

**Delaware Public Policy Institute:
Choices for Delaware**

MAJOR TRENDS IN KEY INDUSTRIES

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Introduction

The purpose of this portion of the project was to identify those trends being experienced and anticipated by businesses in the state and nearby region, which could have an impact on growth in Delaware. We also wanted to identify those characteristics of the state's relationship with business that might influence future growth.

Our study consisted, first, of a review of the literature about growth in general and in Delaware in specific. We then conducted interviews with a number of executives in key businesses representing important industries in Delaware and the surrounding region and the three counties in Delaware.

From these interviews we developed a survey which was sent to 800 businesses. We received 142 responses, which were analyzed, and the results tabulated. These results show that there are a number of significant differences among the various sectors analyzed (geography, industry) with respect to satisfaction with business support, government attention and education and with respect to future growth trends and expansion plans. These results are presented and discussed in the body of this report. A complete tabulation of the results is also provided in the appendices of this report.

Recent Studies on Growth in Delaware

We reviewed the extensive literature on growth in Delaware and its counties and industries. Our purpose was two-fold. First, we wanted to establish historically those factors which business executives felt contributed to or inhibited growth and, secondly, we wanted to establish any trends in those factors.

We studied a number of past reports about growth and business in Delaware and analyzed the general literature on business location decisions. Most of the Delaware literature consisted of surveys taken of various sectors of the business population from time to time. As creators and users of surveys will no doubt agree, we sometimes found what appear to be conflicting opinions and results.

In a 1996 survey conducted by the Delaware Economic Development Office (DEDO), Delaware manufacturers were asked whether they would recommend Delaware as a business location to other manufacturers (DEDO, A Survey of Delaware Manufacturers, 1996). Ninety two percent of the respondents said “no.” And yet, just under half reported that they planned to expand production facilities in Delaware. Almost half of those with manufacturing sites in other states reported that the overall cost of doing business in Delaware was less, and over half cited a more favorable business climate.

In that same survey, the following were cited by the respondents as being reasons for their negative attitude on Delaware.

- lack of skills and their availability
- poor access to good transportation, especially east/west
- higher wage rates, unemployment insurance, and personal taxes in Delaware
- unfriendly-to-business environmental controls
- cumbersome or lengthy permitting process

And yet, in a survey conducted for DEDO (Ernst & Young/The Wadley-Donovan Group, Delaware Labor Market Resources Assessment, 1993), the state received high marks for its labor supply and the fact that wages were considered “moderate” (5% to 15% lower) in comparison with nearby markets.

Delaware consistently scores high in national business surveys that rank states on a number of dimensions of attractiveness. A 1997 survey by Financial World (“The Best and Worst Places to Locate Your Business,” November, 1997) ranked Delaware second (behind Texas) in where to locate a business. Individual categories and Delaware’s ranks were: cost of doing business (11), current affairs (10), economic potential (20), educated labor supply (7). A survey of chief financial officers (CFO Magazine, 1998) placed Delaware first among all states on the basis of its overall climate for business.

Over the years, labor availability and qualifications have consistently ranked among the top for business decision makers as important factors in business location decisions. The 1993 study By Ernst & Young cited earlier concluded that there was “an ample labor availability in Delaware.” The study reported a 31% underemployment in Delaware, re-entry of downsized manufacturing workers into the pool, and over 30,000 in-commuters to Delaware from surrounding states. Delaware workers were given good ratings from employers for education and basic skills.

A few years later the scene was less tranquil. In the 1996 DEDO survey, 52% of the firms reported encountering problems hiring new employees. They reported a lack of basic skills and an inadequate labor supply.

Rapid growth and decline in a significant industry or two can have a major impact in a state as small as Delaware. In another study conducted by DEDO (Economic Development Issues Facing New Castle County, 1997), the financial services sector gained 11,765 jobs between 1990 and 1996 while the chemical and energy industries lost 12,969 jobs.

Factors in Making Location and/or Growth Decisions

To validate the list of factors we developed from the literature, we conducted a series of open interviews with a number of business executives, mostly at the CEO level. To each of these executives, we posed a series of questions, ranging from “What do you like or dislike about operating where you are now?” to more specific questions concerning the specific factors identified earlier. The location and setting of these interviews is shown in Table 1.

**Table 1
Demographics of Interviews with CEOs**

By State	Delaware	21
	Region	2
By County	New Castle	15
	Kent	4
	Sussex	4
By Industry	Manufacturing	10
	Business Services	5
	Other Services	2
	Agriculture Products	3
	Financial	3

Based on these interviews and the previous analysis, we developed a series of characteristics about a location (county, state, region) which are important to business leaders as they make decisions regarding business growth, moves, or other decisions about their business.

A survey was then developed to seek the opinions of business executives on current and future conditions in these key characteristics. See Appendix A of this report for the survey. The characteristics are listed Table 2.

Table 2
Characteristics Influencing Business Growth Decisions

Regulatory Atmosphere
Government - Business Relations
Taxation
Transportation
Utilities
Education
Business-to-Business Climate
Labor Supply
Future Labor Needs
Business Trends
Impact of Local Characteristics on Business Decisions

A total of 800 surveys were mailed in early July, 1998, 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 who provide not only employment and economic activity but also drive the creation and growth of other businesses, many in services such as printing, cleaning, medical practices, and housing. While many of these later firms are small businesses, it was not our intent to exclude all small firms. We included many small firms in potential growth industries, such as information technology, advanced materials, and the like.

A number of firms outside the state of Delaware were also sent the survey (with some wording modified slightly to reflect “your location” rather than Delaware). Our focus was on the counties surrounding Delaware in New Jersey, Maryland and Pennsylvania and on industries which are part of the recent growth trends for Delaware firms, such as pharmaceuticals, information technology, and biotechnology.

In all, 142 responses have been received. Table 3 provides a comparison of the mailing and response lists. Table 4 shows a further breakdown of the industry groupings.

**Table 3
Surveys Mailed and Received**

		Sent Out		Received	% of Respondents
		N	%	N (return %)	
State	Delaware	436	54	103 (23)	73
	Region	364	46	39 (11)	27
County	New Castle	289	66	73 (25)	71
	Kent	72	17	14 (19)	14
	Sussex	75	17	16 (21)	16
Size	Under 100	299	37	61 (20)	43
	100 to 500	297	37	51 (16)	36
	Over 500	204	26	30 (14)	21
Industry	Manufacturing	332	41	48 (14)	34
	Business Services	330	42	51 (15)	36
	Other Services	62	8	21 (34)	15
	Agriculture	21	3	5 (4)	4
	Financial	55	6	17 (12)	12

**Table 4
Detail of Industry Groups**

Industry Group	Industry Sub-Group	Respondents N (Return Rate)
Manufacturing	Chemical & Pharmaceuticals	15 (15 %)
	Electronics and Analytical Equipment	8 (18 %)
	Mechanical and Materials	15 (16 %)
	Oil and Gas and Construction	10 (27 %)
Business Services	Business and Data Services	14 (10 %)
	Engineering and Research	15 (21 %)
	Real Estate Management	7 (12 %)
	Utilities and Communication	7 (17 %)
Other Services	Health and Social Services	9 (23 %)
	Leisure and Tourism	8 (38 %)
Agriculture		4 (21 %)
Financial		16 (29 %)

What's Important to Business Leaders?

In response to the question, “How important is this characteristic to the successful conduct of your business?” the following (Table 5) ranked as the top twenty responses, based on the percent of respondents indicating that characteristic as either “somewhat” or “very important”. There was little difference on this importance rating between the Delaware responses and from those of the other states in the region. A tabulation of the survey results for the overall sample is provided in Appendix B, pages 1-7.

Table 5
Top Twenty Important Characteristics

Characteristic	% Responding Somewhat or Very Important
Roads and Highways	98
Electric Utilities	98
Savvy of Government Leaders	96
Information Technology	96
Assistance from Regulators	95
Corporate Income Tax	95
Technical/Community Education	95
Personal Income Tax	94
University Education	94
Secondary Education	93
Vocational Education	93
Water Utilities	92
Waste Services	92
Responsiveness of Regulators	91
Access to Government Leaders	91
Primary Education	90
Influence with Government Leaders	90
Access to Legislators	90
Knowledgeable Attorneys	88
Influence in the Legislature	86

Delaware versus the Region

There were some major differences between how respondents from Delaware and those from the other states in the region rated their respective states on these important characteristics. The following table compares the percent responses to the question of attractiveness of each characteristic as either “good” (comparable to or better than other locations) or as being either “satisfied” or “very satisfied” with the current quality of that characteristic. Significant differences are shaded. We also asked whether there was an improvement or a decline in the performance of each characteristic over the past 3 to 5 years. In Table 6, a “+” beside the percent in the Delaware column indicates that Delaware respondents thought the performance had improved; a “-” indicates the opposite. No entry indicates about the same level of satisfaction.

Table 6
% Satisfied in Delaware versus Non-Delaware

Characteristic	Delaware	Region
Roads and Highways	64	63
Electric Utilities	94	91
Government Business Savvy	90	74
Information Technology	94	92
Assistance from Regulators	84 -	81
Corporate Income Tax	93 +	68
Technical/Community Ed.	94	90
Personal Income Tax	59 +	64
University Education	97	97
Secondary Education	58	77
Vocational Education	84	83
Water Utilities	89	93
Waste Services	91	90
Responsiveness of Regulators	74 -	71
Access to Government Leaders	96 +	84
Primary Education	59	80
Influence with Govt. Leaders	89 +	77
Access to Legislators	97 +	87
Knowledgeable Attorneys	97 +	90
Influence in Legislature	89 +	77

Responsiveness of regulators was among the top 20 most important issues for the sample as a whole and several other regulatory issues were important within specific counties (see county breakdown to follow). There were many

comments written in response to the question “What specific regulatory issues are of greatest concern to your business/industry?” Among agricultural products, business service and manufacturing industries environmental issues, and environmental regulators were the most often cited. Among the finance industry business and finance regulation and land use were the most frequently cited. Among other service industries, labor, workman’s compensation and occupational safety regulations were of concern (see Appendix C, pages 1-3)

There was one additional characteristic that was much more important to Delaware respondents as compared to those from the region, the Gross Receipts Tax. Of the Delaware respondents, 89% rated it as somewhat or very important as compared to 77% of the non-Delaware respondents. The following represents the percent that rated the tax as “good,” that is, comparable to or better than other locations. The difference is significant.

Gross Receipts Tax	DE = 76 +	Non-DE = 90
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Concerning the tax situation, the non-Delaware respondents were less than enthusiastic about the rate of improvement in their respective states. For the corporate, personal, and gross receipts taxes, respectively, the percent of respondents indicating an improvement were 6%, 6%, and 0%. There were insufficient numbers of out-of-state responses to allow a state-by-state comparison. When asked to list the tax that was “most problematic, or would most influence your decision to conduct business in a given state” corporate and personal income tax and gross receipts tax were most often mentioned. A few out-of-state respondents mentioned R&D tax credits as important influences on their decisions to operate in their locations (see Appendix C, pages 4-5).

Respondents were asked to rate the infrastructure characteristics using some additional scales. They were asked how the cost of acquiring that service compared against other locations (outside of Delaware). On those infrastructure characteristics rated as important, Table 7 below shows the percent indicating a higher cost in Delaware or a lower cost in Delaware.

Table 7
Comparing Costs: Delaware versus Elsewhere

Characteristic	% Indicating Higher Cost	% Indicating Lower Cost
Roads and Highways	17	2
Electric Utilities	28	10
Information Technology	10	2
Technical/Comm. Educ.	3	9
University Education	9	10
Secondary Education	20	6
Vocational Education	6	9
Water Utilities	14	6
Waste Services	28	2
Primary Education	19	9

While business-to-business climate factors did not make the top 20 most important local factors, they were rated as having at least moderate importance and having at least some impact on business decision among at least 50% of the sample (see Appendix B, pages 5, 12 & 19). When asked to list industries to which they might look to collaborate and industries that might be attracted to locate near them, a wide array of industries and businesses were listed. This indicates that businesses are interested in locating near other businesses with which they might collaborate, or be a supplier or customer. These attractions among industries may reveal potential opportunities to attract businesses because of existing businesses or threats due to the lack of some industries in the region (see Appendix C, pages 6-8).

In summary, Delaware executives are more satisfied with their relationships with the government and its assistance and with taxes in general than are those from neighboring states. Further, in most cases, Delaware executives felt that the performance in these areas had improved over the past 3 to 5 years. There were, however, some notable areas in which Delaware business leaders were less satisfied than their non-Delaware counterparts. These were the gross receipts tax, primary and secondary education, and utilities costs. A tabulation of the survey results for Delaware and out-of-state is provided in Appendix B pages 8-21.

The Counties

An analysis of the responses by county in Delaware reveals some differences. Table 8 shows the responses by county and the Delaware-wide responses. The numbers represent the percent rating each characteristic as either “good” (comparable to or better than other locations) or either “satisfied” or “very satisfied” with its quality. Significant differences are again highlighted.

Table 8
Satisfaction by County (% Satisfied)

Characteristic	NCCo	Kent	Sussex	DE
Roads and Highways	59	69	86	64
Electric Utilities	97	93	93	94
Government Business Savvy	94	85	86	90
Information Technology	94	85	100	94
Assistance from Regulators	84	85	80	84
Corporate Income Tax	92	100	92	93
Technical/Community Educ.	94	92	100	94
Personal Income Tax	61	64	57	59
University Education	96	100	100	97
Secondary Education	60	46	62	58
Vocational Education	86	77	87	84
Water Utilities	86	85	100	89
Waste Services	89	92	93	91
Responsiveness of Regulators	68	85	93	74
Access to Government Leaders	94	100	100	96
Primary Education	58	61	69	59
Influence with Govt. Leaders	88	79	100	89
Access to Legislators	96	100	100	97
Knowledgeable Attorneys	97	100	92	97
Influence in Legislature	90	86	92	89

There were some characteristics whose high level of importance was unique to one or two counties. These characteristics are those for which at least 85% of the respondents in any county identified them as either “somewhat” or “very important.” Table 9, which follows, shows these characteristics, together with their importance scores and attractiveness ratings (comparable to or better than other locations).

**Table 9
Characteristics Unique to County**

Characteristic	New Castle		Kent Co.		Sussex Co.	
	Imp %	Attr %	Imp %	Attr %	Imp %	Attr %
Environmental Regulation	83	84	77	93	93	93
Business Regulators	94	88	100	100	85	100
Building Permitting	86	68	77	85	80	85
Other Permitting	86	77	77	92	80	93
Gross Receipts Tax	89	69	85	50	93	50
Gas Utilities	85	98	100	82	64	92

In summary, business leaders in different counties reported some differences in satisfaction with government and taxes. The most dramatic of these differences was in satisfaction with responsiveness of regulators and the influence with government leaders. In both these cases, satisfaction was much higher among executives in Sussex County than in the other two counties. Satisfaction with roads and highways got progressively higher as the businesses went south. And finally, there were some mixed differences with satisfaction with primary and secondary education among the counties. Some factors were important to executives in only one or two counties. New Castle Countians attributed greater importance but less satisfaction with building and other permitting than those in Kent and Sussex Counties. At the same time, Sussex leaders attributed greater importance to environmental regulation and the gross receipts tax than their counterparts in the other two counties. A tabulation of the results for the three counties is given in Appendix B, pages 22-42.

Employee Availability and Recruitment

Respondents in all locations and most industries reported an increasing shortage of the skilled workers they need; a continuation of the trend begun some years ago. They further suggest that the problem will get worse over the next three or more years.

Typically, employers recruit nationally and even internationally for postgraduate professional and scientific employees (science, law) and experienced managerial level personnel. They recruit in their community and in the state for semi-skilled workers or new high school graduates. And they recruit in the state, region, and the nation for university, technical college, or trades programs graduates.

The real issue is the extent to which respondents report difficulty in recruiting. We defined this as their rating on the availability of potential employees within the areas where they generally recruit. Of interest is the extent to which

managers complain of being dissatisfied with the availability of the employees they seek. That dissatisfaction is reported in Table 10 that follows. There are, of course, some differences by location of respondents. For example, Kent County respondents reported the most dissatisfaction with all levels except post-graduate recruits. New Castle and Sussex Counties reported more dissatisfaction with trade and high schools and unskilled/semi-skilled recruits than the other categories of job recruits.

Table 10
Dissatisfaction (%) with Availability of Recruits

Type of Recruit	Non DE	DE	NCCo	Kent	Sussex
Post Graduate	19	13	14	10	7
Experienced Manager	13	21	25	33	13
University Grad-Technical	29	20	18	31	13
University Grad-Non Tech	16	16	16	33	0
Tech/Community College	30	22	16	33	13
Trade Skills	25	27	28	30	21
High School Graduate	23	31	37	36	19
Unskilled/Semi-skilled	14	27	36	30	20

When asked to list those skills most lacking in job applicants, numerous specific and general skills were listed (see Appendix C, pages 11-13). There were some observable differences across industries. The finance industry most often listed computer, information technology and mathematical skills most lacking. Business service and other service industries most often listed a lack of work ethic, fundamental life skills, interpersonal and communication skills. Manufacturing industries most frequently listed mathematical and communication skills and work attitudes as lacking.

We also asked the respondents to project their estimated “annual percentage change in employment over the next approximately 3 years in your firm.” Table 11 shows the percent of respondents reporting a 5% or greater change in employment for each category of employee. Categories in which more than 1% of the firms reported a greater than 20% increases are highlighted.

Table 11
Anticipated Growth ($\geq 5\%$) in Employment by County
(More than 1% reporting 20%+ highlighted)

Type of Recruit	Non DE	DE	NCCo	Kent	Sussex
Post Graduate	21	14	16	8	8
Experienced Manager	43	21	18	29	21
University Grad-Technical	43	25	24	36	7
University Grad-Non Tech	20	18	20	15	7
Tech/Community College	21	19	19	38	0
Trade Skills	18	16	11	50	7
High School Graduate	22	14	27	25	13
Unskilled/Semi-skilled	18	16	21	8	7

There were also a number of responses indicating a projected decline in employment over the next 3-5 years. These are shown in Table 12.

Table 12
Anticipated Decline ($> 3\%$) in Employment by County

Type of Recruit	Non DE	DE	NCCo	Kent	Sussex
Post Graduate	3	4	5	0	0
Experienced Manager	7	4	3	0	0
University Grad-Technical	0	2	5	0	0
University Grad- Non Tech	3	4	6	0	0
Tech/Community College	3	4	6	0	0
Trade Skills	18	8	4	0	7
High School Graduate	14	10	6	8	7
Unskilled/Semi-skilled	21	17	13	33	7

The quality and availability of recruits and employees has always been a critical success factor in business locating decisions and growth potential. Delaware executives are more satisfied than those out-of-state in the availability of experienced managers, high school graduates and unskilled/semi-skilled workers. They report more difficulty in recruiting workers from postgraduate and technical university degree programs and from technical and community colleges.

Among the counties, Kent County executives report more dissatisfaction with the availability of recruits in almost all categories of recruits than those in the other two counties and New Castle County leaders are less satisfied than those in Sussex County.

Out-of-state businesses anticipate greater growth in employment than those in Delaware in every category of recruitment, in some cases by a considerable margin. Kent Countians look for the greatest growth in their need for employees, with New Castle County executives anticipating the greatest growth in postgraduates, university non-technical graduates, and high school and semi-skilled workers.

There is a general agreement among all regional groups that there will be a greater decline in the employment of unskilled and semi-skilled workers over the next 3 years. More Delaware executives anticipate an employment decline. The same holds true for New Castle County. A tabulation of the survey results by county in Delaware is provided in Appendix B, pages 22-42.

Business Trends

The survey also asked respondents to project certain trends in types of business expansion or contraction. Table 13 shows the overall results of the entire sample. There were no significant differences between states or counties, other than those discussed in the section on industry differences which follows.

**Table 13
Likelihood of Business Trends**

Business Trend	% Reporting Likely
Expansion/Growth	92
Acquire Business	70
Strategic Alliance	70
Diversification	67
Joint Venture	60
Mergers	44
Consolidation	40
Being Acquired	40
Divestiture	22

Finally, our survey asked respondents about the potential impact of each of the major location characteristics on future actions given their expected future

business trends. Table 14 lists the major location factors and indicates the % of the overall sample indicating negative, neutral or positive impacts on business decisions.

Table 14
Importance of Location Factors on Future Business Decisions

Location Characteristic	Negative Impact %	Neutral %	Positive Impact %
Government Business Relations	12%	46%	42%
Regulations and Actions of Regulators	25%	41%	34%
Taxation	21%	37%	42%
Business-to-Business Climate	5%	53%	42%
Transportation Infrastructure	15%	40%	45%
Information Technology	5%	42%	53%
Education	15%	35%	50%
Labor Supply	21%	25%	54%

As is clear from Table 14, all of these location factors are anticipated to play an important role in future business decision by at least half of our sample. Labor supply and education appear to be the most critical factors. Our respondents provided many specific suggestions for proactive actions to keep and attract business to Delaware. These suggestions included: improving regulations and the actions of regulators, personal and corporate income tax reform, focusing on supporting and retaining existing business, improving education and attracting a stronger labor pool. The specific write-in responses are catalogued in Appendix C, pages 16-18.

Overall Satisfaction by Industry

There were differences in responses between industries as to attitudes toward the 21 key characteristics (the 20 overall plus Gross Receipts tax). For ease of reporting, we grouped the 21 characteristics into 5 major categories, as follows.

- Infrastructure
- Education
- Environmental Regulation
- Government Relations
- Taxation

Table 15 which follows summarizes the results. It shows how specific industry groups compare against the Delaware average. A “++” indicates that the industry group rates that characteristic much more favorably than the state average, a “+” slightly more favorable, a “—” much less favorable, and a “-“ indicates slightly less favorable. A blank indicates a level of satisfaction at or about the state average.

**Table 15
Level of Satisfaction by Industry Grouping**

	Manufacture	Business Services	Other Services	Agriculture	Finance
Infrastructure		++	---	-	---
Education		++		++	+
Environment	-	-	++		
Government	---	-	+		-
Taxation	---	-		+	-

Satisfaction with Recruitment by Industry

Concerning satisfaction with recruitment, there were also some significant differences between industry groups and the state average as well as among the groups themselves. The tables that follow show these relationships. The first table (Table 16) shows the percent of businesses in each industry group dissatisfied with the availability of types of recruits. The second (Table 17) shows the percent of the group which plans a 5% or greater increase over the next 3 to 5 five years. The final table (Table 18) shows the portion of the industry group which plans a greater than 3% decline in employment for each type of employment.

**Table 16
Dissatisfaction with Availability (% of Industry Group)**

	Delaware	Manufacture	Business Services	Other Services	Agricultural Products	Finance
Experienced Manager	21	18	16	31	60	29
Post Graduate	13	17	13	31	0	8
University Grad- Technical	20	22	21	35	0	27
University Grad-Non Tech	16	12	15	31	0	27
Tech/Community College	22	19	16	26	40	39
Trade Skills	27	39	20	25	25	12
High School Grad	31	20	24	27	40	39
Unskilled/Semi-skilled	27	33	23	38	60	20

Table 17
Growth Plans > 5 % (% of Industry Group)

	Delaware	Manufacture	Business Services	Other Services	Agricultural Products	Finance
Post Graduate	14	14	6	25	0	13
Experienced Manager	21	27	21	43	20	25
University Grad-Technical	25	32	41	26	20	18
University Grad-Non Tech	18	14	24	35	20	38
Tech/Community College	19	23	18	24	20	0
Trade Skills	16	14	13	16	20	17
High School Grad	14	22	31	24	40	13
Unskilled/Semi-skilled	16	13	21	16	40	20

Table 18
Plans for Employment Decline > 3 % (% of Industry Group)

	Delaware	Manufacture	Business Services	Other Services	Agricultural Products	Finance
Post Graduate	4	4	2	0	0	7
Experienced Manager	4	5	0	0	0	6
University Grad-Technical	2	2	0	0	0	6
University Grad-Non Tech	4	2	3	0	0	12
Tech/Community College	4	4	2	0	0	12
Trade Skills	8	9	5	0	0	0
High School Grad	10	16	5	0	0	13
Unskilled/Semi-skilled	17	27	10	11	0	20

Summarizing industry attitudes towards recruitment and employee growth predictions is difficult, as there are many differences among industry groups. In general, the agricultural products industry is less satisfied with the availability of recruits at the lower educational levels and yet plans the greatest growth. The industry we labeled as Other Services (e.g., health care, travel and leisure) is less satisfied at the higher educational levels and also plans the greatest growth there

The manufacturing, business service and finance industries all plan some decline in employment declines, concentrated at the lesser educational levels. Agriculture reports no declines (greater than 3%) in any area.

Business Trends by Industry

Finally, we looked at business trends by industry group. Table 19 shows the percent of respondents that reported each trend as likely. The finance industry is strongest on anticipating growth in virtually all trend areas, but especially by expansion, acquisition and alliances. Similar trends are reported by the services industries. Other services have a higher anticipation of acquisition. A tabulation of the survey results by industry is provided in Appendix B, pages 43-77.

Table 19
Likelihood of Business Trend (% Reporting Likely)

	Delaware	Manufacture	Business Services	Other Services	Agricultural Products	Finance
Expansion/Growth	92	93	94	78	80	93
Acquire Business	70	65	77	78	60	81
Strategic Alliance	70	59	78	72	60	81
Diversification	67	65	49	71	40	68
Joint Venture	60	58	54	86	80	56
Mergers	44	36	44	50	20	56
Consolidation	40	27	49	50	20	56
Being Acquired	40	38	39	58	20	44
Divestiture	22	21	21	22	20	31

Write-in responses to the question “what changes in industry participation or location of operations do you anticipate in the next 3-5 years” resulted in a wide variety of specific trends mostly focussing on small to moderate growth and expansion, some resulting from consolidations within industries (see Appendix C, pages 14-15).

Size of Company

We also investigated whether there are any differences by size of company. What we found was that the results were confounded by type of industry with the latter being the more meaningful and significant. We chose, therefore, not to report differences by size.

Summary

A survey of business executives concerning key characteristics affecting growth was sent to 800 businesses. We received 142 responses, which were analyzed, and the results tabulated. There were a number of significant differences among the various sectors (geography and industry) with respect to satisfaction with business support, government attention and education and future growth trends.

In response to the question, "How important is this characteristic to the successful conduct of your business?" the top twenty responses were listed and analyzed. There was little difference on this importance rating between the Delaware responses and from those of the other states in the region.

Delaware executives are more satisfied with their relationships with the government and its assistance and with taxes in general than are those from neighboring states. Further, in most cases, Delaware executives felt that the performance in these areas had improved over the past 3 to 5 years. There were, however, some notable areas in which Delaware business leaders were less satisfied than their non-Delaware counterparts. These were the gross receipts tax, primary and secondary education, and utilities costs.

Business leaders in different counties reported some differences in satisfaction with government and taxes. The most dramatic of these differences was in satisfaction with responsiveness of regulators and the influence with government leaders. In both these cases, satisfaction was much higher among executives in Sussex County than in the other two counties. Satisfaction with roads and highways got progressively higher as the businesses went south. There were some mixed differences with satisfaction with primary and secondary education among the counties and some factors were important in only one or two counties. In New Castle County there was greater importance but less satisfaction with building and other permitting than in Kent or Sussex. Sussex leaders attributed greater importance to environmental regulation and the gross receipts tax than their counterparts in the other two counties.

The quality and availability of job recruits and employees showed considerable differences. Delaware executives are more satisfied than those out-of-state in the availability of experienced managers, high school graduates and unskilled/semi-skilled workers. They report more difficulty in recruiting workers from postgraduate and technical university degree programs and from technical and community colleges.

Among the counties, Kent County executives report more dissatisfaction with the availability of recruits in almost all categories of recruits than those in the

other two counties and New Castle County leaders are less satisfied than those in Sussex County.

Out-of-state businesses anticipate greater growth in employment than those in Delaware do in every category of recruitment, in some cases by a considerable margin. Kent Countians look for the greatest growth in their need for employees, with New Castle County executives anticipating the greatest growth in postgraduates, university non-technical graduates, and high school and semi-skilled workers.

There is a general agreement among all regional groups that there will be a greater decline in the employment of unskilled and semi-skilled workers over the next 3 years. More Delaware executives anticipate an employment decline. The same holds true for New Castle County.

There was a considerable variety in the results of the tabulations of attitudes towards recruitment and employee growth predictions by industry. In general, the agricultural products industry is less satisfied with the availability of recruits at the lower educational levels and yet plans the greatest growth. The industry we labeled as Other Services (e.g., health care, travel and leisure) is less satisfied at the higher educational levels and also plans the greatest growth there

The manufacturing, business service and finance industries all plan some decline in employment, concentrated at the lesser educational levels. Agriculture reports no declines (greater than 3%) in any area.

We reviewed a final time the written comments (all 18 pages of them, Appendix C) in an attempt to distill out one or two recommendations that would provide a pro-active focal point for state and business cooperation in Choices for Delaware. When asked, of course, business leaders are not hesitant in offering criticism -- and many such criticisms were offered, and over a wide range of areas. On the whole, however, the written comments support the statistical data: in general, business executives like operating in Delaware; they find much that satisfies them.

There is an undercurrent in the written comments, however, which was also voiced in some of the interviews we conducted. It is that the "business is welcome in Delaware" climate is perhaps more fragile than some in government and the public sector realize. We were told a number of times that attempts to attract new businesses can be perceived as coming at the expense of maintaining a positive climate for existing businesses to prosper and grow. A complacent attitude that existing businesses will stay is dangerous when other states and localities are spending and will commit huge amounts of resources to

attract those very businesses away from Delaware. Many leaders expressed a concern over labor availability at all levels. Labor will be attracted to a state that has stable and growing industries. Furthermore, the business-to-business climate offers the best chance of attracting new businesses. Our survey respondents listed numerous businesses and industries with which they would look for collaboration and whom would be attracted to the location because of their presence. Thus, maintaining a favorable atmosphere for existing Delaware businesses to grow and prosper may be the best strategy to attract both new businesses and the necessary labor to support them.