

# iLABS Michigan Technology Climate 2009 Survey Results

## Overview

In the spring of 2009, iLabs, the University of Michigan-Dearborn's Center for Innovation Research, partnered with the Detroit Regional Chamber and Automation Alley to conduct its second annual survey of technology executives in Southeast Michigan.

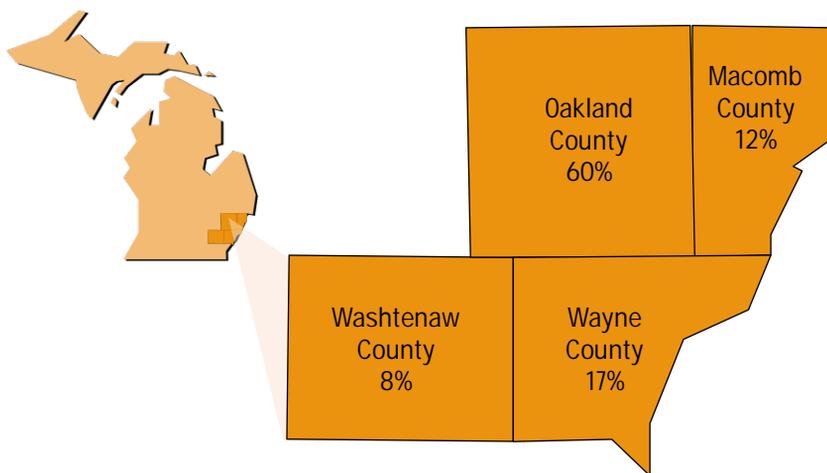
This annual survey assesses opinions of executives regarding the current business climate facing Michigan's technology firms. Results will be compared to the 2008 responses, where appropriate, with any significant changes highlighted.

A total of 96 technology leaders participated in this year's survey, including 69% who identified their title as President, CEO, COO, or Vice President. An additional 26% identified themselves as Director or Manager of the firm.

Those who participated identified their industry as Information Technology (46%), Business Services (8%), Communications (7%), Research & Development (7%), Advanced Manufacturing (5%), Electronics (4%), and Advanced Manufacturing Services (4%).

## Firm Location and Revenue

All of the executives surveyed work for technology firms that have centralized operations within Southeast Michigan. The diagram below illustrates how the firms were distributed among the major Southeast Michigan counties.

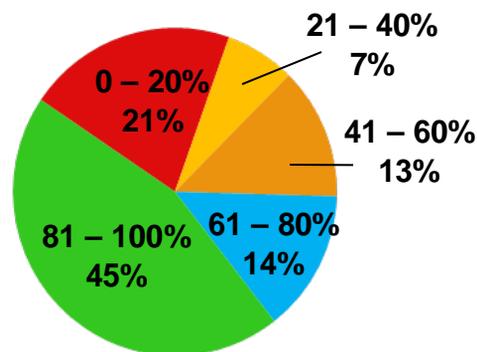


The majority of executives indicate their firm's primary location is in Oakland County. Firms from Wayne, Macomb, Washtenaw, Genesee, Monroe, and St. Claire Counties also responded.

When looking at the distribution of the technology firms' current revenue from Michigan, over half of these executives attribute 60-100% of their revenue from operations within Michigan.

Despite the large number of these firms who attribute a majority of their revenue from Michigan sales, only two in five (38%) feel that their business has a significant impact on Michigan's economy.

Percentage of Sales Revenue from Michigan Activity

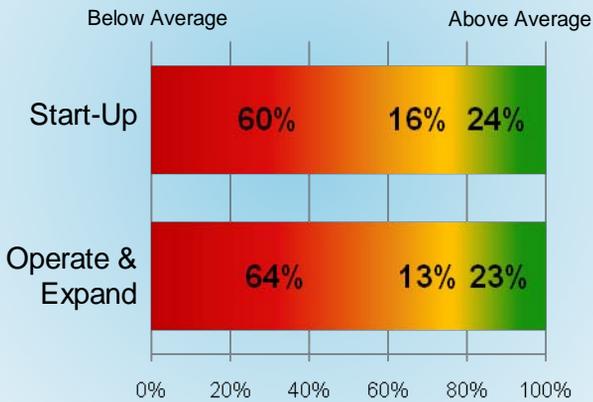


# Perception of State's Business Climate for Technology Firms

The majority of executives do not feel Michigan is an ideal location to start up or expand and operate a technology business. Executives are less confident than in 2008, with 60% (compared with 57% in 2008) stating that Michigan is a below average state to start a technology business.

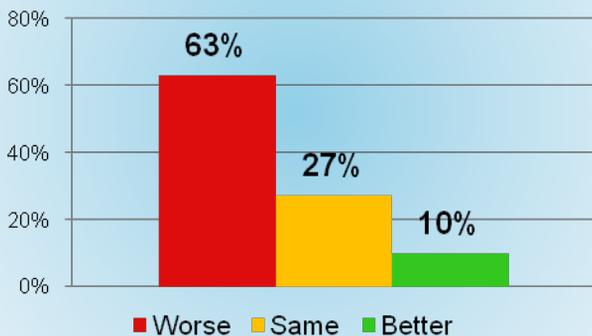
Additionally, two-thirds (64% compared to 50% in 2008) of executives agree that Michigan is below-average for operating and expanding a technology business.

## Michigan as a Place for Technology Businesses to Successfully...



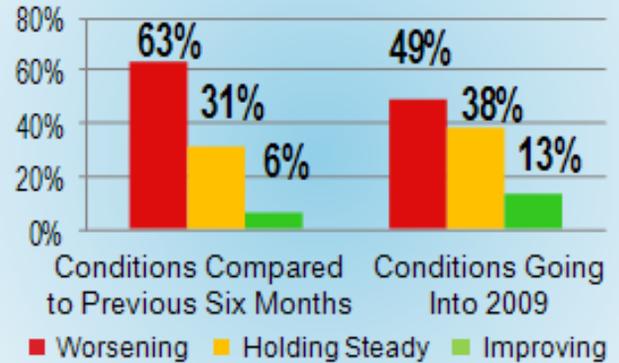
Consistent with last year's results, 63% percent of executives say that the business climate for technology firms in Michigan is worse than the rest of the country. The lack of confidence in Michigan has not changed, even given the worsening economic conditions throughout the state, with only 10% claiming better conditions in 2009 (compared to eight percent in 2008).

## Michigan's Technology Climate Compared to Other States



Given the national and state economy, it is not surprising that executives' opinions of Michigan's current conditions have declined dramatically. When comparing conditions to the previous six months, 63% of executives feel conditions are worse (compared to 44% in 2008) and the outlook is just as bleak going into the back-half of 2009 – with 49% saying that conditions will continue to get worse.

## MI Technology Climate Ratings



The following reasons were cited as examples of why Michigan's Technology Climate is changing in 2009...

### Why are Conditions Worsening?

- "American automotive industry issues dampen the state"
- "Lack of funds will reduce spending by all entities"
- "Poor environment to attract or keep young, talented people"
- "Unstable overall economy with expected worsening tax conditions at local, state, and federal levels"
- "Much technology work is being sent offshore, without regard to any potential degradation in quality"

### Why are Conditions Improving?

- "Michigan is bringing in new industries to take advantage of our automotive engineering and manufacturing capabilities"
- "Improvements seen in diversification of industries and increased movement away from the dependence on purely automotive manufacturing to new industries"

### What Can Be Done to Ensure Improvement?

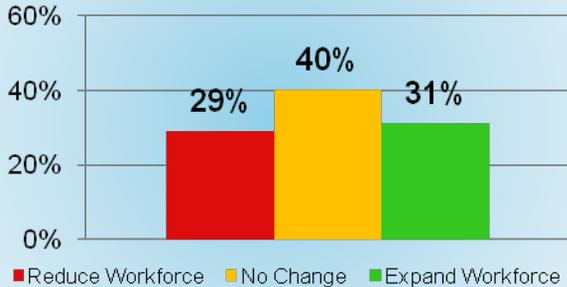
- "Improve the Michigan corporate and personal tax situation. We're not competitive enough to attract and retain people/businesses"
- "Incentives for technology customers to try new technology"
- "Increase of availability of investment capital"
- "Existing businesses need to be educated on how an investment in technology can help them gain efficiency"

# Workforce Plans During Uncertain Economic Times

While the general perception of Michigan's technology climate is not positive, the majority of executives lead stable firms – 40% plan to maintain the size of their workforce and another 31% plan to expand their workforce.

The 29% who expect to see employment reductions is significantly greater than the 5% from last year's survey.

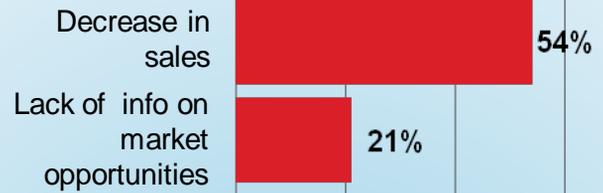
## Workforce Plans for 2009



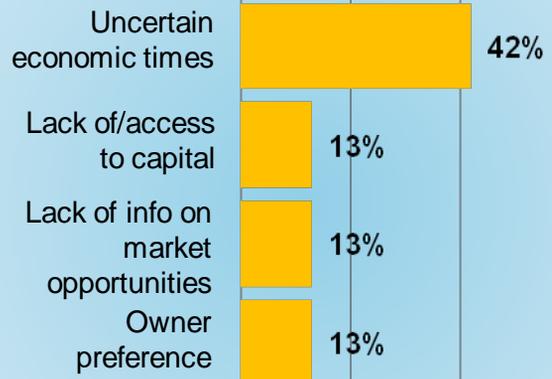
The graph at the right illustrates reasons for the change (or lack thereof) within the workforce of each executive surveyed.

More than half of the firms who are planning to reduce their workforce cite a decrease in sales as a reason for layoffs. While firms who plan to maintain their workforce levels feel lack of capital and market opportunities are hindering their growth, the most frequently mentioned reason is the uncertain economic conditions. Executives who expect to expand their employee base will do so through an increase in sales and new products or services.

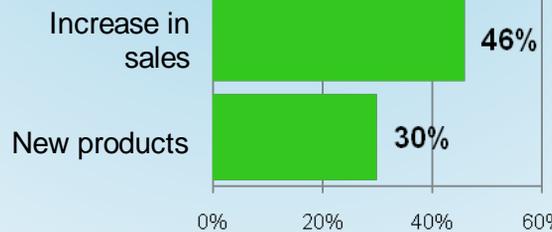
## Reduce Workforce



## No Change in Workforce



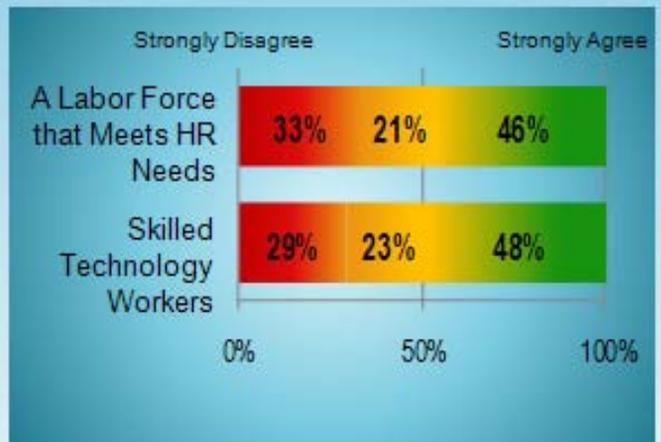
## Expand Workforce



# Michigan's Current Workforce Offerings

With the unemployment rate in Michigan increasingly rising, it is disheartening to see that less than half (48%) of executives indicate that the availability of skilled technical workers is a strength of the state's workforce, down from 54% in 2008.

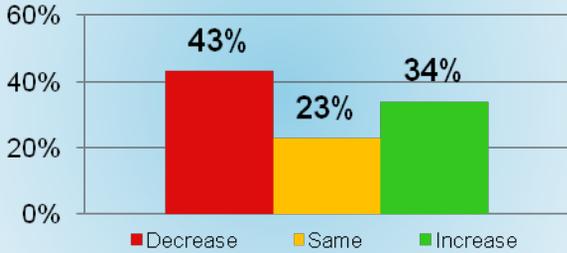
Only 46% feel that the current labor force meets their needs, very similar to last year (44%). Given the influx of professionals to the job market, it is unusual that these findings aren't more positive than 2008.



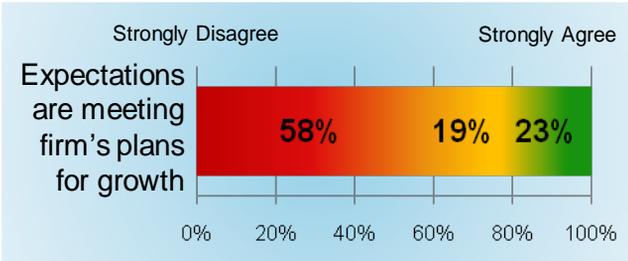
# Expectations of Revenue

When looking towards 2009, executives are split on their revenue expectations. Although many executives plan to see a decrease in revenue, several others plan to have the same revenue or even an increase in revenue in 2009.

## 2009 Revenue Expectations

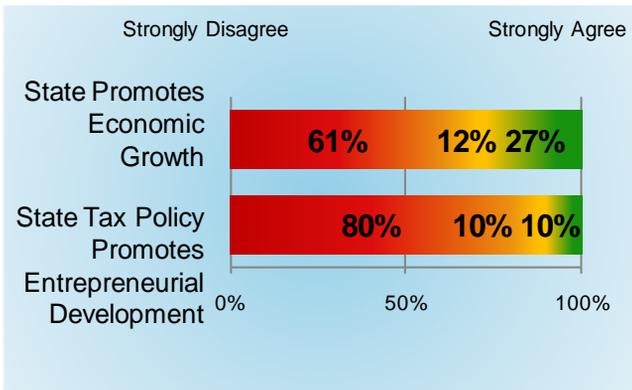


Although 57% of executives expect their firms' 2009 revenue to hold steady or increase, more than half (58%) feel that their expectations regarding revenue changes are not meeting their plans for growth.



# State Government Impact

The majority of executives feel Michigan is ineffective when it comes to business development in the current economic situation. Executives feel Michigan does not promote economic growth and that the state's policies are not supportive of entrepreneurs.

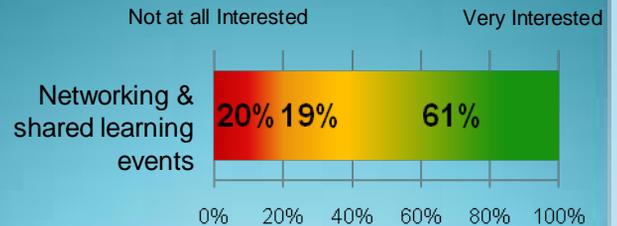


# Interest in Programs for Michigan's Technology Firms

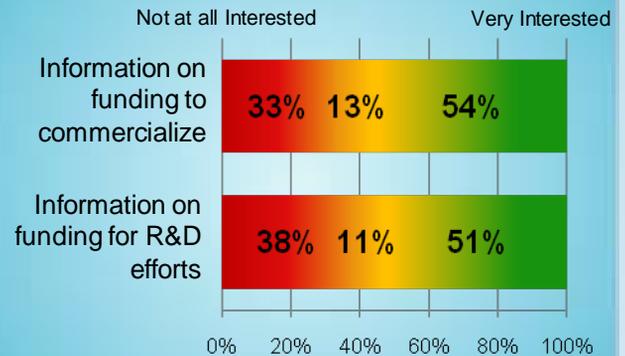
Almost half of the executives stated they would be interested in utilizing services or training offered by the state, including promoting services, events and other opportunities to network with and learn from technology firms in the area, information about funding for R&D and commercialization efforts. There is also some interest in educational and training on technology partners in the area, including accelerators, incubators, etc., and education and training on preparing and refining executive summaries, strategic plans and funding memos of your business.

## Programs for Technology Firms

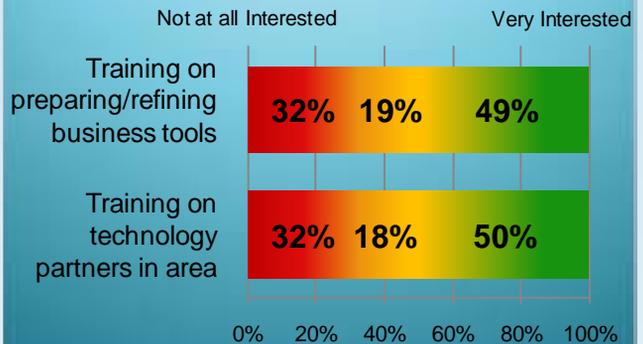
### Events



### Funding Information



### Education/Training Opportunities



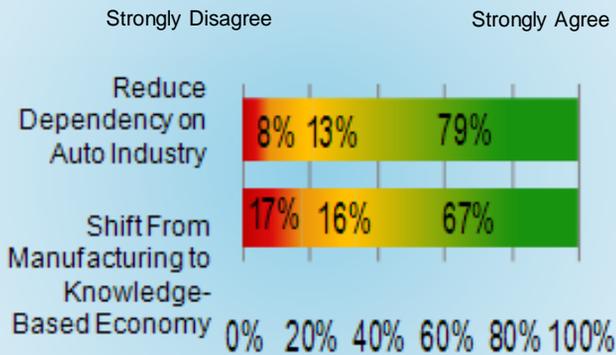
# Necessary Changes to Improve Michigan's Future

Given the current status of the automotive industry, close to 80% of executives feel that reducing Michigan's dependence on the automotive industry will improve the state's economy. In this digital age, it is no surprise that shifting from a manufacturing-based to a knowledge-based economy is on the top of many executives' minds (67% of executives agree).

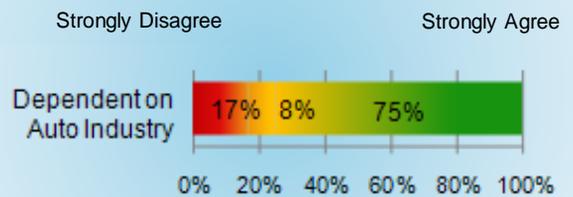
As previously stated, a vast majority of executives feel that it is important to reduce Michigan's dependency on the auto industry as a means for the economy to stabilize and remain healthy. The following graph illustrates how important the technology executives consider the auto industry to Michigan's long-term health.

Although nearly 80% of executives feel that Michigan should reduce their dependency on the auto industry, three in four (75%) agree that Michigan's economic future is clearly linked to the auto industry.

## It is Important for Michigan's Economy To...



## Michigan's Long-Term Economic Future is...



## About iLabs, Detroit Regional Chamber, and Automation Alley

iLabs is the University of Michigan-Dearborn's Center for Innovation Research. Dedicated to advancing the understanding of corporate, entrepreneurial, and institutional innovation and its impact on economic development, iLabs conducts the University of Michigan-Dearborn Innovation Index – a quarterly measurement of change in the innovation activity in the Michigan economy, and eCities – an annual study of the best practices of local communities to promote entrepreneurship and economic development. For more information, please visit [www.umdilabs.com](http://www.umdilabs.com).

The Detroit Regional Chamber is made up of 23,000 member companies who make a volunteer annual investment in order to receive an even greater return at the end of the year. The Chamber has a vision of creating a region with unparalleled quality of life, efficient mass transit, unified pursuit of economic development, high-quality educational systems, a vibrant technology hub, an environment for entrepreneurship, and a business community that embraces diversity as a business imperative. For more information please visit [www.detroitchamber.com](http://www.detroitchamber.com).

Automation Alley is a technology business association driving the growth and image of Southeast Michigan's economy through a collaborative culture that focuses on workforce and business development initiatives.

Since its founding in 1999, Automation Alley has expanded to include more than 1,000 businesses, educational institutions and government entities, covering an eight county area and the City of Detroit. Automation Alley promotes regional prosperity through business attraction services, exporting assistance, workforce development and technology acceleration. For additional information, visit [www.automationalley.com](http://www.automationalley.com).