

Major Trends in Key Industries

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Executive Summary

This study examines the factors and trends that have in the past and should in the future lead to business growth and development in Delaware and the surrounding region. Factors such as government relations, education, infrastructure, taxes are always on executives' minds when contemplating business expansion. These factors are examined according to a number of dimensions important to growth of business in Delaware, including location and industry type and size.

Methodology

Based on a number of past reports about growth and business in Delaware and an analysis of the general literature on business location decisions, a preliminary list of factors considered to stimulate or inhibit business growth was identified. Interviews were then conducted with business executives from 23 firms, mostly at the CEO level (slide 3). Each of these executives was asked a series of questions, ranging from "What do you like or dislike about operating where you are now?" to more focused questions concerning the specific factors identified earlier. The interviews were arranged to represent firms of all sizes, industries and relevant locations and lasted about an hour.

Based on these interviews and the previous analysis, the researchers created a final list of characteristics about a location (county, state, region) that are important to business leaders as they consider growth, moves, or other such decisions regarding their business. A survey was then developed to seek the opinions of business executives on current and future conditions with regard to these key characteristics (slide 4).

A total of 800 surveys were mailed in early July 1988 to a broad sample of firms in Delaware and the region. We chose to focus our survey sample on those firms which we defined as "drivers" of economic growth; i.e., those that provide not only employment and economic activity but also drive the creation and growth of other businesses, such as printing, cleaning, medical practices, and housing (slide 5). While many of these latter are small business, it was not our intent to exclude all small firms from the category of drivers. We included many potential growth industries, such as information technology, advanced materials, and the like. We were also careful to represent the major industries in Delaware and to provide for the opportunity to make geographic comparisons.

Business Trends

The survey asked respondents to project certain trends in business expansion or contraction, such as normal growth, diversification, mergers, or divestiture. In terms of the percentage projecting each type of growth, there were no significant differences between states or counties, but there were some large

differences by industry type and its impact on counties (slide 6).

Plans for Employment Growth and Decline

A critical success factor for growth is the availability of employees, the right number and the right type. We asked respondents to project their employment needs for the next three to five years. These are reported by industry group and by type of educational background or experience sought. The results show some major differences between industries in the type of employment growth anticipated (slide 7). For example, financial industries are projecting a need for non-technical university graduates and experienced managers, while business services providers are projecting a higher need for technical university graduates and high school graduates and agricultural industries project a relatively high need for high school graduates and unskilled and semi-skilled workers.

A number of firms reported plans for a decrease in the number of their employees. These were concentrated in the manufacturing, finance and business service industries and among high school graduates and unskilled workers (slide 8).

Dissatisfaction with availability of labor was higher in Delaware than the region for experienced managers, high school graduates and unskilled/semi-skilled labor. Kent County recorded the greatest dissatisfaction with experienced managers, university and technical/community college graduates. New Castle County recorded the greatest dissatisfaction with unskilled/semi-skilled labor and high school graduates (slide 9).

Most Important Characteristics of Location: Government and Taxes

There were 11 characteristics related to government relations and taxes that business executives ranked among the total top 20 in overall importance (slide 10). While differences in the level of attributed importance were not significant between business executives in Delaware and those in neighboring counties in other states, there were some differences both by industry as well as by county within Delaware. Some of these differences are shown in the next two slides.

Differences in satisfaction with government and taxes were reported between Delaware business leaders and those in neighboring counties of other states (slide 11). In general, Delaware executives were more satisfied with government and taxes than their colleagues in neighboring states. The notable exception to this was the gross receipts tax.

There were also some differences in how levels of satisfaction have changed over the past three to five years. Delaware executives reported improved satisfaction with most characteristics of government relations and taxes but declining satisfaction with government regulators and environmental regulation. Business leaders in different counties in Delaware reported some differences in satisfaction with government and taxes. The most dramatic of these differences was in the levels of satisfaction with respect to responsiveness of regulators and the influence with government leaders. In both these cases, satisfaction was much higher among business leaders in Sussex County than in the other two counties (slide 12).

Most Important Characteristics of Location: Infrastructure

Ten infrastructure characteristics were reported as being important, five of them representing different types of educational infrastructure (slide 13). The major differences in satisfaction with infrastructure between business executives in Delaware and those in neighboring states were in primary and secondary education, which were regarded as less satisfactory by Delaware executives. In addition the cost of many infrastructure services (such as utilities) were reported as more expensive by Delaware's business decision makers (slide 14).

Within Delaware, business leaders were least satisfied with primary and secondary education and with roads and highways. There is, however, variation by county, with business leaders in Kent County even less satisfied with secondary education and business leaders in Sussex County more satisfied with roads and highway and water utilities than those in the rest of the state (slide 15).

County Differences in the Importance of Characteristics

There were several factors which were not so important in the overall survey results, but were important to executives in one or two counties. For example, New Castle County business leaders attributed greater importance but less satisfaction with building permitting and other permitting than business leaders in Kent and Sussex. At the same time, Sussex business leaders attributed greater importance to environmental regulation and gross receipts tax than their counterparts in the other two counties (slide 16).

Level of Satisfaction by Industry

A summary table comparing specific industry groups to the Delaware average and each other shows some major differences between industries (slide 17). For example, companies in Business Services category rated the infrastructure as more satisfactory than did organizations in the Other Services (health care, leisure, social services) and Finance categories.

Conclusion

Overall this analysis suggests that business leaders in Delaware consider roads and highways and electric utilities; assistance from, and access to, government and legislative leaders; education at all levels; business savvy of government leaders; and the corporate income tax as the most important factors impacting their own location choices. In evaluating factors that are impacting major trends in key industries for Delaware, it would appear important that Delaware business leaders reported greater satisfaction with government and taxes than did their colleagues in neighboring states, while reporting less satisfaction with education infrastructure and the cost of utilities. While Delaware's business leaders are in substantial agreement about the importance of many factors and about their satisfaction with those factors, there remain significant differences by industry and by county that dramatically influence strategic business decision and correspondingly the priority attached to various policies that may encourage economic growth.