



Lee County Executive Business Climate Survey Report

Second Quarter, 2012

Prepared by:

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May 14, 2012

Introduction

This is the second Executive Business Climate Survey to be completed by a new partnership between The Horizon Council and Florida Gulf Coast University. The survey will provide not only valuable insight into our Lee County economy, but also future trends and expectations for growth in our region. The survey is a tool that can provide information about key concerns and issues facing our businesses and our region.

One of the new features of this survey is the calculation of an Executive Business Climate Index (EBCI). It will provide a summary number each quarter allowing one to quickly gauge whether the business climate in Lee County is improving or declining. In the future, we hope to expand the survey into a regional resource by including executives in Charlotte, Collier, Hendry and Glades counties.

This survey would not have been possible without the assistance of Jim Moore and Sue Noe, Lee County Economic Development Office and Hudson Rogers, Dean of the Lutgert College of Business at FGCU. Russell Schropp of the Horizon Council provides editing and suggested questions for the survey. Dr. Arthur Rubens, the Associate Director for the Regional Economic Research Institute (RERI) at FGCU, helped manage the project and the survey process. In addition, Kristopher Jones, Denice Copeland, Jillian Simon-Bower, and Luciano Torres provided valuable assistance as FGCU student interns.

The Second Quarter 2012 survey results are very encouraging, showing that overall business executives feel that the economy is improving but there remains some uncertainty in the timing and speed of the recovery. The survey also provides information on the top challenges executives expect to face over the next year.

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Executive Summary

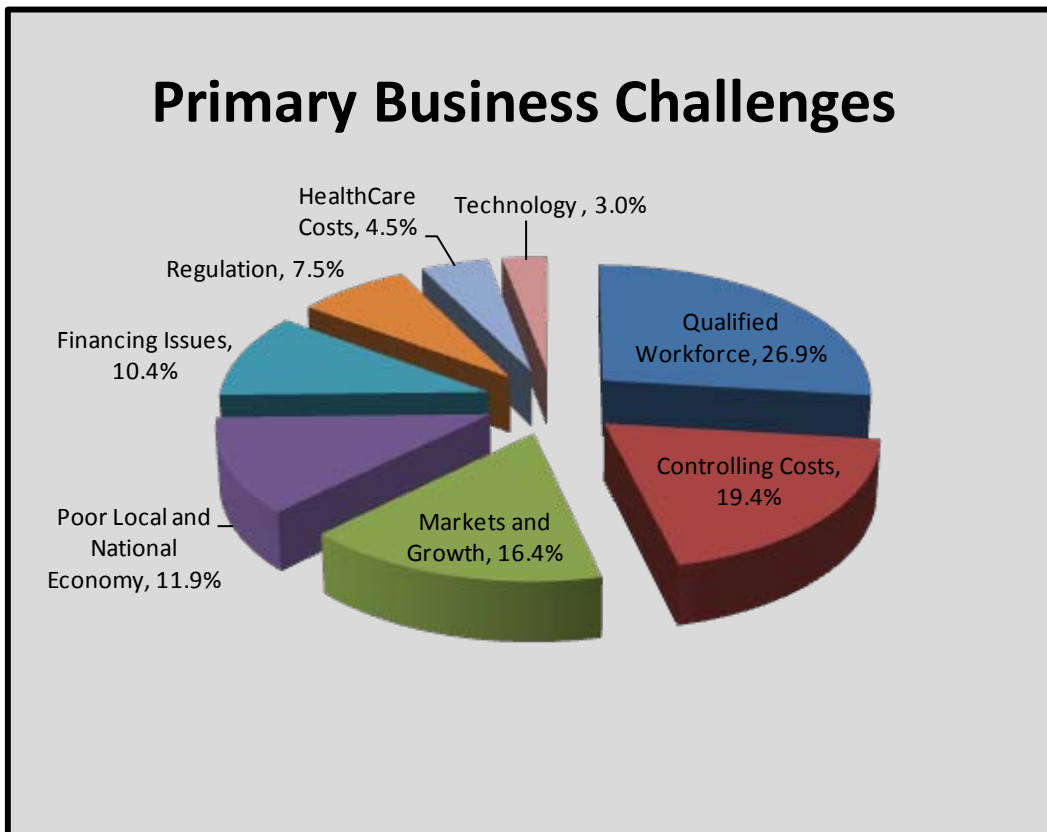
The Executive Business Climate Survey provides a view of the local economy based on responses from senior executives representing a broad range of industries across the county. An invitation to complete the internet survey was sent to 552 executives in Lee County. Sixteen percent of the executives completed the survey from April 17 to April 27, 2012. Two reminders were sent during the survey period.

The survey provides a new economic indicator for Lee County, the *Executive Business Climate Index*. The second quarter survey (April 2012) value for the Lee County *Executive Business Climate Index* is 69, which indicates expected improvement in the local economy. This is an improvement over the first quarter survey (January 2012) when the index was still positive but slightly lower at 66. The index value can range from 0 to 100. An index number of 50 would be neutral or an expectation of no change in economic activity. Therefore, this quarter's index says that economic activity in Lee County is expected to improve but at a less than moderate growth pace. This *index value* will be computed each quarter and released to the public as a way to provide an established economic indicator on the state of the local economy. The index is computed using the two questions concerning the current and future economic conditions and a third question about the expected industry economic conditions. The index is an average of the responses with "substantially better" equal to 100, "moderately better" equal to 75, same equal to 50, "moderately worse" equal to 25 and "substantially worse" equal to zero.

The key findings of the Executive Climate Survey for the second quarter of 2012 are:

- The Lee County Business Climate Index improved from 66 for the first quarter survey (January 2012) to 69 for the second quarter survey (April 2012);
- 70 percent of executives stated that the current economic conditions have improved over last year;
- 79 percent of the executives expect the economy to improve over the next year;
- 65 percent of the executives stated that the current economic conditions for their industry have improved over last year but 30 percent stated that economic conditions remained approximately the same;
- 79 percent of executives expect economic conditions for their industry to improve over the next year;
- 32 percent of executives had increased employment over the last year, while nine percent had reduced employment;

- 45 percent of executives expect to increase employment at their companies during the next year and only one percent of executives expect to reduce employment;
- 53 percent of companies expect to increase investment next year and only three percent expect to reduce their investment levels;
- The cost of doing business was moderately higher than last year for 58 percent of the executives and substantially higher for 13 percent of the executives compared to last year. Only two percent of the executives indicated that costs were moderately lower and 27 percent indicated that costs were approximately the same as one year ago.
- The cost of doing business over the next year is expected to be similar to the increases observed over the last year. Sixty-nine percent of the executives expect moderately higher costs but 10 percent expect costs to be substantially higher;
- The geographic client market had 24 percent of firms serving international markets and 40 percent serving the U.S. market;
- The primary business challenges identified by the executives are shown in the following chart:



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I. Current Economic Conditions

How are the Current Lee County economic conditions compared to one year ago?

The current economy is substantially or moderately better compared to one year ago, as reported by 70 percent of the executives. The survey results are shown in Figure 1 and Table 1. This is a significant improvement over the first quarter survey (January 2012), where only 56 percent of executives reported that they experienced better economic conditions compared to one year ago. The executives reporting unchanged economic conditions dropped from 41 percent to 25 percent. Four percent of executives reported worsened economic conditions.

Figure 1: Current Economic Conditions

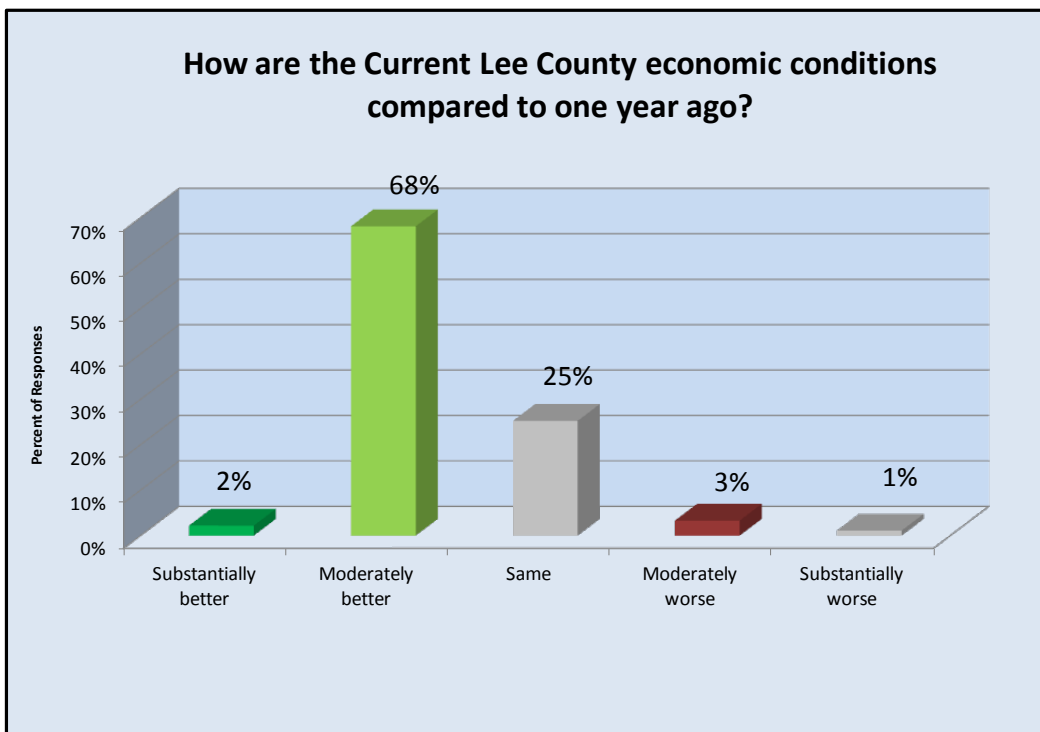


Table 1: Current Economic Conditions

Current Economic Conditions	Number of Responses	Percent
Substantially better	2	2%
Moderately better	62	68%
Same	23	25%
Moderately worse	3	3%
Substantially worse	1	1%
Total	91	100%

II. Future Economic Conditions

What are your expectations for the Lee County economy one year ahead?

Executives are more optimistic in second quarter survey (April 2012) about the economy over the next year, as shown in Figure 2 and Table 2. A substantially better economy is expected by eight percent of the executives, compared to only four percent in the first quarter survey (January 2012). The percentage of executives who expect a moderately better economy over the next year increased to 71 percent, compared to only 66 percent in the previous quarterly survey.

Figure 2: Future Economic Conditions

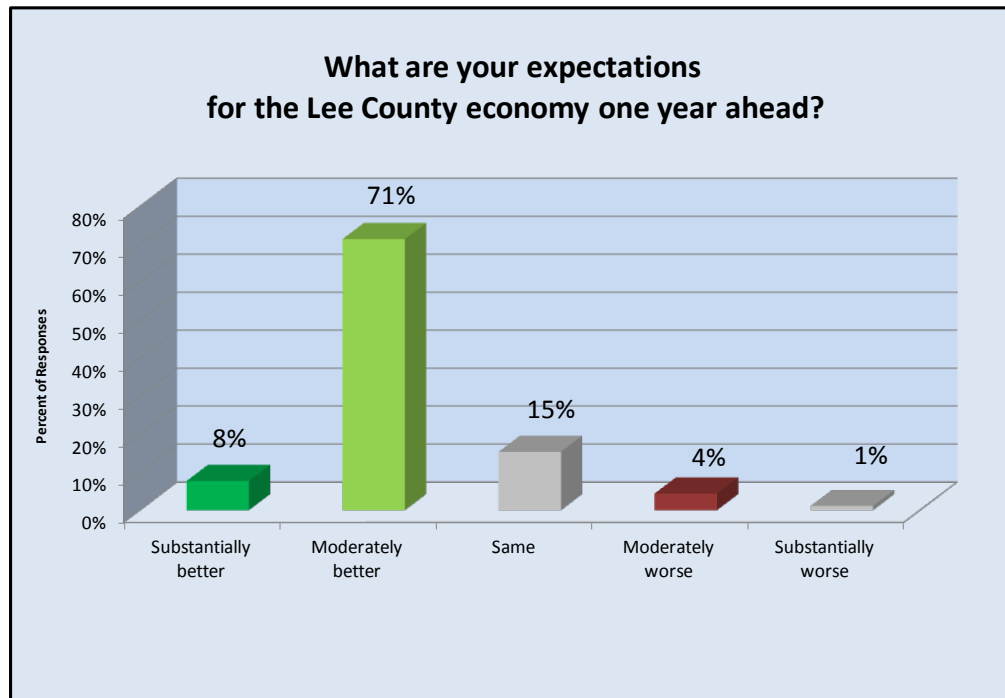


Table 2: Future Economic Conditions

Next Year Economic Conditions	Number of Responses	Percent
Substantially better	7	8%
Moderately better	65	71%
Same	14	15%
Moderately worse	4	4%
Substantially worse	1	1%
Total	91	100%

III. Current Industry Economic Conditions

What are the current conditions in your industry in Lee County compared to one year ago?

Executives indicated substantial improvement in their industry's current economic conditions compared to one year ago, as shown in Figure 3 and Table 3. Fifty-six percent of the executives felt their industry is moderately better compared to only 36 percent in the first quarter survey (January 2012). Thirty percent of the executives felt that current industry economic conditions were the same as last year. Only five percent of the executives felt that current economic conditions in their industry were moderately or substantially worse compared to seven percent in the last quarterly survey.

Figure 3: Current Industry Economic Conditions

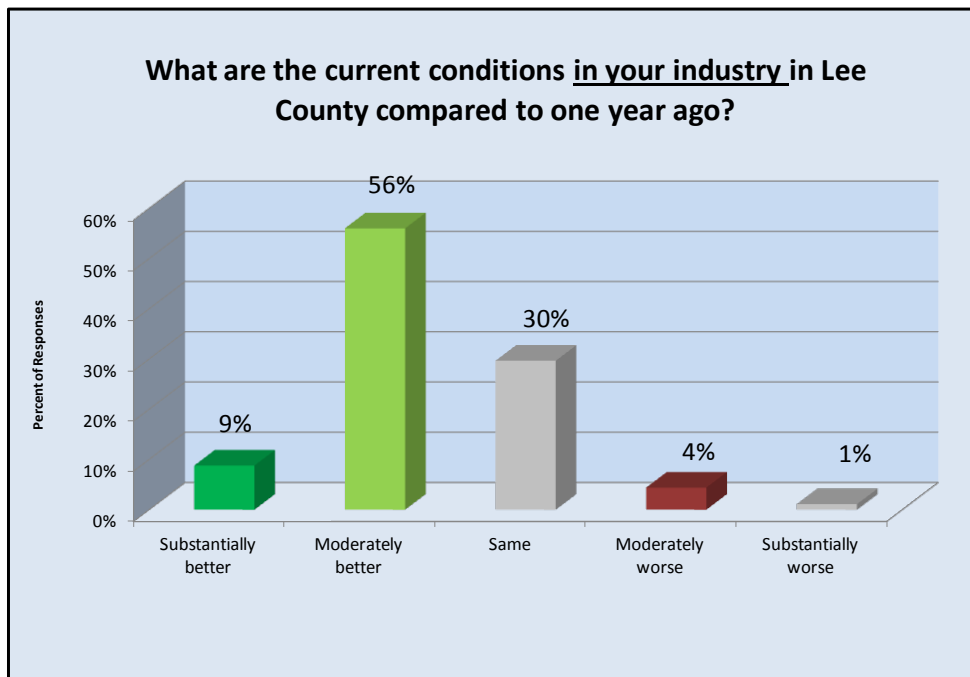


Table 3: Current Industry Economic Conditions

Current Industry Economic Conditions	Number of Responses	Percent
Substantially better	8	9%
Moderately better	51	56%
Same	27	30%
Moderately worse	4	4%
Substantially worse	1	1%
Total	91	100%

IV. Future Industry Economic Conditions

What are your expectations for your own industry in Lee County one year ahead?

Seventy-nine percent of the executives expect conditions in their industry to be better next year while 18 percent expect conditions to remain the same and three percent expect industry conditions to get worse as shown in Figure 4 and Table 4. The moderately better response increased from 55 percent in the first quarterly survey (January 2012) to 69 percent in second quarterly survey (April 2012). The executives who expected the next year's industry conditions to remain unchanged dropped from 31 percent in the first quarterly survey to 18 percent in second quarterly survey.

Figure 4: Future Industry Economic Conditions

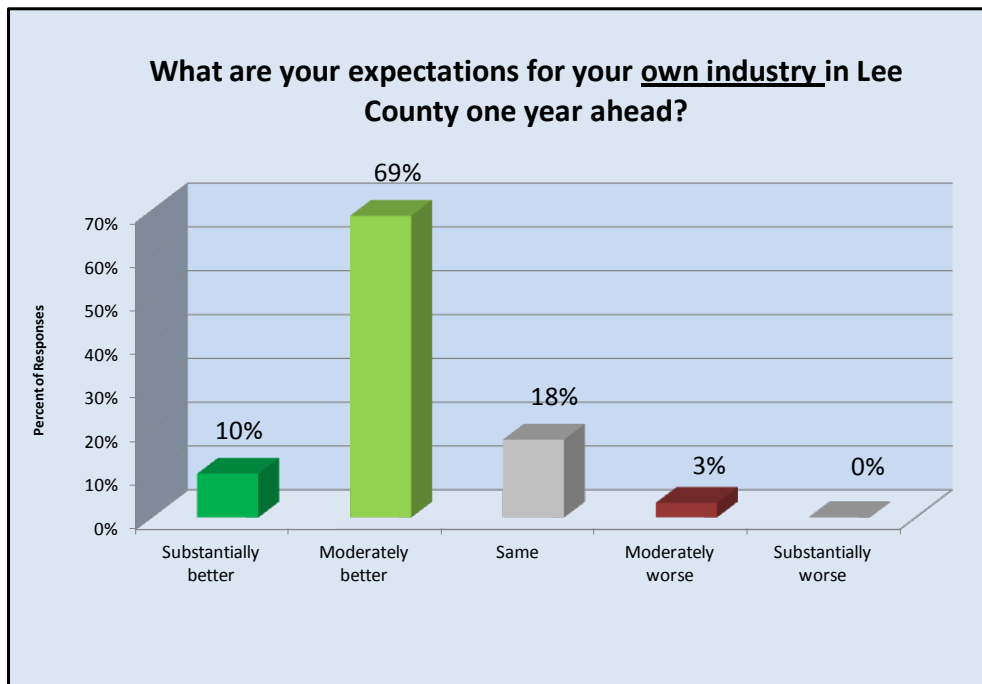


Table 4: Future Industry Economic Conditions

Next Year Industry Economic Conditions	Number	
	of Responses	Percent
Substantially better	9	10%
Moderately better	62	69%
Same	16	18%
Moderately worse	3	3%
Substantially worse	0	0%
Total	90	100%

V. Hiring Over Last Year

What has been your hiring trend over the last year?

Hiring has been fairly slow over the last year according to the second quarterly business climate survey (April 2012). Only four percent of the executives indicated that their companies substantially increased employment, 28 percent of the companies moderately increased employment, and 58 percent of the companies had little or no change in employment. Eight percent of executives' companies had moderately reduced employment and one company indicated that it had substantially reduced employment. The survey results for hiring over the last year are shown in Figure 5 and Table 5.

Figure 5: Employment Changes Over Last Year

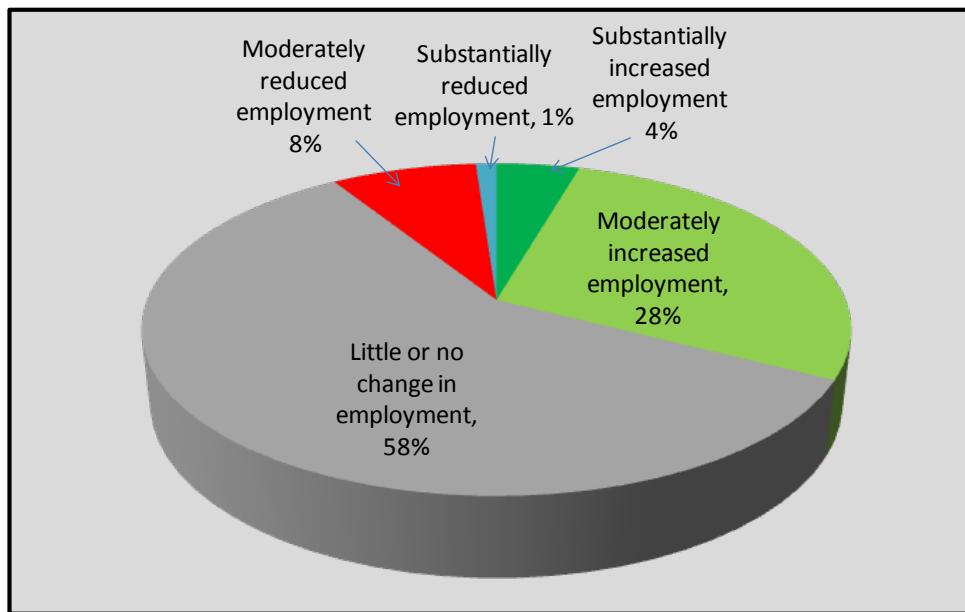


Table 5: Employment Changes Over Last Year

Hiring Over Last Year	Number of Responses	Percent
Substantially increased employment	4	4%
Moderately increased employment	25	28%
Little or no change in employment	52	58%
Moderately reduced employment	7	8%
Substantially reduced employment	1	1%
Total	89	100%

VI. Hiring Over Next Year

What hiring trends do you see for your business over the next year?

Overall, 45 percent of companies expect to hire over the next year and only one percent of companies expect to reduce employment. A large number of companies expect to keep employment the same over the next year. Only two percent of the companies expect to substantially increase employment over the next year. Fifty three percent of the companies expect little or no change in employment. There were no companies expecting to substantially reduce employment. The survey results for hiring over the next year are shown in Figure 6 and Table 6.

Figure 6: Employment Changes Over Next Year

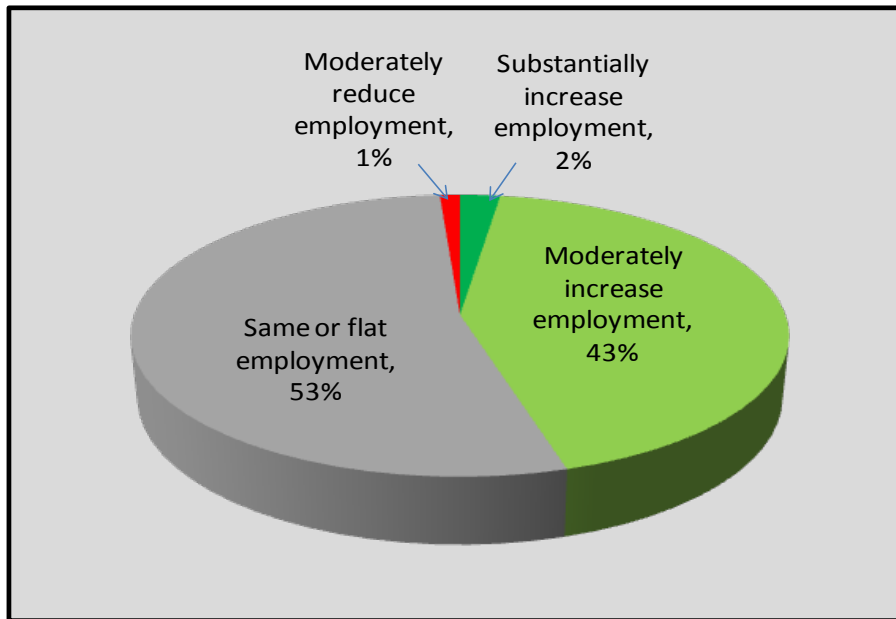


Table 6: Employment Changes Over Next Year

Hiring Over Next Year	Number of Responses	Percent
Substantially increase employment	2	2%
Moderately increase employment	38	43%
Same or flat employment	47	53%
Moderately reduce employment	1	1%
Substantially reduce employment	0	0%
Total	88	100%

VII. Investment Levels Expected Next Year

Do you plan to increase investment in your business during the next year?

The response to the second quarterly survey (April 2012) showed that investment plans for next year improved slightly from the first quarterly survey (January 2012). Overall, 53 percent of companies plan to increase investment either moderately or substantially. The number of companies that plan to reduce investment during the next year fell from nine percent in the first quarterly survey (January 2012) to three percent in the second quarterly survey (April 2012). There are still a large number of firms, 44 percent, which plan to keep investment the same during the next year. These results are shown in Figure 7 and Table 7.

Figure 7: Expected Investment Changes Over the Next Year

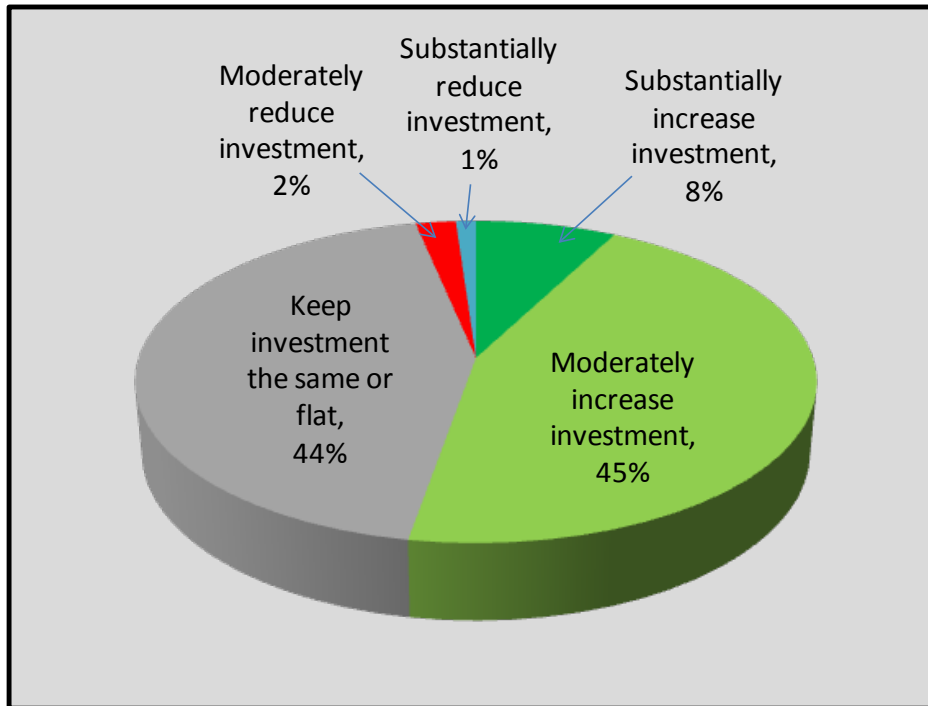


Table 7: Expected Investment Changes Over the Next Year

Investment Expenditures During Next Year	Number of Responses	Percent
Substantially increase investment	7	8%
Moderately increase investment	41	45%
Keep investment the same or flat	40	44%
Moderately reduce investment	2	2%
Substantially reduce investment	1	1%
Total	91	100%

VIII. Cost of Doing Business Today

How does your cost of doing business today compare to one year ago?

The cost of doing business over the last year has substantially increased for 13 percent of the executives. Most executives, 58 percent, reported that the cost of doing business has increased moderately. The cost is approximately the same for 27 percent of the executives and only two percent reported that the cost of doing business was moderately lower. These results are reported in Figure 8 and Table 8.

Figure 8: Cost of Doing Business Compared to One Year Ago

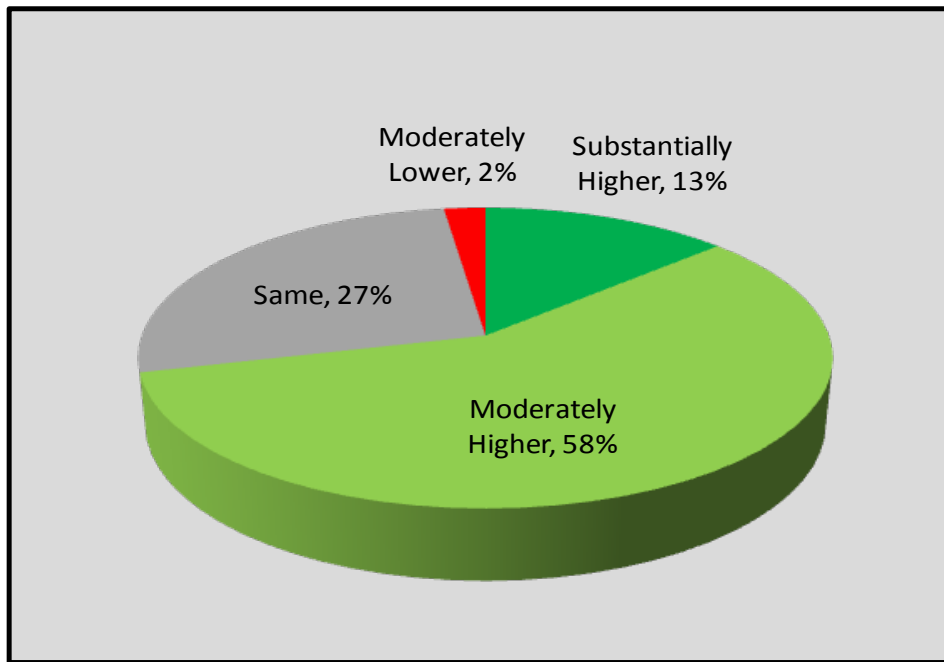


Table 8: Cost of Doing Business Compared to One Year Ago

How Does Your Cost of Doing Business Today Compare to One Year Ago?	Number of Responses	Percent
Substantially Higher	12	13%
Moderately Higher	52	58%
Same	24	27%
Moderately Lower	2	2%
Substantially Lower	0	0%
Total	90	100%

IX. Cost of Doing Business Over the Next Year?

How do you see your costs changing over the next year?

Executives expect costs to rise over the next year, with 10 percent expecting a substantial increase. A majority of executives, 69 percent, expect moderate cost increases and 19 percent expect costs to remain approximately the same. Only two percent of the executives expect moderately lower costs. The responses for the expected cost of doing business next year are shown in Figure 9 and Table 9.

Figure 9: Expected Cost of Doing Business Next Year?

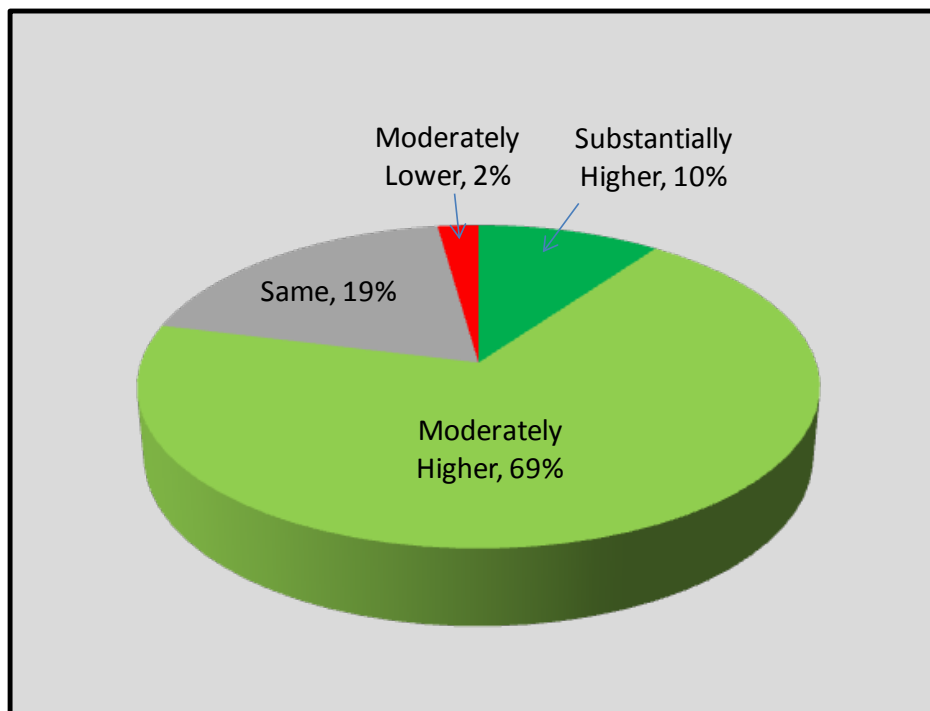


Table 9: Expect Cost of Doing Business Next Year?

How Do You See Your costs Changing Over the Next Year?	Number of Responses	Percent
Substantially Higher	9	10%
Moderately Higher	62	69%
Same	17	19%
Moderately Lower	2	2%
Substantially Lower	0	0%
Total	90	100%

X. Top Five Business Challenges over the Next Year?

What Are the Top Five Challenges that You Will Face Over the Next Year?

This survey question was designed as an open-ended question to give complete freedom to the executives to report their expected primary business challenges over the next year. The specific responses of the executives were grouped into eight broad categories. These are listed below in Figure 10 and Table 10 for the primary or first business challenge.

Almost 27 percent of the executives reported the need for a **qualified workforce** as their number one challenge. **Controlling costs** was the primary challenge for 19 percent of the executives. **Markets and growth** was the next highest primary challenge with over 16 percent of the executives reporting specific challenges in this category. The poor local and national economy was the primary challenge for approximately 12 percent of the executives. This was followed with **financing issues** being reported by over 10 percent of the executives and **regulation** by almost 8 percent of the executives. **Healthcare costs** were the primary challenge for almost five percent of the executives and keeping up with **technology** was reported by three percent of the executives. Tables 11 through 18 show the individual executive responses that are grouped by the eight major categories.

In addition, the next four business challenges for each executive were recorded and analyzed. The major category of **markets and growth** was the top category for executives answering their second, fourth, and fifth challenge. **Controlling costs** was the top category for executives answering challenge number three. The specific executive answers to the top category for business challenge numbers two through five are provided in the appendix.

Figure 10: Primary Business Challenge Over the Next Year?

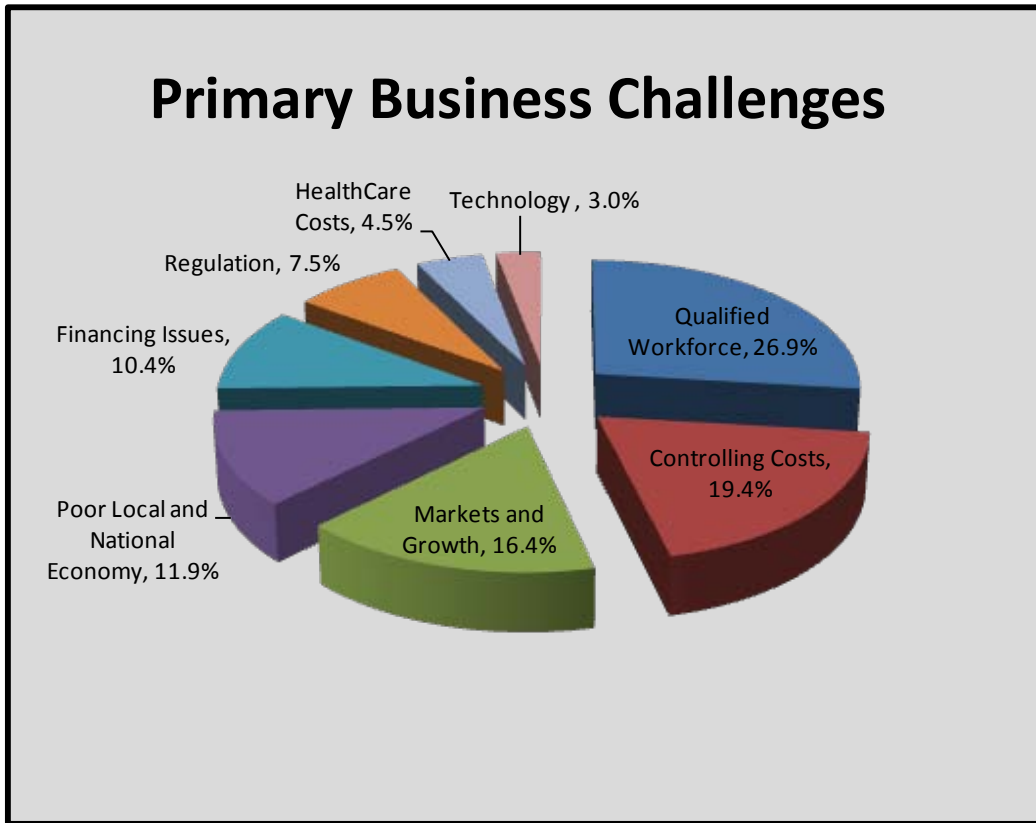


Table 10: Primary Business Challenge Over the Next Year?

The Primary Business Challenge Over the Next Year	Percent
Qualified Workforce	26.9%
Controlling Costs	19.4%
Markets and Growth	16.4%
Poor Local and National Economy	11.9%
Financing Issues	10.4%
Regulation	7.5%
HealthCare Costs	4.5%
Technology	3.0%
Total	100.0%

Table 11: Primary Business Challenge: Qualified Workforce

Qualified Workforce	
1	Qualified Employees
2	Low Employee Morale in Construction
3	Qualified Job Applicants with Good Work Ethic
4	Retirement of Qualified Individuals
5	Recruitment of Employees (many openings)
6	Hiring Employees (2)
7	Quality employees
8	Locating Talented Employees
9	Experienced Employees
10	Employees
11	Experienced Qualified Employees
12	Qualified Employees
13	Experienced Qualified Employees
14	Hiring Qualified Employees
15	Finding and Hiring F/T Agents
16	Hiring qualified sales people
17	Recruiting Employees With Solid Work Ethic

Table 12: Primary Business Challenge: Controlling Costs

Controlling Costs	
1	Controlling Utility and Cell Phone Costs
2	Controlling Expenses
3	Rising Costs of Materials, Fuel, Insurance, and Labor
4	Reduce Overhead
5	Raw Material Cost Increases
6	Transportation Costs
7	Affordable Housing
8	Tort Reform
9	Retirement Plan Benefits
10	Maintaining Margin and Profitability
11	Depreciation of Equipment and Replacement Costs
12	Owners of Buildings holding out for unrealistic prices
13	Personnel Costs

Table 13: Primary Business Challenge: Markets and Growth

Markets and Growth	
1	Maintaining and Growing Market Share
2	Fees Do Not Support Quality Services
3	New Clients (2)
4	Marketing
5	Loss of Tax Dollars
6	Sluggish Commercial Construction
7	Need New Area Businesses
8	National Awareness
9	Lower Unemployment
10	Scalable Growth

Table 14: Primary Business Challenge: Poor Local and National Economy

Poor Local and National Economy	
1	Poor Local and National Economy
2	Less Demand
3	Obtaining Share of Work
4	Competition for Entertainment Dollar
5	Increased Sales
6	Maintaining Positive Revenue Growth
7	Staying Competitive
8	Reduced Revenues

Table 15: Primary Business Challenge: Financing Issues

Financing Issues	
1	Equipment Financing
2	Financial Equity Markets
3	Interest Rate Risk
4	Growth Capital
5	Lending Restraints
6	Bank Financing
7	Commercial Financing

Table 16: Primary Business Challenge: Regulation

Regulation	
1	Regulation
2	Government Regulations
3	Improved Business Climate Resolution of Tax and Regulatory Issues
4	Increased Regulations Due to Dodd Frank
5	Increased Regulation

Table 17: Primary Business Challenge: Healthcare Costs

HealthCare Costs	
1	Increasing Health Insurance Costs
2	Increasing Insurance Costs (Health & Property)
3	Health Insurance Costs

Table 18: Primary Business Challenge: Technology

Technology	
1	Improving Technology
2	Keeping Up With Technology

XI. Other Recommendations for Economy or Business

Please indicate any other comments, suggestions, or recommendations you would like to make regarding the regional economy or your business.

The following list shows the executive comments, suggestions, and/or recommendations:

1. Our industry (tech) is growing tremendously, the local economy is shrinking - except perhaps for the university and industry related to that.
2. I would like to see more incentives to manufacturers without as many strings attached.
3. Although the economy in general has begun to recover in SWF, commercial construction is not likely to recover until late 2013 or even 2014. Project financing continues to be a problem for new private development.
4. I am conscious as I drive around town of all the empty commercial space that persists.
5. We are seeing Lee County in particular bouncing back from the Great Recession.
6. We are in Lee, Collier & Charlotte Counties and I would like to see these counties included in this survey.
7. I believe Lee County should focus on obtaining more businesses which require a need for skilled and educated individuals - government contractors such as SAIC, Raytheon, BAE, etc. Federal divisions such as NSA DIA, etc which employ educated and skilled professionals. It would increase the economy in the area and maintain individuals who are here seeking education. Many individuals leave Lee County because they cannot find jobs, and many individuals retire to Lee County because it is cheap to live here on retirement income. Lee County needs to look more into the future and attempt to attract organizations that maintain and that have a solid employment and stability.
8. Taxes must be controlled and impact fees must be re-evaluated in order to stimulate the economy.
9. The SWFL area needs to remain focused on what we do best, tourism. This economy thrives during the winter months because of the location and more needs to be done to increase the attraction to the people vacationing to SWFL.
10. Will look at a shift in manufacturing to the NE US (we have a plant in NJ) to save on fuel costs as a good portion of the products are sold in the NE. Florida is the best location for our export business and the SE US.
11. Stop all impact fees for two years !!
12. Local governments have reduced the number of new projects due to reduced tax revenues. This will not improve anytime soon. The private business market is improving very slowly, and appears that no significant improvement will happen until the housing market returns.
13. Educate the business owners or warn them of problems before handing out big fines. we can't know everything!!!
14. Have local Government focus on improving education path from high school to college to provide local businesses with the qualified technical staff they need.

15. I highly encourage local government, including the economic development divisions, to remember that the current local businesses can use development assistance. Spend some funds growing the current crop in the ground, not just trying to get new crops to grow in our current soil.
16. Diversify employment base.
17. Continue the great work the Fort Myers Regional Partnership is doing to bring jobs to the region.
18. A continued focus on bringing industry to the area will be helpful. More workforce development programs that are employer friendly.
19. Need government to leave us alone so that we can do our jobs without additional interference or additional costs.
20. Showing early signs of firming up compared to last year.

XII. Company Characteristics

Each executive provided information about his or her firm in their response including:

- Business Type;
- Number of Employees;
- Company Location; and
- Geographic Client Base.

The following figures provide an overview of general characteristics of the responding companies.

Figure 17: Business Type

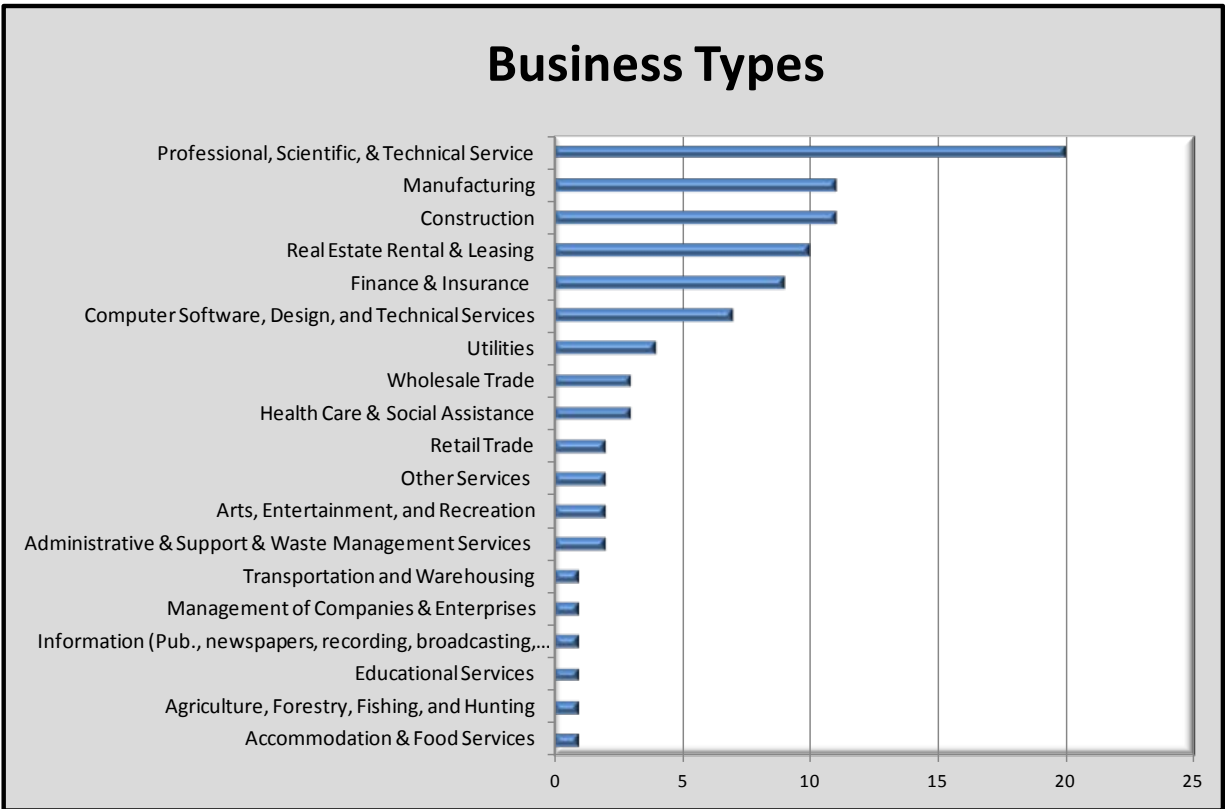


Figure 18: Employee Size of Firms Responding to the Survey

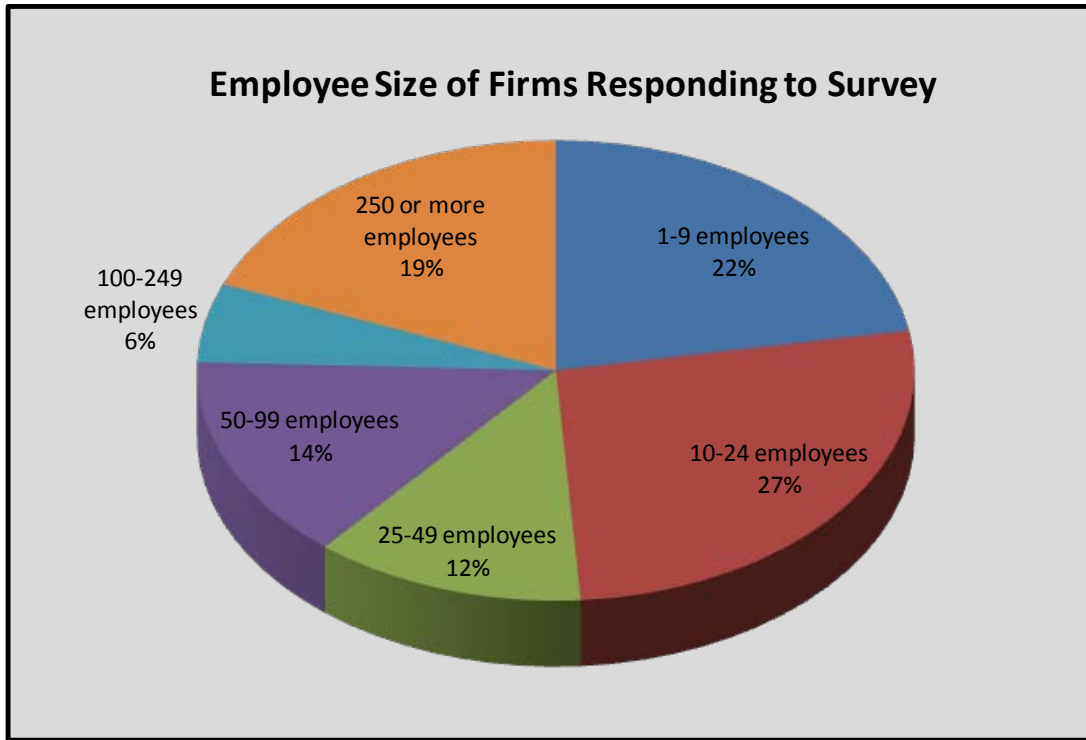


Figure 19: Employee Size of Firms Responding to the Survey

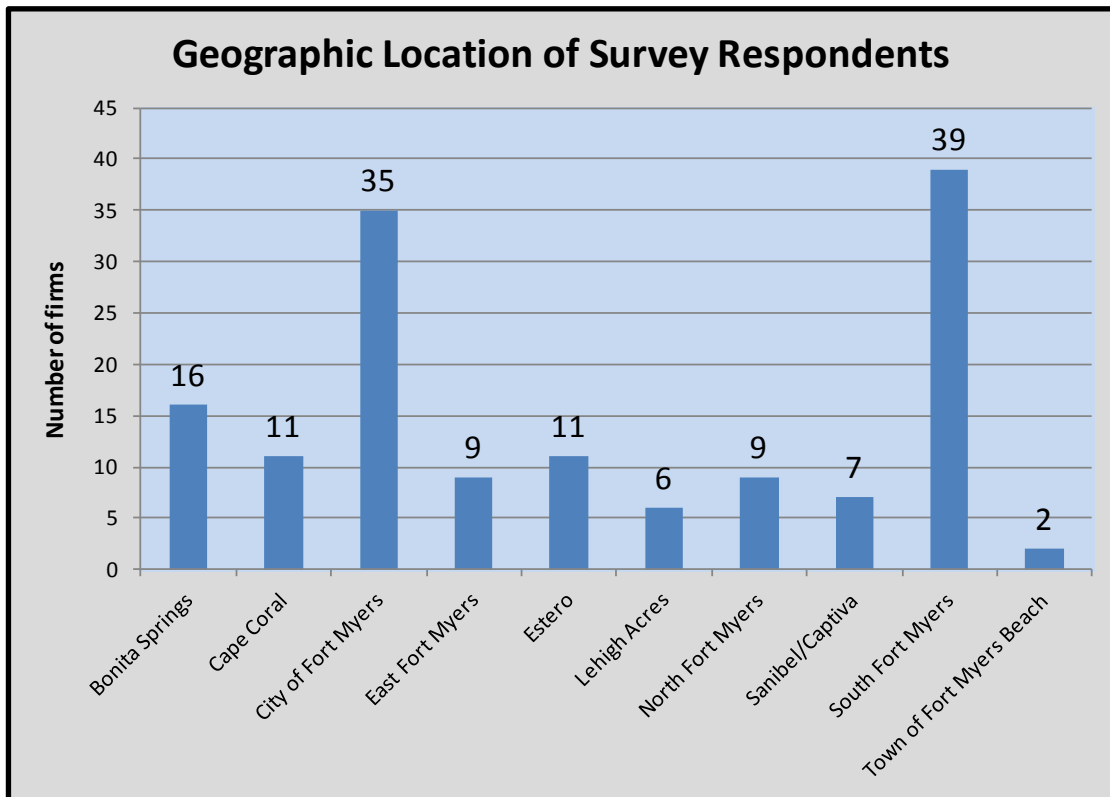
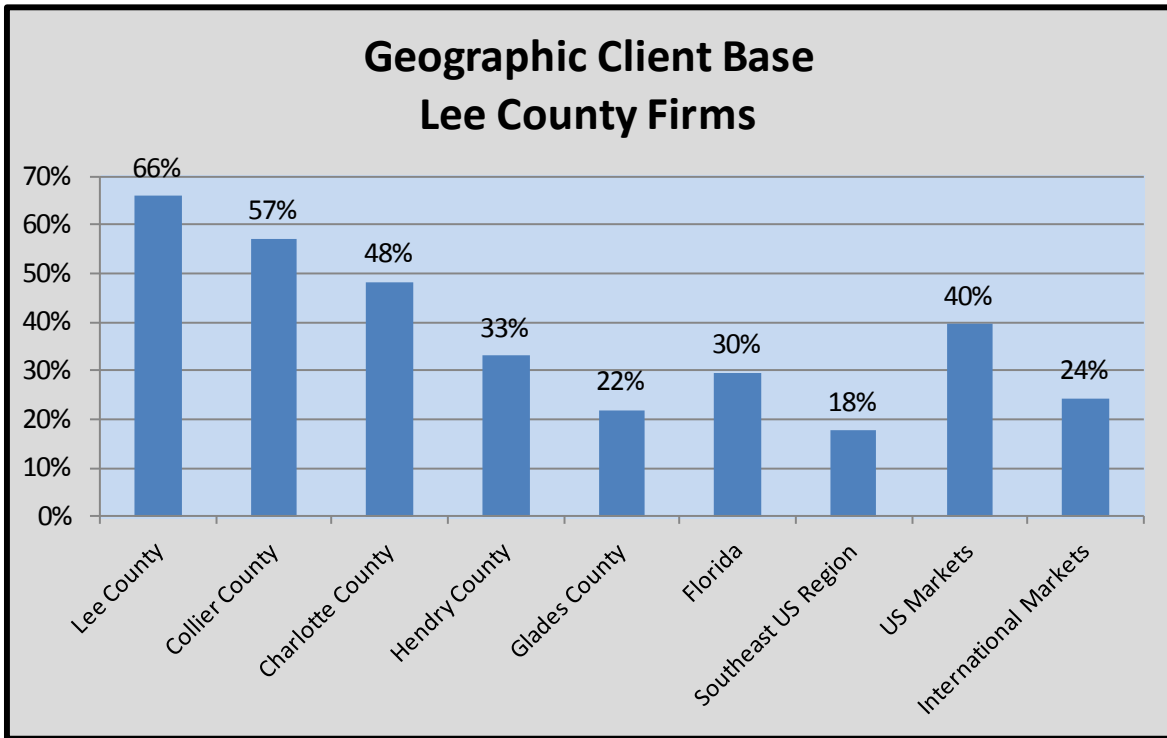


Figure 20: Employee Size of Firms Responding to the Survey



Appendix: Responses to Top Business Challenges Two through Five

Table A1: Executive Response to Second Business Challenge
Top Category: Markets and Growth

Markets and Growth	
1	Competition from Giant Corporations
2	Moving to Larger Facilities
3	Competitive Office Space Prices Travel Challenges due to Serve Surrounding
4	Markets
5	Commercial Real Estate Values
6	Increasing Demand
7	Internet Competition
8	Increased Imports of Our Products
9	Small Business Assistance
10	Building Capacity
11	Marketing
12	Increased Competition from Outside Area
13	Prepare for Uncertain Times
14	Education Clients
15	Retaining Clients
16	Employment Growth
17	Increasing Revenue
18	Attracting New Customers

Table A2: Executive Response to Third Business Challenge
Top Category: Markets and Growth

Controlling Costs	
1	Fuel Costs
2	Controlling Payroll Costs
3	Material Cost Increases
4	Fluctuations in Commodity Prices
5	Subcontractor Stability
6	Rates stay Relatively Flat
7	Shrinking Profit Margin
8	Narrow Margins
9	Containing Costs as Company Grows
10	Taxes
11	Potential Tax Increases
12	Computer Software Cost Increases
13	Quality Control

Table A3: Executive Response to Fourth Business Challenge
Top Category: Markets and Growth

Markets and Growth	
1	Reaching Broader Markets
2	Growing a Business
3	Diversifying Business Base
4	Attract Seasonal Residents and Visitors
5	Improve Business Attitudes
6	Diversifying Supply Chain
7	Reduction in Local Government Capital Projects
8	Increasing Niche Services (2)
9	New Service Lines
10	Market Share

Table A4: Executive Response to Fifth Business Challenge
Top Category: Markets and Growth

Markets and Growth	
1	New Clients
2	Organic Growth
3	Small Business Growth
4	Volatility in Investment and Housing
5	Increased non-local Competition
6	Managing Increased Complexity of Business
7	Lack of Education For Business Owners
8	Elected Representatives Pursue Growth