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EXAMINING THE LA COUNTY BUSINESS CLIMATE: CHALLENGES AND OPPORTUNITIES FOR THE BUSINESS COMMUNITY AND THE HIGH-TECH INNOVATIVE SECTOR

Surveying regional businesses and high-tech innovative companies to assess business needs for the continued economic vitality of Los Angeles County



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Introduction

The mission of the Los Angeles County Economic Development Corporation (LAEDC) is to attract, retain, and grow business and jobs throughout the regions of Los Angeles County as well as to identify trends and effect positive change for the Los Angeles County economy. To support this mission, the LAEDC offers free business assistance services throughout the 88 cities and more than 100 unincorporated regions of Los Angeles County through its Business Assistance Program. These services, provided by a team of regional managers and LAEDC headquarters' office staff, include site selection, workforce resources, incentive packages, permits, licenses, zoning, and local industry analyses for companies expanding or relocating in Los Angeles County as well as for entrepreneurial enterprises that will infuse the local economy and business landscape with new and innovative companies. While the LAEDC provides valuable business assistance services to the businesses in Los Angeles County, there still remains a lack of cohesion and support among the economic development partners in California to enhance the economic growth and vitality of not only their individual regions but also the State as a whole.

The World Trade Center Los Angeles-Long Beach (WTCA LA-LB) is a subsidiary of the LAEDC which serves as a primary vehicle for international initiatives to support Los Angeles County companies and the local economy. Together with the LAEDC, the WTCA LA-LB facilitates international trade and investment in the region through a variety of strategic partnerships, programs, and initiatives. The LAEDC is keenly aware of the critical role international trade and investment plays in the continued growth of the Los Angeles County economy and its contribution to the unique competitiveness of the region. As the nation's #1 gateway to the global economy, the Ports of Los Angeles and Long Beach along with Los Angeles International Airport are key economic drivers for the success of Los Angeles County and currently generate employment for more than 300,000 people countywide.

In addition to working countywide to provide business assistance, the LAEDC is currently developing an Economic Development Strategic Plan that will guide efforts throughout Los Angeles County to keep the County competitive now and in the future.



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As a first step to developing this strategic plan, the LAEDC initiated a study of key industry clusters in Los Angeles County over the past five years, focusing on those sectors with the highest market growth. As a result of this study, five growth clusters were selected to provide input to this economic development strategic plan. One of the primary goals of the strategic plan is to provide a roadmap that will aid all economic development service providers in supporting local innovative businesses within these five industry sectors.

As the second step in the strategic plan process, the LAEDC contacted industry leaders in each cluster and discussed the issues and concerns these business leaders have for their respective industries over the next five to ten years. Following meetings with industry leaders, the next step for the LAEDC is developing a draft economic development strategic plan based on input received from the industry leaders as well as from research gathered of industry "best practices" around the world. The draft plan will be presented by the LAEDC to business groups, cities, and economic development organizations throughout Los Angeles County for additional input prior to the strategic plan being finalized.

Even though the LAEDC is taking a proactive approach to regional economic vitality and sustainability, most economic regions in the United States do not have a sustainable economic development model that offers a vision for future business growth. Rather, most regions use independent economic development practices derived from practices identified in the 1980s and 1990s that focus primarily on business retention and expansion. What has been lacking in California and throughout the country is the communication, coordination, and cooperation among economic development partners necessary to leverage innovative resources and strengths.

However, in a proactive effort to create an economic development model that will promote a cohesive network of economic development and workforce partners throughout the state of California, the California Space Authority (CSA) brought together the California Innovation Corridor Workforce Innovation in Economic Development (WIRED) partners to collectively create an economic development "tool kit." The goal for the development of the "tool kit" is to feature replicable support elements that can easily be adapted for use by other economic

development professionals interested in taking new approaches to leverage their own regional economic development assets.

As a California Innovation Corridor WIRED partner participating in this project, the goal of the LAEDC is to provide the groundwork for establishing a replicable and sustainable "innovation support architecture" that can be used throughout the state of California and the nation. As a result, the LAEDC initiated, designed, and funded a countywide business climate survey of 5,000 companies over a six-month period. The purpose of this survey was to identify and analyze the health and concerns of industry in Los Angeles County in order to look at programs and resources that could be used to provide business assistance where needed.

This report presents a comprehensive review and analysis of the economic development survey tool used by the LAEDC to determine the business climate within Los Angeles County. The report will review the survey process, the survey outcomes, and discuss the systems that were implemented to evaluate, support, and monitor Los Angeles County businesses based on the survey findings. In addition, the report will evaluate the responses of the high-tech/innovative companies involved in the survey and compare those findings to the responses of all 5,000 survey respondents.

From the survey results, the LAEDC and funding partners will be better able to target economic stimulus efforts to improve the economy as well as identify businesses that could benefit from the LAEDC's Business Assistance Program.



Survey Project Overview

As part of the State of California designated California Innovation Corridor (CIC), The Los Angeles County Economic Development Corporation (LAEDC) participated in a statewide Workforce Innovation in Regional Economic Development (WIRED) 1.1 Project. The goals of this project were as follows:

- Create an atmosphere in which the economic development culture, environment, and systems are characterized and driven by robust innovation and flourishing entrepreneurship
- Optimize the entire Corridor for innovation and 21st Century workforce competitiveness
- Create a replicable Economic Development Model that can be used in whole or part by other economic development regions throughout California in advancing their region's individual economic competitiveness

The outcome of these goals is to create an economic development "tool kit" that will incorporate support elements that can be used by economic development and workforce preparation professionals to leverage regional assets and enhance their business assistance efforts as well as support the growth and economic vitality of California. However, before putting sustainable strategies in place, knowledge of the current business climate and needs is necessary.

As a portion of the WIRED 1.1 "tool kit," the LAEDC conducted a countywide Business Climate Survey Project that incorporated a systematic approach to identifying needs and other concerns of Los Angeles County businesses. The purpose of the survey project was to (1) determine the concerns of industry in the Los Angeles County region; (2) assist the LAEDC and funding partners to target their efforts to improve the local economy; and (3) identify businesses that could benefit from LAEDC's Business Assistance Program (BAP). In this regard, the survey provided an early warning system for "at risk" companies in need of business assistance during a period of expansion, including "early stage" companies in key innovation sectors; companies in danger of downsizing or closing operations; or companies that might be thinking of leaving the region.



Survey results were generated and copies of the surveys were posted to a web-based program using the state-of-the-art Executive Pulse database. This program provided each of the eight regional managers the opportunity to view their region's survey database and review and/or copy a particular business's survey prior to contacting the business. Survey follow-up "alerts" were mailed electronically to each regional manager each week indicating the urgency of the follow-up action required based on the survey responses from businesses in the regional manager's area. These follow-up actions were either of an "urgent" nature requiring immediate contact with a company or "immediate action" requiring review and contact within five business days of receipt of notification. If the survey didn't fall into either the "urgent" or "immediate action" categories, a personalized letter along with a brochure outlining the LAEDC's no cost business assistance services were sent to the business. Using the Executive Pulse Database to store and retrieve survey responses proved to be a more efficient way for the LAEDC and its regional managers to manage survey information, record follow-up activities, and keep proprietary company information secure.

After the survey was completed, the LAEDC needed to find a way to retain the survey information, provide an efficient way to retain follow-up information on businesses contacted as a result of the survey, and be able to add all past and future business assistance contacts in order to have a comprehensive list of business assistance team activities that would be available to all business assistance team members as well as LAEDC management.

As a result, the LAEDC determined that a comprehensive web-based ACT database program would meet its needs. This state-of-the-art web-based system provides a way for regional managers to track and monitor not only the results of their region's business surveys and the business contacts made as a result of the survey but also manage the business assistance needs for all current and future businesses supported through the LAEDC BAP. From any computer, a regional manager can input information into the system which can then be viewed by any team member. The ACT system also provides instant up-to-date, computer-generated reports on each region's business assistance activities which can then be used by LAEDC management and Board of Directors for informational and decision making purposes.

The business intelligence gathering accomplished through the survey tool identified key issues affecting corporate decision makers in the current ever-changing economic climate. The supporting web-based ACT program made information tracking, monitoring, and reporting more efficient and, as a result, helped business assistance staff be more productive.

Survey Process/Methodology

With help from the Rose Institute-Claremont McKenna College and a state-of-the-art tracking system from Executive Pulse, 5,000 businesses with ten or more employees were surveyed throughout the 88 cities and more than 100 unincorporated areas in Los Angeles County.

For over 35 years, the Rose Institute has provided research experiences for Claremont McKenna College students by conducting and publishing research primarily on California government and politics. The Rose Institute conducts research using the latest computer technology and advanced geographic and demographic retrieval systems and is well known throughout southern California for its expertise and professional methods used in its research practices. As an example, for the last four years, the Rose Institute has been a partner with the Kosmont Companies in developing the well-known and respected Kosmont - Rose Institute "Cost of Doing Business Survey." This report is used by businesses, the real estate industry, development groups, and local governments looking to compare the costs of opening and operating businesses in various cities. The Rose Institute Board of Governors is a venerable list of "who's who," with current and previous board members consisting of not only industry and educational leaders but also former governors and state leaders.

The LAEDC designed a survey instrument consisting of 45 questions and contracted with the Rose Institute to conduct the survey over a six-month period starting in September 2007.

Researchers at the Rose Institute used a random sample of 23,073 companies that met the target population guidelines of having at least ten employees. The survey process involved a team of researchers consisting of both undergraduate students and graduate research assistants who conducted detailed interviews with executives and business owners. The companies surveyed



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were randomly selected from the 88 cities and more than 100 unincorporated areas in Los Angeles County.

Of the 23,073 businesses in the target population, 5,000 were interviewed using a CATI (Computer Aided Telephone Interview) system for an overall response rate of 21.7 percent. Of the 5,000 businesses surveyed, approximately 2 percent were identified as innovative companies that would benefit from both the LAEDC Business Assistance Program and future WIRED programs and initiatives. All survey information was downloaded from the CATI system into the Executive Pulse database for retrieval and input of follow-up information from the regional managers and the LAEDC headquarter office staff.

Following the interview, the surveys were coded into one of three levels based on the survey responses and forwarded to the LAEDC Business Assistance team for follow-up with the company. The following business response levels and follow-up criteria were initiated in order to handle the large volume of surveys that were being received by the LAEDC staff during the six month survey period. This system also provided a coordinated and systematic method of responding to the companies surveyed:

- Level 1 - Considered an **urgent** business survey lead. A Level 1 survey contact would immediately be sent to the Regional Manager for follow-up. A Level 1 would require the Regional Manager to make a telephone call within two business days to arrange a personal meeting with either the business owner or executive in order to discuss the issues outlined in the company's survey response. The one-on-one meeting with the company representative would then determine the level of LAEDC assistance required.
- Level 2 - Considered an **important** business survey lead. A Level 2 survey contact would be sent to the Regional Manager. The Regional Manager was required to make a follow-up telephone call to the business owner or executive within one week to discuss the issues outlined on the company's survey and determine the level of LAEDC assistance needed.
- Level 3 - Not considered an immediate survey lead. A Level 3 survey initiated a personal follow-up letter from the LAEDC Vice-President of Business Assistance and Development within one week. This letter would provide the company with regional manager referral information and a copy of the letter would be forwarded



to the appropriate regional manager for his/her records. Along with the letter, each company would also receive a BAP brochure highlighting the no-cost business assistance services available to all companies within Los Angeles County.

The survey project proved to be an invaluable tool to the LAEDC BAP team in meeting the immediate needs of high-risk companies and developing business assistance strategies to meet both the short-term and long-term needs of Los Angeles County's businesses. The survey also gathered a wide range of information on the impact of the current economy and the relationship between city governments and their business communities. As noted previously, this information was incorporated into the Executive Pulse state-of-the-art tracking database program for use by the LAEDC BAP team. This confidential database provided a tool for regional managers to use to schedule and manage follow-up on the 5,000 survey respondents and add follow-up data that could be retrieved and reported instantly.

These survey records were later transferred to the current web-based ACT database system that provides a network mechanism that regional managers can use to update records daily and retrieve contact information on all companies assisted through the BAP from any computer. The ACT database system also allows users to access, update, and share ACT information in "real-time" both in-house and remotely via a web browser. Additionally, all users are able to share the same ACT database simultaneously both for data input and report generation, providing greater staff productivity. It was critical that the survey files be transferred to the ACT database so that LAEDC regional managers could closely monitor their businesses and provide immediate follow-up with companies that might be experiencing challenges due to changes in economic conditions and the general business climate.



Company Characteristics

The companies participating in the survey were representative of the major industry sectors in Los Angeles County including manufacturing, wholesale and retail trade, professional services, healthcare, and social services and, overall, reflected a broad cross-section of the economic composition of Los Angeles County.

As the largest manufacturing center in the United States, it is not surprising that the manufacturing industry sector composed the highest overall percentage of respondents (22 percent) with over 450,000 workers employed in this sector throughout Los Angeles County. Similarly, the high volume of trade that passes through the ports of Los Angeles and Long Beach as well as the Los Angeles International Airport accounts for the high response rate for the wholesale trade industry of 16 percent. These two ports are the busiest in the nation and, in combination with LA International Airport, provide the nation's #1 gateway to the global economy.

Of the total respondents, 2.1 percent, or 103 companies, were high-tech/innovative companies in the areas of (1) transportation equipment manufacturing (.8 percent or 42 companies) which includes vehicle manufacturing, vehicle parts manufacturing, trailer manufacturing, aerospace manufacturing, and other transportation equipment manufacturing; (2) supportive activities for transportation (.9 percent or 43 companies) consisting of support activities for rail, water, and road transportation, freight transportation, and other support activities for transportation; and (3) scientific research and development services (.4 percent or 18 companies). It should be noted that the 103 high tech innovative companies represented in this survey were also part of the random selection of the 5,000 companies surveyed and that 103 is not indicative of the total number of high tech innovative companies within Los Angeles County.

A comprehensive list of the industry clusters and the percentage of respondents that participated in the business survey as well as a break-out of the percentage of high-tech/innovative companies within the total percentage of respondents is outlined in the following chart.



BUSINESS SURVEY RESPONDENTS

Industry	Total Companies Percent	High Tech Innovative Companies Percent of Total
Construction	5%	
Manufacturing	22%	.8%
Wholesale Trade	16%	
Retail Trade	11%	
Transportation	5%	.9%
Information	5%	
Finance and Insurance	2%	
Real Estate	2%	
Professional	9%	
Administrative	4%	
Health Care and Social Services	7%	.4%
Hospitality	6%	
Other	6%	
Total	100%	2.1%

Source: Rose Institute of State and Local Government

The target survey population consisted of businesses with ten or more employees. As the chart below illustrates, businesses with less than 25 employees comprised almost half (45 percent) of the total survey respondents while large companies of 100 or more employees accounted for only 15 percent. These results were also true of the high-tech/innovative companies with 43 percent of the companies had less than 24 employees and only 18% had 100 or more employees. These results verify the fact that not only does "small" business play a significant role in Los Angeles County's economy but also a large percentage (65 percent) of high-tech/innovative companies in the County are small with less than 50 employees.

This analysis could create a paradigm shift in the way business assistance has traditionally been focused which has been almost exclusively toward medium to larger employers. With companies of fewer than 50 employees now playing such a significant role in the County's

economy, it would behoove all economic development organizations and policy makers to recognize and support the growth of these companies within the region.

The following chart presents a side-by-side comparison of employee size for the high-tech/innovative companies to the general survey population.

SURVEY RESPONDENTS NUMBER OF EMPLOYEES

Industry	Total 5,000 Companies Percent	High Tech Innovative 103 Companies Percent
10 - 24	45%	43%
25 - 49	24%	22%
50 - 99	16%	17%
100 +	15%	18%
Total	100%	100%

Source: Rose Institute of State and Local Government

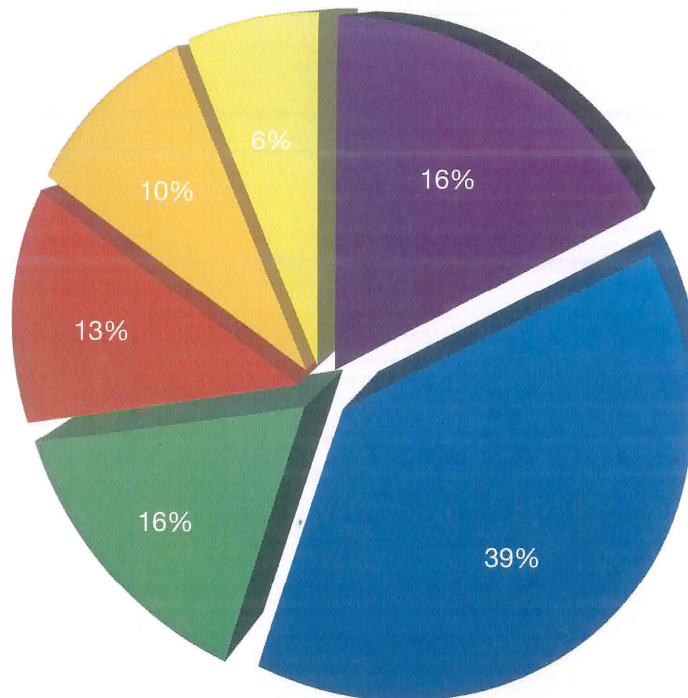
It should be noted, however, that 50 percent of the surveys were taken in fall 2007, before the full impact of the downturn in the economy had been realized and appreciated which, in retrospect, may have had an effect on these outcomes.

In addition to the number of employees, it is interesting to note that of the companies surveyed, 55 percent reported less than \$5 million in gross sales while only 29 percent reported gross sales of more than \$10 million as shown on the chart below. This again underscores the important impact of the "small" business on the local economy.

SURVEY RESPONDENTS GROSS SALES

Gross Sales

- Less than \$1 Million
- \$1-\$5 Million
- \$5-\$10 Million
- \$10-\$20 Million
- \$20-\$50 Million
- \$50 Million +



Source: Rose Institute of State and Local Government

In conjunction with the previous chart, the following chart provides a detailed breakdown of the gross sales by the various industry clusters that emerged from the total business survey respondents.

GROSS SALES BY INDUSTRY General Survey Population

Industry	Less than \$5 million	\$5 -\$20 million	More than \$20 million
Health Services	57%	27%	16%
Real Estate	53%	30%	17%
Administrative	59%	24%	17%
Construction	54%	26%	20%
Manufacturing	60%	27%	13%
Information	67%	22%	11%
Transportation	49%	32%	19%
Retail Trade	48%	33%	19%
Wholesale Trade	44%	35%	21%
Professional	42%	42%	16%
Finance and Insurance	30%	34%	36%
Hospitality	79%	18%	3%
Education	73%	8%	19%

Source: Rose Institute of State and Local Government

In contrast to the general survey population, the high-tech/innovative companies in their respective sectors have a greater percentage of companies with gross sales in excess of \$20 million. They also show a larger number of companies having gross sales of less than \$5 million except in the transportation sector where the general survey showed 49 percent. This could be indicative of new high-tech/innovative companies emerging in these business clusters

GROSS SALES BY INDUSTRY High-Tech/Innovative Companies

Industry	Less than \$5 million	\$5 -\$20 million	More than \$20 million
Health Services	57%	14%	29%
Manufacturing	70%	13%	17%
Transportation	28%	36%	36%

Survey Results

The survey project results provided a wealth of information on the health of the current economy in Los Angeles County. Respondents outlined their general plans for the future, anticipated growth in sales, the costs of doing business, barriers to growth and expansion, and responded to specific questions related to workforce. In addition, respondents answered detailed questions about the business-friendliness of their city governments, expressing their opinions about taxes, fees, and business assistance.

The survey identified several important issues of concern to businesses which are highlighted below. These concerns are addressed in more detail throughout this report.

- More than half of all businesses reported some or great difficulty in hiring critical occupations. Skilled labor or skilled production workers represented the most challenging occupation group for employers to hire followed closely by sales and marketing.
- Over half (56 percent) of respondents said their city is responsive to their business needs.
- A little over half (52 percent) of respondents agree that their city provides quality services at reasonable rates.
- A little over half (52 percent) of respondents agree that their overall city business climate is conducive to business success/job creation.
- Over 40 percent of respondents felt business property taxes were too high.

- Approximately 39 percent of respondents cited insufficient room for expansion as the primary reason for relocation or downsizing.
- About 20 percent of businesses surveyed expressed concern over generating less revenue than in the previous 12-month period. Smaller companies expressed the greatest concern about diminishing revenues.
- About 18 percent of respondents cited recruiting and retaining key employees as the number one barrier to future expansion.

Profitability

The good news, however, obtained from the business survey is that an overwhelming majority (90 percent) of businesses surveyed reported that they were profitable. The survey did not delineate between profitability and company size; however, some industries were more likely to be profitable than others such as the professional, accommodation/food, and administrative sectors. Notably, no respondent in the financial sector responded to the survey question with an "unprofitable" response giving that industry a 100 percent profitability rating. Conversely, real estate, construction, and manufacturing, registered the highest responses of unprofitability, at 14 percent, 13 percent, and 1 percent, respectively as indicated on the following chart.

Since, as mentioned earlier, this survey was taken prior to the increasingly marked economic downturn of the past six months of 2008, results might be more dramatic if measured now.

PROFITABILITY BY INDUSTRY General Survey Population

Industry	Profitable "Yes"	Profitable "No"
Health Services	90%	10%
Real Estate	86%	14%
Administrative	92%	8%
Construction	87%	13%
Manufacturing	87%	13%
Information	90%	10%
Transportation	90%	10%
Retail Trade	91%	9%
Wholesale Trade	89%	11%
Professional	93%	7%
Accommodation/Food	93%	7%
Finance and Insurance	100%	0%

Source: Rose Institute of State and Local Government

Good news also comes from the high-tech/innovative companies with 78 percent of the companies responding that they were profitable during the last year. Of the high-tech/innovative sectors surveyed, the most profitable were the companies involved with supportive activities for transportation, with 88 percent of companies in that sector responding that they were profitable. The next highest response for profitability was from the scientific research and development services sector with 78 percent and; lastly, with a 71 percent profitability response, was the transportation equipment manufacturing sector.

It is not surprising that the real estate, construction, and manufacturing sectors are the industries, overall, that are less profitable than other industries, given the challenges facing the current economy, the downturn in the housing market, and the general "slow down" in both large and small manufacturing companies. Although the general survey population along with the high-tech/innovative companies reported only 10 percent of the companies overall as being unprofitable, it is still evident that the economy is hurting these manufacturers. Based on these results, the LAEDC Business Assistance team has an opportunity to focus on these high-tech/innovative growth industry clusters and assist them during this time of economic challenge.

PROFITABILITY BY INDUSTRY High-Tech/Innovative Companies

Industry	Profitable Yes	Profitable No
Health Services	100%	0%
Manufacturing	81%	19%
Transportation	95%	5%

Source: Rose Institute of State and Local Government

Five businesses surveyed were listed as non-profits and nine businesses either didn't know or declined to respond to this question.

Growth and Expansion

Well over half the companies (62 percent) responding to the survey indicated they do not have any plans to expand, relocate, or close/downsize. In contrast, a greater percentage of those that will be making significant changes plan on expanding (28 percent) rather than closing (4 percent) or relocating current facilities (6 percent). These responses are indicative of industries' current position of maintaining a "wait and see" attitude due to the climate of the current economy. While it is promising to see that those industries that were previously noted as showing growth are also the industries looking at expansion opportunities, as indicated on the following chart, it should be noted that some responses were acquired prior to the end of the calendar year 2008 which may account for a high degree of optimism.

GROWTH AND EXPANSION PLANS BY INDUSTRY General Survey Population

Industry	Expanding	Relocating	Closing/Downsizing
Health Services	25%	7%	2%
Real Estate	27%	3%	4%
Administrative	36%	7%	3%
Construction	18%	4%	5%
Manufacturing	25%	7%	6%
Information	26%	6%	2%
Transportation	27%	4%	2%
Retail Trade	25%	4%	2%
Wholesale Trade	24%	8%	4%
Professional	32%	8%	3%
Finance	26%	8%	2%
Hospitality	28%	1%	1%
Education	39%	4%	9%

Source: Rose Institute of State and Local Government

As outlined above, in the areas of education, manufacturing, and construction, substantially more businesses planned to downsize or close when compared to the average; however, the greatest expansion opportunities are seen in education, administrative and professional industry sectors. The fact that education shows not only the highest percentage of closing/downsizing but also the highest percentage of expansion plans may indicate that some of the smaller educational providers may be consolidating sites or closing; yet more educational facilities are also being built or current facilities are expanding.

In comparison to the general survey population, 36 percent of the high-tech/innovative companies surveyed indicated plans for expansion within the next two years. High-tech/innovative manufacturing companies lead in plans for expansion with 14 percent of all high-tech/innovative companies surveyed. As indicated below, only 7 percent of the high-tech/innovative companies surveyed in the manufacturing and transportation sectors responded that they would be relocating or closing/downsizing in contrast to the general survey population



where 13 percent of manufacturing and 6 percent of transportation-related companies were planning on relocating or closing/downsizing their facilities.

GROWTH AND EXPANSION PLANS BY INDUSTRY **High-Tech/Innovative Companies**

Industry	Expanding	Relocating	Closing/Downsizing
Health Services	10%	0%	0%
Manufacturing	14%	2%	2%
Transportation	12%	3%	0%

Source: Rose Institute of State and Local Government

A total of 27 high-tech/innovative companies (26 percent) responded that they didn't know what their plans would be and 32 companies (31 percent) stated that there would be no changes in their company regarding expansion, relocation, or closing/downsizing in the near future.

These comparisons indicate that the high-tech/innovative companies within these industry clusters are "alive and well" and prime for growth over the next two to five years. With this in mind, economic development organizations, workforce development organizations, and government need to focus attention not only on the businesses that are planning to expand and grow but also on those businesses contemplating relocating, closing, or downsizing. High-tech/innovative companies will be key players in the continued economic growth of Los Angeles County in the future.

In the following charts, is also interesting to note that across company size, businesses were much more likely to expand than to relocate or close/downsize. In the general survey population the likelihood of businesses expanding, however, increased noticeably in the larger companies composed of over 100 employees. Those companies were 33 percent more likely to expand than businesses with fewer than 25 employees.

In contrast, while high-tech/innovative companies overall were also more likely to expand than to relocate, close, or downsize, small companies with less than 24 employees in this group showed a higher percentage of companies (23 percent) that may be looking to relocate, close, or downsize in the near future.

GROWTH AND EXPANSION PLANS BY COMPANY SIZE General Survey Population

Company Size	Expanding	Relocating	Closing/Downsizing
10-24	27%	8%	5%
25-49	33%	6%	4%
50-99	36%	6%	3%
100+	39%	5%	2%

Source: Rose Institute of State and Local Government

GROWTH AND EXPANSION PLANS BY COMPANY SIZE High-Tech/Innovative Companies

Company Size	Expanding	Relocating	Closing/Downsizing
10-24	14%	16%	7%
25-49	9%	2%	2%
50-99	18%	7%	0%
100+	18%	5%	2%

Source: Rose Institute of State and Local Government

Of those companies planning on expanding, 72 percent stated they will grow locally or within their current facilities. Only 10 percent of companies reported they would be expanding out of state as indicated on the following graph. While this may seem like a small number, in essence this equates to 500 businesses that may be leaving the state in order to expand their operations.

SCOPE OF EXPANSION

Industry	Total Companies Percent	High-Tech Innovative Companies Percent
Within Current Facilities	41%	45%
Locally	31%	34%
Regionally	18%	7%
Out of State	10%	7%

Source: Rose Institute of State and Local Government

In addition, three (7 percent) of the high-tech/innovative companies responded that they didn't know the scope of their expansion plans at the time of the survey.

Of those businesses expanding, new equipment and technology was the greatest need expressed for both the general survey population and the high-tech/innovative companies. Concerns with facilities were also highly ranked with 24 percent of respondents noting a need to expand current facilities and 22 percent indicating the need to add a new facility in order to grow. These were also critical needs for the high-tech/innovative companies as well with 28 percent of respondents indicating the need to expand current facilities and 25 percent indicating the need for an additional facility.

Labor needs also represented a major interest, particularly access to job applicants and better staff development and training opportunities as outlined below. For high-tech/innovative companies, staff development/training was of major concern with 33 percent of these businesses noting this area as a critical need for expansion.

Understanding the specific needs of businesses offers the LAEDC Business Assistance Team and economic development and workforce organizations a variety of opportunities to be proactive in business assistance efforts to support existing businesses with proposed facility expansions as well as general business and workforce needs.



EXPANSION NEEDS

Expansion Needs	Total Companies Percent	High-Tech Innovative Companies Percent
New equipment or technology	40%	47%
Increased visibility	27%	36%
Expansion of current facilities	24%	28%
Staff development/training	24%	33%
Additional financing	24%	19%
Access to job applicants	24%	22%
New additional facility	22%	25%
Access to contract opportunities	16%	6%
Trade facilitation or overseas assistance	9%	3%
None	8%	8%
Other	4%	0%

Source: Rose Institute of State and Local Government

Relocation

Few businesses stated they planned on relocating (6 percent); however, those businesses that did plan to relocate (39 percent) stated it was because their current facilities represented a barrier to expansion. The inability for local businesses to find room to grow is a serious concern, since available industrial space in Los Angeles County is at an all time low. Los Angeles County, as a whole, has a vacancy rate of 1.5 percent with the downtown metro area at 7 percent.

The problem of insufficient room for expansion was also a key issue for the high-tech/innovative companies. Although only five companies stated they were looking at relocation options, the majority of responses indicated their prime reason for relocation was the lack of room for expansion (60 percent). In addition, businesses reported that the cost of doing business (5 percent) and overall expenses (12 percent) were too high in their respective regions. As with the general survey population, the cost of doing business was also a concern for the high-tech/innovative companies (40 percent).

The chart below illustrates the primary reasons given for business considering relocation for both the general survey population and the high-tech/innovative companies.

Reasons for Relocation	Total Companies Percent	High-Tech Innovative Companies Percent
Insufficient room for expansion	39%	60%
Cost of occupancy and utilities	7%	
Taxes	5%	
Costs of doing business	5%	40%
Proximity to customers	2%	
Regulations	2%	
Business affected by trade	1%	
Traffic congestion	1%	
Access to suppliers	1%	
Availability of employees	1%	
Changing market conditions	1%	
Other	25%	

Source: Rose Institute of State and Local Government

As a note, only five high-tech/innovative companies surveyed stated they were considering relocation within the next year giving this small group much higher percentages than the general survey population.

Closing/Downsizing

Lastly, of the companies that were being forced to downsize or close their operations, the most common challenge appeared to be changing market conditions. This is not surprising given the current challenging economic conditions that are occurring nationwide. The next three highest challenges were the cost of doing business, regulations, and taxes as presented in the chart below.

CLOSING/DOWNSIZING

Reasons for closing/downsizing	Percent
Changing market conditions	24%
Cost of doing business	11%
Regulations	7%
Taxes	6%
Cost of occupancy and utilities	3%
Availability of employees	3%
Insufficient room for expansion	2%
Proximity to customers	2%
Access to suppliers	1%
Business affected by trade	3%
Traffic congestion	0%
Other	29%

Source: Rose Institute of State and Local Government

In contrast to the general survey population, only two high-tech/innovative companies responded that they would be downsizing/closing in the near future. The reasons given for closing were retirement and company relocation.

Barriers to Expansion

While many of the barriers to future expansion were consistent between the general survey population and the high-tech/innovative companies, some stark contrasts were evident in the areas of regulations (current economy) and the availability of suitable facilities or room to expand. As was indicated earlier in this report, many of the high-tech/innovative companies surveyed plan to expand their operations within the next year and with the Los Angeles County industrial vacancy rate at an all-time low, it is no surprise that space availability is a key barrier for these companies. The barrier regarding regulations was strongest felt in the manufacturing high-tech/innovative companies.

Workforce needs in both recruiting and retaining key employees and the availability of qualified labor were, not surprisingly, top concerns for all businesses surveyed. Workforce needs must remain an immediate priority for regional economic development organizations, workforce providers, and educational institutions, if Los Angeles County businesses are to create greater employment opportunities, remain competitive, and continue to be strong contributors to the economic vitality of the Los Angeles region.

The chart below outlines the barriers to expansion expressed by both the general survey population and the high-tech/innovative companies within those industry clusters.

BARRIERS TO FUTURE EXPANSION

Barriers to Future Expansion	Total Companies Percent	High-Tech Innovative Companies Percent
Recruiting and retaining key employees	18%	18%
Workers compensation costs	15%	16%
Cost of energy	14%	15%
Taxes	13%	17%
Availability of qualified labor	12%	17%
Regulations (current economy)	10%	18%
Availability of capital or credit	9%	7%
Out-of-state competition	9%	7%
Local transportation systems	7%	6%
Availability of suitable facilities or room to expand	7%	16%
Access to suppliers	4%	2%
Other	8%	7%
None	24%	27%

Source: Rose Institute of State and Local Government

The 27 percent response by high-tech/innovative companies to the category "Other" consisted of the following responses:

- Federal funding
- The economy in general

- Cost of living in Los Angeles
- Competition
- Payroll taxes
- Lack of potential customers

Approximately 24 percent of the general survey population and 27 percent of the high-tech/innovative companies stated there were no barriers to their expanding. This number, however, could have been the result of responses from businesses that were not planning on expanding at this time.

Workforce

The difficulty businesses are experiencing in hiring key employees is a major concern of the LAEDC. In an effort to better understand Los Angeles County's workforce issues and look for proactive solutions to address industry needs, the LAEDC is partnering with regional workforce providers, colleges, technical schools, regional economic development organizations, and industry leaders. Through these partnerships, a strategic plan can be developed to address this concern and keep Los Angeles County the leader in both manufacturing and innovation.

More than half of all businesses surveyed reported either some (34 percent) or great (19 percent) difficulty in hiring the critical occupations needed for their businesses. In contrast, 47 percent of businesses surveyed stated they had no difficulty in hiring critical occupations. In comparison, the response outcomes for the high-tech/innovative companies surveyed were similar to the general survey population. High-tech/innovative companies reported either some (32 percent) or great (15 percent) difficulty in hiring critical occupations in their respective business clusters while 53 percent stated they had no difficulty in hiring critical occupations.

As outlined in the following graph, the retail industry had little trouble finding employees in critical occupations while nearly two-thirds of all businesses in professional services reported either some or great difficulty, as did 58 percent of respondents in the health services and finance sectors. These are industries that primarily hire college-educated workers, many with specific industry-related degrees in areas such as nursing, radiology, or accounting, etc.

Since the high-tech/innovative companies in health services, manufacturing and transportation industry clusters did not show the same overall degree of difficulty as the general survey population, it could be assumed that the more educated and skilled workforce is more interested in working in the high-tech/innovative sectors and, as a result, seek employment with those types of companies.

DIFFICULTY HIRING CRITICAL OCCUPATIONS BY INDUSTRY

General Survey Population & High-Tech/Innovative Companies

Industry	Great	Hi-tech Great	Some	Hi-tech Some	None	Hi-tech None
Health Services	19%	17%	39%	33%	42%	50%
Real Estate	14%		37%		49%	
Administrative	15%		39%		46%	
Construction	19%		34%		47%	
Manufacturing	21%	22%	33%	22%	46%	56%
Information	15%		34%		51%	
Transportation	18%	7%	37%	41%	45%	52%
Retail Trade	9%		30%		61%	
Wholesale Trade	21%		31%		48%	
Professional	18%		44%		38%	
Finance	14%		44%		42%	
Hospitality	14%		30%		56%	
Education	13%		43%		44%	

Source: Rose Institute of State and Local Government

The task of hiring critical employees, however, appeared to be a consistent challenge across company size. The smaller companies of fewer than 25 employees had only slightly less trouble hiring critical occupations than did the companies over 25 employees.

The businesses that expressed some or great difficulty in hiring critical occupation groups were also asked which of the following groups represented the greatest challenge. The groups were defined broadly enough so as to describe occupations that exist in businesses across industries and not industry-specific job functions. Skilled labor or skilled production workers, as noted below, represented the most challenging occupation group for employers to hire, followed closely by sales and marketing. However, nearly one-third of respondents felt their challenging hires fell outside the groups listed and responded with "Other."

For the high-tech/innovative companies surveyed, the greatest hiring challenges were just the opposite of the overall survey population. For these companies, sales and marketing (19 percent) was the most challenging occupation group for high-tech employers to hire, followed closely by skilled labor or skilled production workers. Only 14 percent of the high-tech/innovative companies surveyed felt their hiring challenges were in the category of "Other."

Those responses were as follows:

- Lack of talent
- Technical applicants
- Engineers with DOD clearance
- Property trained rehab service providers
- Planning
- Speaking English
- Experience
- Engineering
- Machinist

CRITICAL OCCUPATION GROUPS

Occupation Groups	Total Companies Percent	High-Tech Innovative Companies Percent
Skilled Line/Production	20%	17%
Sales/Marketing	18%	19%
Unskilled Labor	16%	15%
Management	13%	12%
Administrative/Clerical	12%	7%
Information Technology	8%	7%
Line/Operations Supervisor	4%	6%
Quality Control	3%	3%
Other	30%	14%

Source: Rose Institute of State and Local Government

Revenue

One of the highlights of the business survey project outcome was that, over the next 12 months, 80 percent of businesses surveyed expect revenues to be at least the same, if not higher, than the previous year. The largest percentage (51 percent) of businesses anticipate a higher income, while only 20 percent are concerned that the coming year will generate less revenue than the previous 12 month period. This is good news during a time of economic challenges and, hopefully, not too overly optimistic.

With economic challenges facing every business sector, professional services and the financial industry sectors are the most confident about increasing revenues next year, with more than 60 percent of respondents in both industries anticipating greater revenues than last year. In contrast, less than half of businesses in real estate, retail, and hospitality services sectors expressed the same confidence in greater revenue levels. The manufacturing and transportation sectors remain hopeful of increased revenues, with 49 percent of respondents confident that revenues will increase next year.



ANTICIPATED REVENUES BY INDUSTRY

Industry	Same As	Greater	Less Than
Health Services	32%	52%	16%
Real Estate	17%	43%	40%
Administrative	31%	52%	17%
Construction	25%	46%	29%
Manufacturing	29%	49%	22%
Information	26%	55%	19%
Transportation	32%	49%	19%
Retail Trade	31%	45%	24%
Wholesale Trade	31%	49%	20%
Professional	24%	62%	14%
Finance and Insurance	26%	60%	14%
Hospitality	27%	42%	31%
Education	40%	34%	26%

Source: Rose Institute of State and Local Government

Over half of the high-tech businesses surveyed within the health services, manufacturing, and transportation sectors are optimistic that revenues will be greater in the next twelve months than they were last year. Even though the high-tech/innovative manufacturing companies believe revenues will increase next year, over one-fourth of those companies (27 percent) feel their revenues over the next year will be less than last year's revenues compared to 22 percent of the manufacturing sector general survey respondents.

In contrast to the overall survey, only 2 percent of high-tech/innovative transportation companies stated that revenues will be less than last year while 19 percent of the general survey respondents felt revenues would be less.

These percentages, however, do not consider the "not sure" responses of the general survey respondents.



ANTICIPATED REVENUES BY INDUSTRY High-Tech/Innovative Companies

Industry	Same As	Greater	Less Than	Not Sure
Health Services	22%	50%	6%	22%
Manufacturing	20%	51%	27%	2%
Transportation	31%	55%	2%	12%

Source: Rose Institute of State and Local Government

Overall, approximately 55 percent of smaller companies with less than 25 employees expressed the greatest concern about diminishing revenues. More than half of respondents with over 25 employees expected revenues to increase in the coming year.

Cost of Doing Business

The survey additionally focused on identifying areas of improvement for municipal and county government services provided to businesses.

While over half the businesses surveyed expect their revenues to increase, an even greater percentage of the companies surveyed (70 percent) expected the cost of doing business to increase as well. Only 7 percent of respondents overall believed that the cost of doing business would decline over the coming year.

Across industries, the largest portion of respondents expected the cost of doing business to rise. With the exception of financial services and the real estate industry sectors, more than 60 percent of businesses surveyed in each industry sector believed costs would increase, including the high-tech/innovative companies surveyed within the health services, manufacturing, and transportation sectors. No industry sectors had much hope that the cost of doing business would be less in the coming year.

ANTICIPATED COST OF DOING BUSINESS BY INDUSTRY
General Survey Population &
High-Tech/Innovative Companies

Industry	Same As	High-Tech	Greater	High-Tech	Less Than	High-Tech
Health Services	23%	50%	71%	50%	6%	0%
Real Estate	40%		51%		9%	
Administrative	16%		74%		10%	
Construction	20%		70%		10%	
Manufacturing	21%	13%	71%	85%	8%	2%
Information	24%		67%		9%	
Transportation	19%	29%	74%	69%	7%	2%
Retail Trade	25%		63%		12%	
Wholesale Trade	23%		71%		6%	
Professional	19%		75%		6%	
Finance and Insurance	36%		54%		10%	
Hospitality	17%		70%		13%	
Education	40%		60%		0%	

Source: Rose Institute of State and Local Government

Local Economic Conditions

While the business survey respondents believe the cost of doing business will increase, the vast majority of companies surveyed (70 percent) did not see the state of the local economy as negatively impacting their businesses. Only 30 percent of respondents felt that current economic conditions would have a negative impact on their businesses.

However, while the companies surveyed did not believe the current local economic conditions will have a negative impact on their business, 58 percent of the businesses surveyed viewed local business taxes, such as payroll taxes, as being too high. A total of 40 percent of respondents felt taxes were about right, and 2 percent of businesses thought taxes were too low. For the high-tech companies, only 33 percent felt business taxes were high, 25 percent felt they were about right, and 1 percent of felt they were too low. Interestingly, 41 percent of the high-



tech/innovative respondents were either unsure how to respond or stated business taxes were not applicable to them.

For the overall businesses surveyed, utility taxes fell into the same general divisions; more than half (54 percent) felt that utility taxes were too high, 10 percent higher than those who felt the tax rate was appropriate. Again, only 2 percent of businesses felt the tax rate was too low. In contrast to the general survey respondents, only 35 percent of the high-tech/innovative companies felt utility taxes were too high, 26 percent felt they were about right, and 2 percent felt the utility tax was too low. Of the high-tech/innovative companies surveyed, 37 percent were either unsure how to respond or utility taxes were not applicable to their businesses.

More survey respondents (59 percent) felt that business property taxes were too high, with the results closely mirroring sentiment about local business taxes. As with local business taxes, 40 percent of respondents felt that business property taxes were appropriate, while only 1 percent felt business property taxes were too low. The results for the high-tech/innovative companies surveyed were also closely related to their responses relative to business taxes with 36 percent of these companies responding that business property taxes are too high, 27 percent stating they were about right, and only 1 percent feeling they were too low. Thirty-six percent of this survey group was unsure of how to respond or business property taxes did not apply to their business. This percentage may not be surprising given that many small to medium-size businesses often lease, rather than own, their buildings.

Of the companies surveyed, business license fees did not elicit as much criticism as other categories of fees and taxes. Responses of "too high" decreased by roughly a quarter to 46 percent compared to business taxes, while satisfaction increased by a similar proportion to 52 percent. Only 2 percent of respondents felt that business license fees were too low. Of the high-tech/innovative companies surveyed, 26 percent felt business licenses were too high, 39 percent responded they were about right, and only 1 percent stated business license fees were too low. Again, 33 percent of the high-tech/innovative company responses stated they were either not sure or that business licenses fees did apply to their business. There are some cities within Los

Angeles County that do not have business license fees which could account for this high percentage.

Although the survey reveals good information regarding how businesses judge the impact of current local conditions, the high percentages of "not sure" and "not applicable" responses may be indicative of not having the most knowledgeable person responding to corresponding portions of the survey.

Local Government

Businesses were also asked to rate the city where their business is located in terms of the city's timeliness in processing business permits and licenses.

PERMIT & BUSINESS LICENSE PROCESSING

Processing Time	Excellent	Good	Avg.	Fair	Poor	Not Sure	N/A
New Construction Permits	5%	11%	12%	5%	8%	25%	34%
Tenant Improvement Permits	4%	11%	12%	5%	7%	26%	35%
Business Licenses	9%	19%	18%	6%	5%	23%	20%

Source: Rose Institute of State and Local Government

As indicated in the chart, responses to permit processes were much less likely to be positive than to business license questions. This could be due to the larger portion of respondents who felt that permit issues did not apply to them as indicated in the high percentage of "not sure" and "not applicable (N/A)" responses.

Businesses were asked if they "Agree" with the following six statements about their city's "business friendliness." As noted in their responses, businesses were least satisfied with taxes/regulations, business services, and city business policies. However, based on the less than positive responses, the cities in Los Angeles County could improve in all areas to meet the needs of their local businesses. These issues may be just the business's perception of its particular city



and may be able to be remedied through education, marketing, and communication efforts but cities need to understand that these perceptions exist.

Statements:

- A. The city provides quick turnaround business services (permit, licensing, etc.)
37% agreement
- B. The city maintains a healthy and safe environment/quality of life/low crime rate, etc.
62% agreement
- C. The city implements good business practices/proactive city government/pro-business policies.
40% agreement
- D. The city has a well-maintained, up-to-date infrastructure (tech, roads, utilities, buildings, etc.)
52% agreement
- E. The city maintains a good level of public services for businesses (sanitation, garbage, graffiti removal, etc.)
62% agreement
- F. The city has a low tax and fee structure for businesses.
19% agreement

Lastly, businesses were asked the degree to which they agreed or disagreed with several statements related to municipal services. While there was general consistency across responses from both the general survey respondents and the high-tech/innovative companies that were fairly positive, as noted in the charts that follow, the positive response to "the city offers a variety of business incentives" was noticeably lower than other questions by both groups.

There was also a large distinction between the overall survey population and the high-tech/innovative companies surveyed regarding "the city is responsive to your business needs," "the overall city business climate is conducive to business success/job creation," and "my city's elected officials care about the business community."

While only 8 percent of the general survey population strongly disagreed that the city was responsive to business needs, 13 percent of the high-tech/innovative respondents felt their city was not responsive to their needs. In addition, the high-tech/innovative companies disagreed more strongly than the general survey respondents that the overall city business climate is conducive to business success/job creation and that city elected officials care about the business community.

The responses given, of course, depended on the city in which each business resides and each city has its own strengths and weaknesses. However, the responses offered by the survey population, especially those that were not favorable, are good indicators of the areas that all city governments should strive to improve in order to meet the needs of their business community.

Statements:

- A. The city is responsive to your business needs.
- B. City staff demonstrates a commitment to excellence.
- C. My city provides quality services at reasonable rates.
- D. My city offers a variety of business incentives.
- E. The overall city business climate is conducive to business success/job creation.
- F. My city's elected officials care about the business community.

MUNICIPAL SERVICES General Survey Population

Statement	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	N/A
A	23%	33%	8%	11%	14%	10%
B	20%	31%	9%	11%	17%	12%
C	20%	32%	10%	9%	18%	11%
D	14%	24%	9%	14%	26%	13%
E	21%	31%	9%	11%	20%	10%
F	18%	30%	8%	11%	24%	9%

Source: Rose Institute of State and Local Government
All numbers may not equal 100% due to rounding



MUNICIPAL SERVICES
High-Tech/Innovative Companies

Statement	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	N/A
A	24%	28%	13%	11%	14%	10%
B	20%	22%	14%	12%	18%	14%
C	21%	28%	11%	14%	13%	13%
D	12%	15%	9%	18%	31%	15%
E	20%	28%	11%	15%	14%	12%
F	19%	26%	8%	16%	19%	12%

Source: Rose Institute of State and Local Government



Summary Comparison of the General Business Community and High-Tech/Innovative Business Community

Understanding the specific needs of businesses offers the LAEDC Business Assistance Team and economic development and workforce organizations a variety of opportunities to be proactive in business assistance efforts to support existing businesses with proposed facility expansions as well as general business and workforce needs.

What follows is a concise overview of key points of comparison between the responses of the general survey population and the high-tech/innovative companies.

SUMMARY OF RESPONSES

	General Survey Population	High-Tech/ Innovative Companies
<u>Profitability</u>		
Profitable	90%	78%
Not Profitable	10%	10%
<u>Growth & Expansion</u>		
Expanding	28%	36%
Relocating	6%	5%
Closing/Downsizing	4%	2%
No Plans	62%	57%
Expanding locally/within current facilities	72%	79%
Expanding out of state	10%	7%
#1 Need - Equipment/Technology	40%	47%
#2 Need - Increased Visibility	27%	36%
#3 Need - Staff Development/Training	24%	33%

SUMMARY OF RESPONSES (cont.)

	General Survey Population	High-Tech/ Innovative Companies
<u>Relocation</u>		
#1 Reason - Insufficient room for expansion	39%	60%
<u>Closing/Downsizing</u>		
#1 Reason - Changing market conditions	24%	0%
#1 Reason - Retirement/company relocation	0%	2%
<u>Barriers to Expansion</u>		
#1 Barrier - Recruiting/retaining key employees	17%	18%
#2 Barrier - Workers compensation costs	15%	16%
#2 Barrier - Availability of qualified labor	12%	17%
No Barriers to expansion	24%	27%
<u>Workforce</u>		
Health Industry - Hiring critical occupations		
Great difficulty	19%	17%
Some difficulty	39%	33%
No difficulty	42%	50%
Manufacturing - Hiring critical occupations		
Great difficulty	21%	22%
Some difficulty	33%	22%
No difficulty	46%	56%
Transportation - Hiring critical occupations		
Great difficulty	18%	7%
Some difficulty	37%	41%
No difficulty	45%	52%

SUMMARY OF RESPONSES (cont.)

	General Survey Population	High-Tech/ Innovative Companies
Occupation Groups - Top 5 Hiring Challenges		
Skilled Line/Production Workers	20%	17%
Sales/Marketing	18%	19%
Unskilled Labor	16%	15%
Management	13%	12%
Administrative/Clerical	12%	7%

Revenue (over the next 12 months)

Health Services Revenue		
Same As	32%	22%
Greater	52%	50%
Less Than	16%	6%
Not Sure	---	22%
Manufacturing		
Same As	29%	20%
Greater	49%	51%
Less Than	22%	27%
Not Sure	---	2%
Transportation		
Same As	32%	31%
Greater	49%	55%
Less Than	19%	2%
Not Sure	---	12%

Cost of Doing Business

Health Services		
Same As	23%	50%
Greater	71%	50%
Less Than	6%	0%
Manufacturing		
Same As	21%	13%
Greater	71%	85%
Less Than	8%	2%

SUMMARY OF RESPONSES (cont.)

	General Survey Population	High-Tech/ Innovative Companies
Transportation		
Same As	19%	29%
Greater	74%	69%
Less Than	7%	2%
 <u>Local Economic Conditions</u>		
Local Business Taxes		
Too High	58%	33%
About Right	40%	25%
Too Low	2%	1%
Unsure/Not Applicable		41%
Utility Taxes		
Too High	54%	35%
About Right	44%	26%
Too Low	2%	2%
Unsure/Not Applicable		37%
Property Taxes		
Too High	59%	36%
About Right	40%	27%
Too Low	1%	1%
Unsure/Not Applicable		36%
Business License Fees		
Too High	46%	26%
About Right	52%	39%
Too Low	2%	2%
Unsure/Not Applicable		33%

SUMMMARY OF RESPONSES (cont.)

	General Survey Population	High-Tech/ Innovative Companies
<u>Local Government</u>		
City is responsive to your business needs		
Strongly Agree	23%	24%
Strongly Disagree	11%	11%
City staff demonstrates a commitment to excellence		
Strongly Agree	20%	20%
Strongly Disagree	11%	12%
My city provides quality services at reasonable rates		
Strongly Agree	20%	21%
Strongly Disagree	9%	14%
My city offers a variety of business incentives		
Strongly Agree	14%	12%
Strongly Disagree	14%	18%
The overall city business climate is conducive to business success/job creation		
Strongly Agree	21%	20%
Strongly Disagree	11%	15%
My city's elected officials care about the business community		
Strongly Agree	18%	19%
Strongly Disagree	11%	16%

Conclusion

This survey project was the second survey of this magnitude led by the LAEDC after its first regional business survey in 2003. The survey was developed by the LAEDC to provide a mechanism to identify business trends and effect positive change for the Los Angeles County economy. By identifying business needs, the LAEDC can pair those needs with available resources through its Business Assistance Program (BAP) team as well as partner with economic development organizations, workforce providers, educational institutions, and local governments to enhance the economic growth and vitality of all regions of Los Angeles County.

The survey provided a wide range of information related to several key indicators for business assistance and also provided a wealth of information on the health of the current economy as well as the health of relationships between city governments and their business communities.

Survey respondents outlined their general plans for the future, their anticipated growth in sales, their opinions on the costs of doing business, and the barriers to growth and expansion in the future. Additionally respondents answered detailed questions about the business-friendliness of their city governments, expressing their opinions about taxes, fees, and business incentives. With responses from across the economic spectrum and throughout Los Angeles County, the survey produced an invaluable cross-section of the Los Angeles County business community.

The collective survey results provided a roadmap to help the LAEDC refine its strategies and tactics in order to address key issues affecting Los Angeles County businesses. The individual survey responses also provided an opportunity for the LAEDC Business Assistance and Development Program and its WTCA LA-Long Beach International Trade teams to identify specific businesses requiring immediate assistance which, but for this survey outreach, might never have come to the Business Assistance team's attention. In addition, the survey provided a base of 5,000 businesses for the BAP team to revisit as the Los Angeles County economic and business landscapes change.

In these challenging economic times, and especially when other states are aggressively trying to attract Los Angeles County's businesses to their regions, this survey provided the critical information that the County's local governments will need to address business concerns in order to take the necessary steps to retain existing businesses and also attract new investment to their cities.

This information will also be useful a useful tool for the LAEDC to use to work with county officials, city government officials, industry leaders, and education and workforce partners to improve the business climate in Los Angeles County. The survey has already begun to aid LAEDC's mission to attract, retain, and grow business and jobs in the regions of Los Angeles County through the BAP team's proactive outreach to the 5,000 businesses that participated in the survey.

It is important to remember that this survey was completed in March 2008 with 50 percent of the responses compiled in 2007, before the full impact of the current economic downturn was fully realized. However, it is also important to note that many of the issues addressed by respondents in this survey did not occur within the last year or two as the economy has changed. Many of the issues and concerns are not new challenges for Los Angeles County businesses especially in the area of workforce development.

With all this feedback from the business community, including hi-tech/innovative companies, the question now becomes what the LAEDC and its partners can do to support business in these challenging economic times.

One of the projects the LAEDC has currently underway is developing an Economic Development Strategic Plan for Los Angeles County. This plan will address many of the issues and concerns outlined in this survey and serve as a roadmap to guide economic development efforts throughout Los Angeles County to keep the County competitive now and in the future.



This type of survey needs to be conducted regularly at least every five years to evaluate the business and economic climates of the region and keep economic development organizations, workforce providers, educational institutions, and governments up-to-date on the business condition of their respective regions. The LAEDC will need to continue to be the lead organization on future regional survey efforts with the support of their business and government partners. The LAEDC has a staff of professional regional managers that are dedicated to providing no-cost business assistance services who can immediately respond to "at risk" companies, which is why it makes sense for the LAEDC to conduct regional surveys in the future.

In addition, the LAEDC BAP team needs to remain proactive in their follow-up with the companies surveyed, and use the web-based ACT database to track new companies and follow-up on existing companies. This system should also be used as an "alert" system for regular follow-up on all high-tech/innovative companies that the BAP team may be assist now and in the future. The high-tech/innovative companies are the high growth companies in the County and are the companies that should receive consistent follow-up by the LAEDC BAP team.

This survey analysis could create a paradigm shift in the way business assistance has traditionally been focused which has been almost exclusively toward medium to larger employers. With companies of fewer than 50 employees now playing such a significant role in the County's economy and the growth of high-tech/innovative companies, it would behoove all economic development organizations and policy makers to recognize and support the growth of these companies within the region. Economic development organizations should become aware of these businesses in their regions and meet with them regularly. It is often easier for a business to share concerns with a third party than it is to inform city officials. Economic development organizations can play a key role in opening the lines of communication by relaying business concerns to their respective city officials and supporting honest communication between government and business before businesses are lost.



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In addition, economic development organizations, workforce providers, and educational institutions should conduct regular business surveys of their respective regions to analyze general business conditions, innovative companies, expansion opportunities, and workforce needs. In many communities government officials, along with community partners, hold regular Business Roundtable events where business issues can be discussed openly and honestly in a cooperative spirit.

Lastly, as this survey noted, workforce issues are a prime concern to the businesses in Los Angeles County. Educational institutions need to work closely with the business community and develop curricula to meet their current and future employment needs. In addition, educational institutions need to work hand-in-hand with the business community to develop internship programs and on-the-job training programs for the young people graduating from high school or a technical school.

The potential exists for these survey results to have a positive effect on public policy as well as to identify trends and create positive economic change for every region of Los Angeles County. The beauty of this survey model is that it is replicable in any jurisdiction throughout the state of California and the nation. Through this model, The LAEDC sees a huge opportunity to enhance existing programs, create new programs, and mobilize staff to effectively meet the needs of Los Angeles County's most important and valuable resource -- the Los Angeles County business community.

This survey is but one part of the Economic development "tool kit" that will become the comprehensive model for economic development and workforce preparation professionals to use to leverage regional assets and enhance their business assistance efforts. However, the survey "tool" provides the ability now to begin creating cohesion and support among all economic development partners by providing information that can be used to enhance the economic growth and vitality of not only individual regions but also the state of California as a whole.



Project Partners

A project of this magnitude could not be accomplished without the support and participation of many partners. The following governmental agencies, private partners, and economic development organizations gave of their time and resources to make this project a success.

- State of California
- County of Los Angeles
- California Space Authority
- LAEDC Executive Board and Board Members
- City of Los Angeles
- Southern California Edison
- Rose Institute of State and Local Government/Claremont McKenna College
- Accent Gold Solutions
- Executive Pulse
- Greater Antelope Valley Economic Alliance
- Santa Clarita Valley Economic Alliance
- West Side Economic Collaborative
- Economic Alliance of the San Fernando Valley
- San Gabriel Valley Economic Partnership
- South Bay Economic Development Partnership
- Los Angeles County Workforce Investment Board
- 5,000 Los Angeles County Participating Businesses
- LAEDC Business Assistance and Development Team

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