twenty-nine of the 43 companies responding (67%) indicated plans to expand in some form (capital, jobs, facilities) ***within the next three years.***



The percentage of companies that said their existing facilities were adequate for future operations was 69%. Of the companies that don't have adequate facilities to expand in and are planning to expand will require 253,000 square feet of commercial/industrial space and represents approximately \$64,000,000 in capital expenditures. Some of these projects are currently underway.

Potential Impact

Planned expansion by companies reporting specific numbers is expected to result in 896 new jobs; \$180,000,000 in capital investment; and additional 416,000 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 896 new jobs anticipated over the next three years, 330 (37%) are represented by advanced manufacturing companies and 277 (31%) in technology & information companies. Overall these two industries represent 66% of the total respondents looking to expand in some form over the next three years.

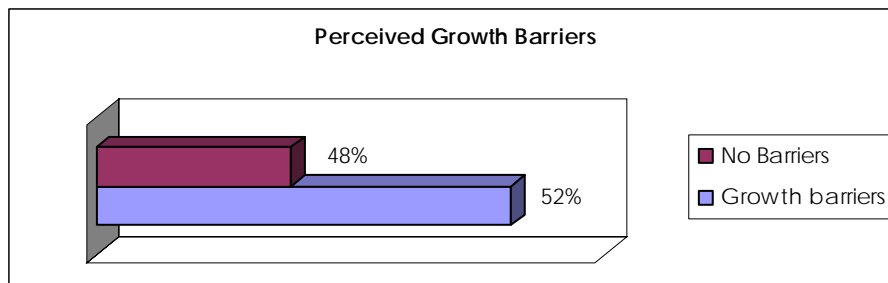
Legislative Impacts

The Ames area employers (42%) believed that current legislative initiatives would have an adverse affect on their operation. 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. In those cases where issues may affect their business, 48% felt they would be positive. There was no single overriding issue.

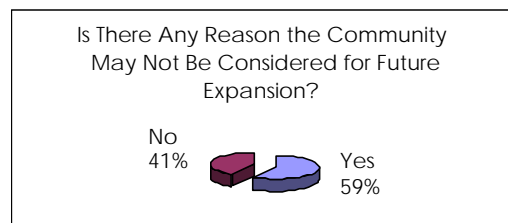
BUSINESS ENVIRONMENT

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-two percent of companies responding note that there are barriers to growth in our community. It is important to note that 96% of the executives at corporate headquarters agree with local management about the quality of the Ames area business environment. Fifty 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): skilled worker supply inadequate, community leadership negative, business climate negative, cost of doing business high, and building availability or cost. Within each of these categories there were specifics mentioned on why they said there were growth barriers. Fifty - nine 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 out of the Des Moines airport.



Strengths

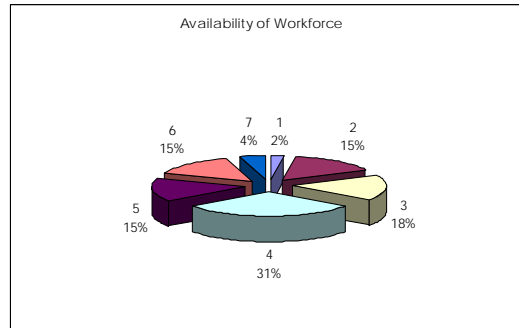
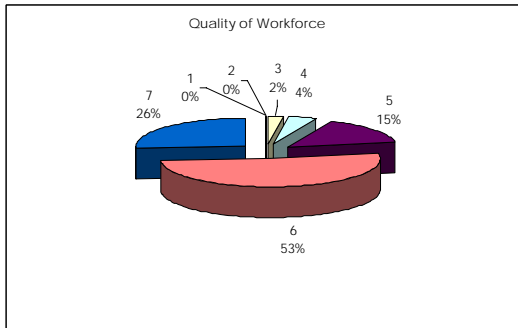
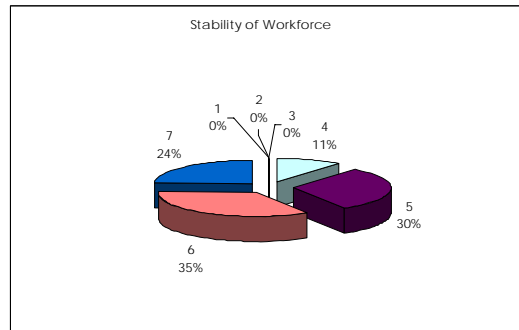
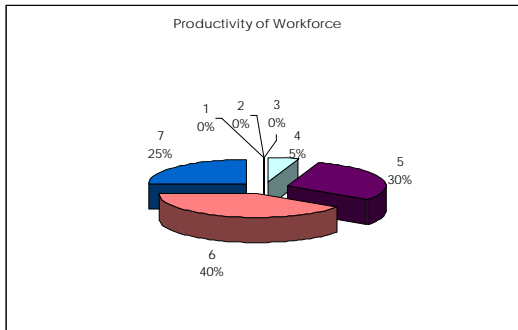
Companies responding report that the following top categories were community strengths: Education System Strong due to Iowa State University (28%), Quality of Life Positive (18%), Employee Work Ethic Strong (9%), Workforce/Labor Market Attributes (7%), and Location (7%).

Weaknesses

Community weakness categories cited by companies were: Labor Supply Inadequate (29%), Transportation Weaknesses (18%), Cost of Doing Business High (6%), Cost of Living (6%), and Community Leadership Negative (6%). 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

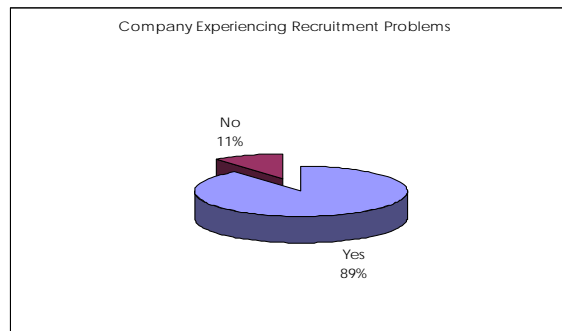
“Workforce” looks at the availability and quality of labor in the area. It includes information on specific skills, recruiting efforts and training programs. Based on the information provided, Workforce Productivity was ranked highest (5-7) at 95%. Quality of Workforce was second highest at 94%; Stability of Workforce came in third with 89%; and Availability of Workforce ranked a distant fourth at 34%. The availability of “skilled/unskilled workers” was not a community strength, but is the top community weakness. In conversations with the surveyed companies they viewed this situation as an issue that must be addressed for business vitality in the Ames area.



Eighty-six percent of companies responding note that the number of unfilled positions in their firms is stable, while 9% say that their number of unfilled positions is decreasing. Sixty-seven

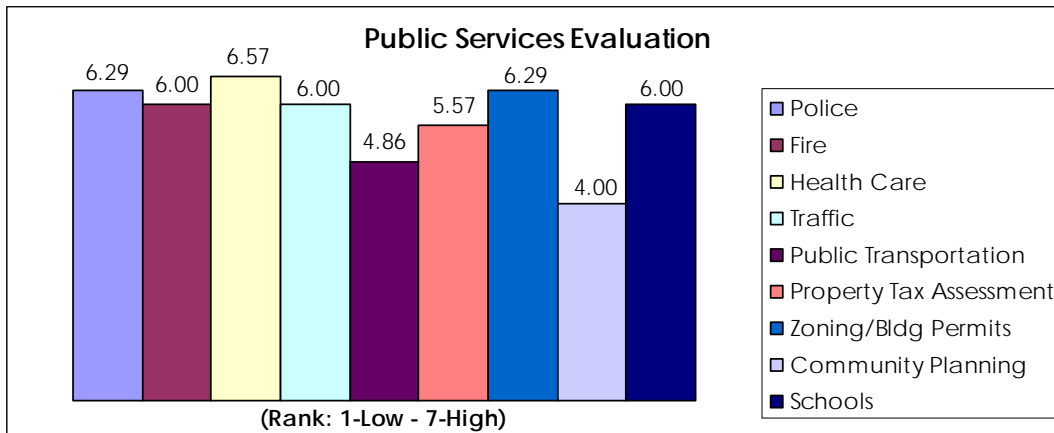
percent said that their employee needs for this facility are increasing and in response to the workforce quality issue, 59% of our primary employer respondents are increasing their employee training investment. Eighty-nine percent of responding companies note that they are having recruitment problems of which 78% 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 34%; Skilled Production Labor at 32%; and Management/Marketing/Sales at 18%. With the number of companies experiencing recruitment problems, we see the need to work with area educational providers, Iowa Workforce Development, and investigate new ideas to ensure that the Ames area labor base is meeting the needs of our area employers.



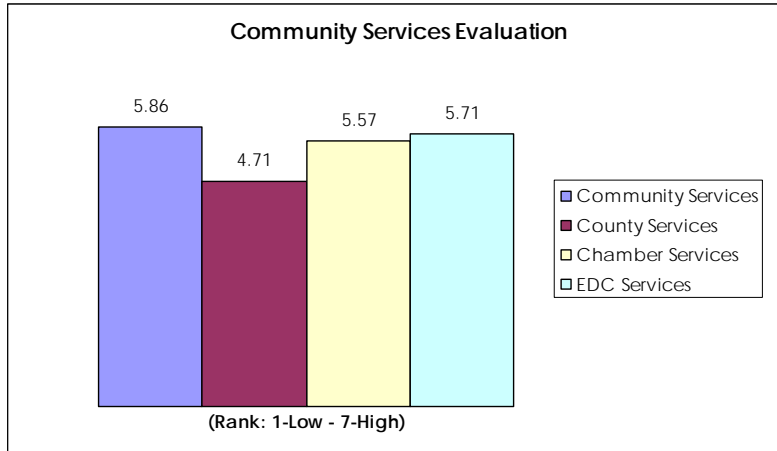
Public Services

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 4.00. Health Care services were our highest ranked public service with a 6.57. All other public services hovered around 6.00 on the scale with Public Transportation being the second lowest ranking.



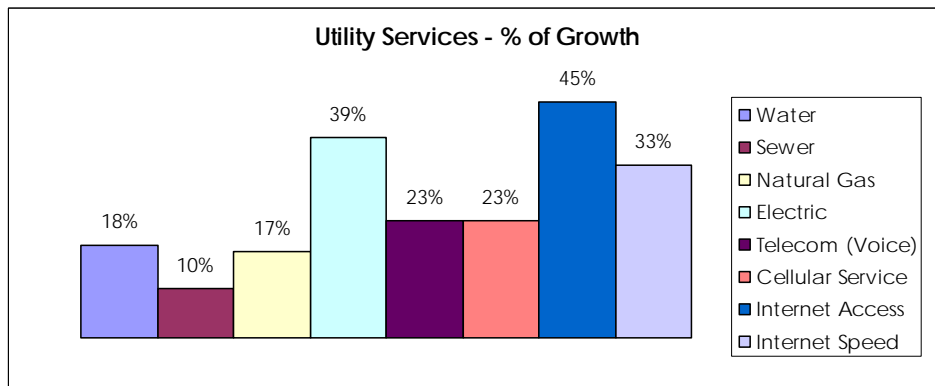
Community Services

Respondents are also asked to also 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.

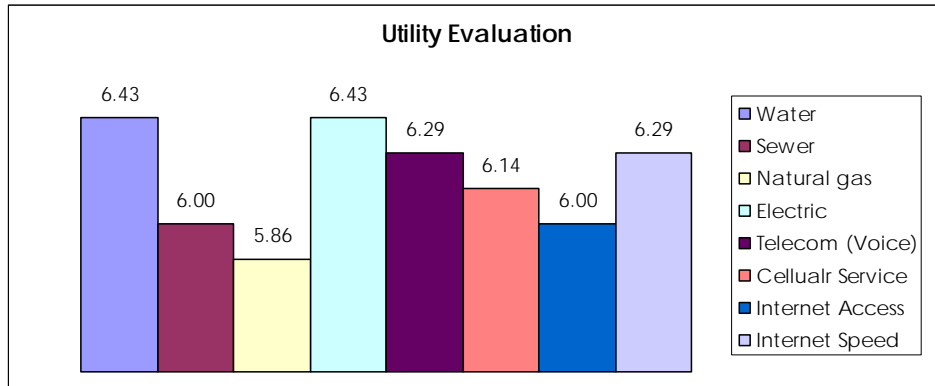


Utility Services

Utility services included in this section are Water, Sewer, Natural Gas, Electric, Telecom (voice), Cellular Service, Internet Access, and Internet Speed. Internet Access and Electric were the number one and two utilities that were increasing in consumption followed closely by Internet Speed. Some of the companies noted some marginal decreases in overall consumption.



Companies were also asked to rank their satisfaction with utility providers. Companies in 2007 ranked Water and Electric as the highest with each getting a 6.43 ranking (on a scale of 1-7 with 7 being high). Next was Telecom (voice) and Internet Speed with each getting a 6.29 ranking.



Summary

The Ames area of the existing businesses and industries in this report consists of some very old and mature firms, but also a number of relatively new ones especially in the Technology/Information field. Increased merger and acquisition activity was reported in both Technology/Information and Advanced Manufacturing and could put some companies at risk.

Expansion forecasts are healthy in capital expenditures and new employment, but some of these are projects that are now just getting underway and were previously announced. There needs to be a continuance of creating an atmosphere for existing business growth and new company opportunities.

Seventy-four percent of companies responding noted that their primary product or service life cycle is either emerging or growing. While this is positive indicator, we must view it with caution as to the “unknown” results of the actual product sales generated.

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 highest rankings in “successfully completing business challenges” and “business growth or sales increase”. Issues such as increased company mergers and downsizing, foreign competition, off-shoring of jobs, and aggressiveness by competing states and communities, continue to have impacts on local job growth. The Ames area must develop strategies and tactics to help our existing firms thrive by using our local assets as a competitive advantage.

Business Environment

There are challenges in that 52% of our responding companies indicated that there are “growth barriers” and also 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 majority of public services appear to be acceptable with the exception of community planning. A number of respondents were passionate in their comments concerning the area of community planning and this deserves further investigation. Of major concern is the availability of workforce and should be a focus area as well.

Next Steps

The 2007 Executive Call Program has been successful in gathering a wide array of information about our existing business and industry, but having this information and creating a report is only half the work. It is now incumbent to take this data and better analyze it 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 updates 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”. Look into better promoting the Ames area to potential employees, discuss the opportunities for increased education in the community college system to support hiring needs of our manufactures, and develop more focused “job fairs” that could attract desired workforce candidates.
- b. Evaluate why community planning received a low rating and recommend possible activities to alleviate perceived/actual issues.
- c. Develop a closer working relationship with the existing business and industry base to improve the services AEDC provides to group.

While there are many issues that could be addressed, these will take priority. The AEDC is committed to reporting progress on these issues on a quarterly basis. Starting with the 2008 Executive Call Program an “Executive Dashboard” will be created to track year-to-year changes.