

iLABS Michigan Technology Climate 2011 Survey Results

Overview

In the fall of 2011, iLabs, the University of Michigan-Dearborn's Center for Innovation Research, partnered with the Detroit Regional Chamber, Automation Alley, and the MIT Enterprise Forum - Great Lakes Chapter to conduct its fourth annual survey of technology executives in Michigan.

This annual survey assesses opinions of executives regarding the current business climate facing Michigan's technology firms. Results from previous year's studies will be compared where appropriate.

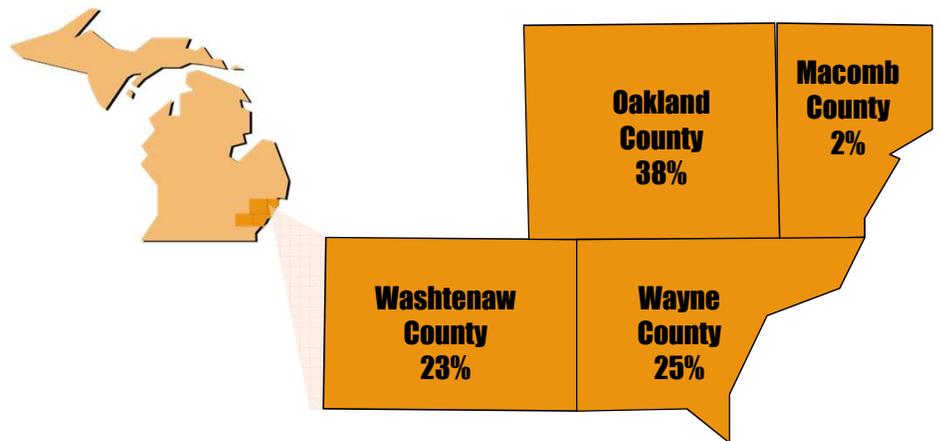
A total of 55 technology leaders participated in this year's survey, including 96% who identified their title as President, CEO, COO, Vice President, Partner, Director, Founder or Manager of their firm.

Those who participated identified their industry as Information Technology (28%), Business Services (11%), and Communications (9%).

When looking at the distribution of the technology firms' current revenue that is generated within the state of Michigan, over half (53%) of these executives attribute 60-100% of their revenue sources coming from operations within the state of Michigan.

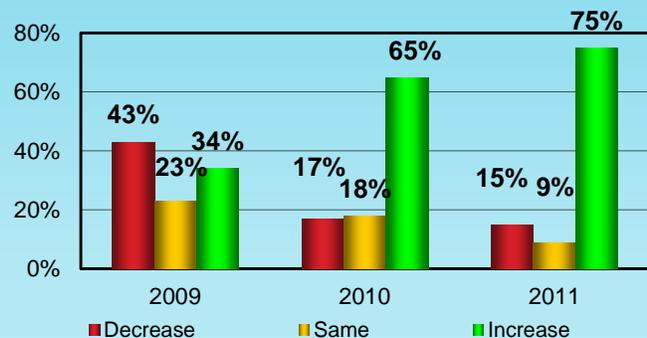
Firm Location and Revenue

The majority of executives surveyed work for technology firms that have operations within Southeast Michigan. The diagram below illustrates how the firms were distributed among the major Southeast Michigan counties. Additionally, executives from counties including Livingston, Saginaw, and Houghton also responded.



When looking ahead to 2012 revenues, 75% of executives expect to see an increase in revenue over 2011, which is 10% more when compared to 2010, and a over double what it was in 2009 (34%).

Revenue Expectations



Although most executives are expecting their firm's 2011 revenue to hold steady or increase, only 43% feel that their revenue expectations are meeting their company's plans for growth, which is nearly identical to last year's 44% who were satisfied with revenue expectations.

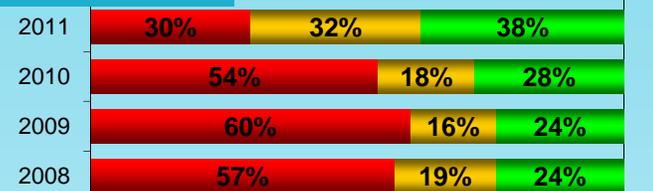
Perception of State's Business Climate for Technology Firms

While there may not be a majority of executives who agree that Michigan is an ideal place to start-up or operate and expand a business, there are improvements over last year's views. 38% and 34% of executives find Michigan to be an above average place to start-up and operate and expand a business, respectively. Furthermore, there are notable decreases in negative views, only 30% and 34% find Michigan to be a below average location, down from 54% and 46% in 2010, respectively.

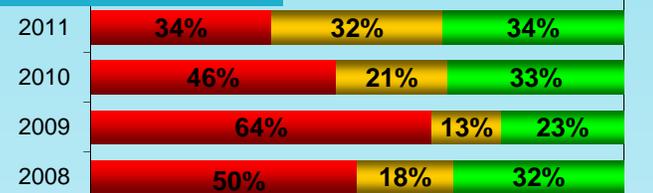
Even though executives indicate there has been improvement in Michigan's technology climate over the past six months, there is still uncertainty. There is, however, optimism moving into 2012. Over one-third (38%) of executives agree that the outlook for Michigan's technology industry is improving compared to the past six months, while over half (53%) expect improvement going into 2012. Additionally, only 11% believe that the technology climate is worsening compared to the last six months, and 11% believe that the climate is worsening going into 2012, both down from 16% in 2010.

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

Start - Up



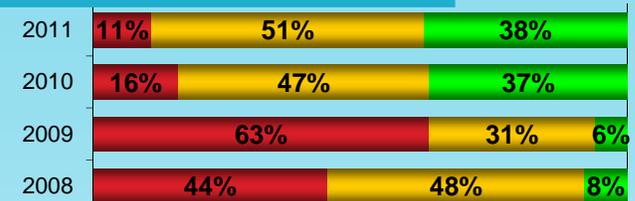
Operate & Expand



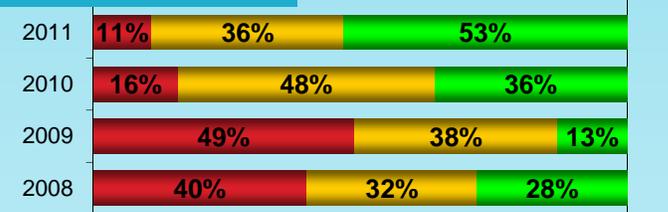
0% 100%
Below Average Above Average

MI Technology Climate Ratings ...

Compared to Previous Six Months



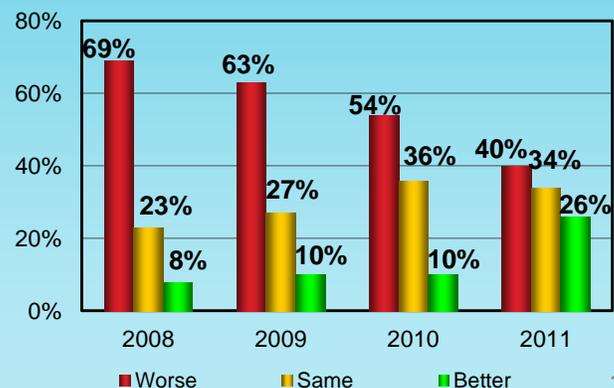
Going into Next Year



0% 100%
Worsening Holding steady Improving

The perception that Michigan has a better technology climate compared to other states increased by 16% overall compared to 2010, rising to 26%. This is a dramatic increase over past years, and is more than double of any other year's total. Additionally, Michigan's technology climate is perceived as being worse than other states by 40% of executives, down from 54% in 2010, and has decreased each of the last three years, showing a continual increase overall in executive opinions related to the technology climate in Michigan.

Michigan's Technology Climate Compared to Other States

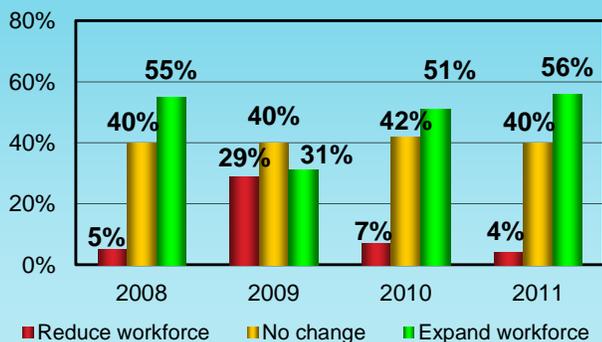


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Workforce Plans and Revenue Expectations for Coming Year

While the general perception of Michigan's technology climate is not strong overall, the majority of executives lead stable firms, with 56% indicating they plan to increase their workforce in 2012, which is a slight increase from 2011 when 51% planned to expand. This year, only 4% indicated they plan to reduce workforce, a slight decrease from 7% in 2011, which is down dramatically from the 29% who expected reductions in 2010.

Firm's Plans



The table below illustrates the factors impacting workforce needs for Michigan's technology firms. Firms that plan to maintain their workforce levels note that uncertain economic times, owner preference, and a lack of information on market opportunities are hindering their growth. Executives who expect to expand their workforce will do so because of expected increases in sales, interest in long term investment in employees, and anticipation of new products or services.

Factors Impacting Workforce Changes

Reasons For No Change In Workforce	
Uncertain economic times	67%
Owner preference	38%
Lack of information on market opportunities	24%
Lack of access to skilled workers	10%
Reasons For Expanding Workforce	
Increase in sales	90%
Long term investment in employees	30%
New products	27%

For the firms who plan to recruit this year, Project Managers, Marketing Professionals, Computer Programmers, and Software Engineers are the positions most in demand.

Most Needed Job Titles	
Project Manager	32%
Marketing Professionals	23%
Software Engineer	21%
Computer Programmer	19%

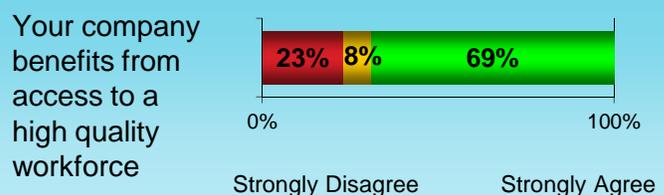
Firms most commonly recruit from the local area, while about one third recruit statewide and nationally. Global recruiting efforts are not a priority.

Where Employees Are Recruited	
Locally	47%
Nationally	38%
Statewide	34%
Globally	11%

Three-fourths of firms state that they use word of mouth or employee reference for recruitment purposes. About half utilize their own company website (51%), while additionally firms recruit from other online job portals (43%), as well as through internships (38%).

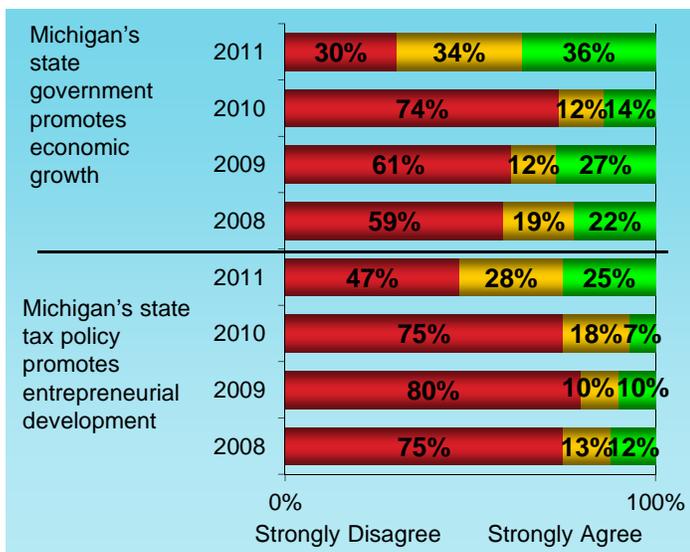
How Employees Are Recruited	
Word of Mouth/Employee Reference	75%
Company Website	51%
Online Job Portals	43%
Internships	38%

Reinforcing the expected increases in hiring, and the focus on searching locally for those new employees, 69% of respondents said their company benefits from access to a high quality workforce.



State Government Impact

Executives continue to have mixed feelings about how well the state of Michigan promotes economic growth, but improvements are acknowledged. More than one third (36%) agree that Michigan's state government promotes economic growth, which is up from 14% in 2010. Additionally, one quarter (25%) of executives agree that Michigan's state tax policy promotes entrepreneurial development. Both instances indicate a dramatic increase over the previous year's results.



Executives were asked their opinions on the value of various state sponsored programs designed to promote technology growth within Michigan. For each of the seven programs listed, at least one-third of all executives stated that they were unaware of each program. However, of those aware of the various programs, the Michigan Pre-seed Capital Fund (40%) and the 21st Century Job Fund (40%) were believed most to promote technology growth.

Percent Agreeing

Promotes Technology Growth	
Michigan Pre-seed Capital Fund	40%
21st Century Job Fund	40%
Venture Michigan Fund	36%
Emerging Technologies Fund	34%
Angel Tax Incentive	31%
Centers of Energy Excellence Program	27%
LiveWorkDetroit!	20%
MichAGAIN	13%

Interest in Programs for Michigan's Technology Firms

Executives show interest in services or training if offered by the State or regional organizations. Networking events and opportunities to learn from other technology firms in the area, information on funding to commercialize products, and information on seed funding for R&D efforts are of interest to more than 60% of executives.

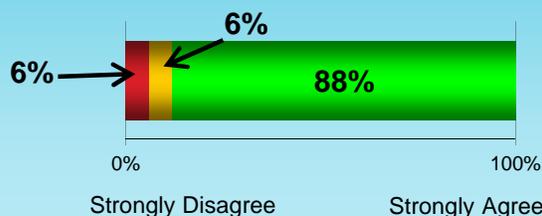
About half are interested in professional consulting and coaching assistance with executive summaries, strategic plans, and funding memos, as well as learning more about technology partners in the area, such as accelerators and incubators.

Programs for Technology Firms

Events	
Networking & shared learning events	62%
Funding Information	
Information on funding to commercialize	61%
Information on funding for R&D efforts	60%
Education/Training Opportunities	
Professional consulting/coaching	54%
Training on technology partners in area	53%

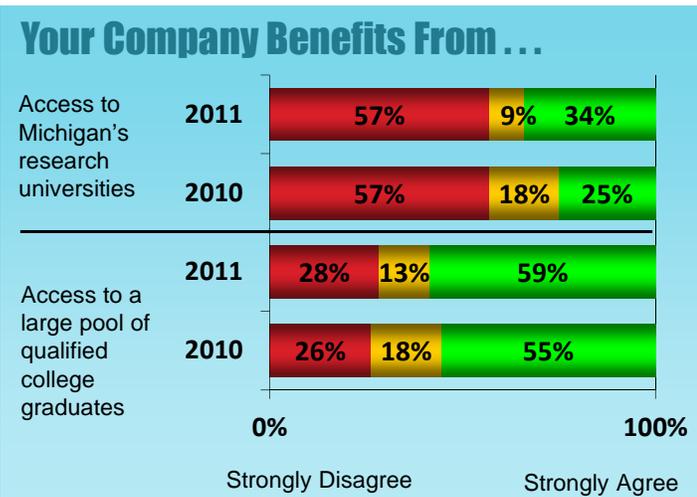
The concept of Economic Gardening in Michigan appeals to technology executives. When asked if they believed that economic gardening is a viable concept for technology firms in Michigan, nearly 9 out of 10 (88%) agreed, compared to just 6% who disagreed.

Economic Gardening

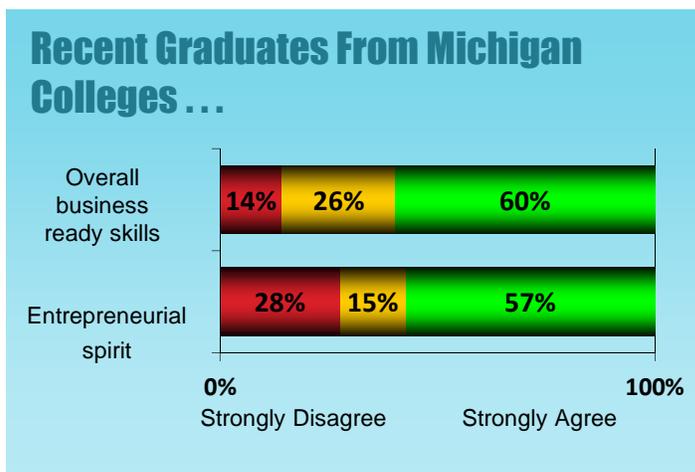


Impact of Michigan Universities on Technology Climate

More than a third of executives indicated that their company benefits from access to Michigan's research universities. Over half of executives (59%) feel that their company benefits from access to a large pool of qualified college graduates.



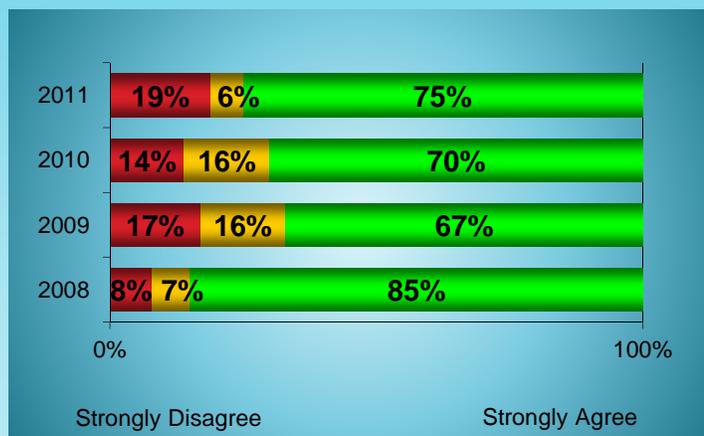
Over half of participants indicated that they have had experience with recent graduates from Michigan's colleges and universities. Of those that had experience with these graduates, executives indicated that their primary strengths include overall business ready skills (60%) as well as entrepreneurial spirit (57%).



The graph at the right illustrates how prepared executives think recent graduates from Michigan colleges are for jobs in the technology field.

In addition, respondents noted that recent graduates had strengths in technical skills (74%), critical thinking skills (67%), and communication skills (57%).

Shift From Manufacturing to Knowledge-Based Economy



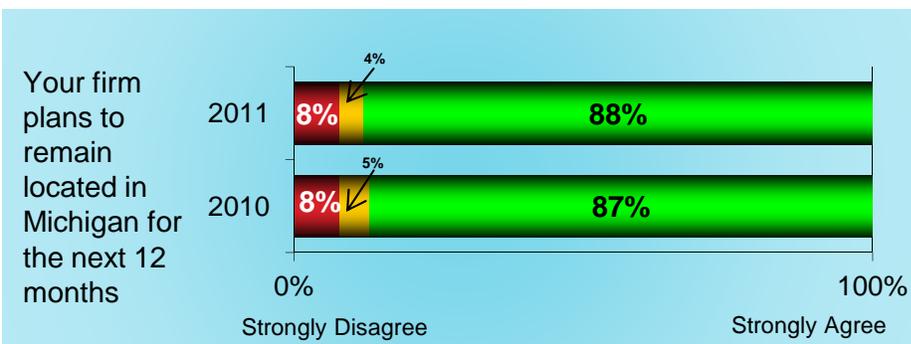
As in previous years, a majority of executives (75%) agree that shifting the Michigan economy from one that is manufacturing-based to knowledge-based is necessary for the State's long-term success.

Additionally, (83%) of executives feel that reducing Michigan's dependence on the automotive industry will improve the state's economy. Furthermore, over four in five (85%) executives agree that Michigan's economic future is clearly linked to the auto industry.

Best Places for Technology Businesses

Almost nine out of ten (88%) executives indicated that their firm plans to remain located in Michigan for the next 12 months.

When asked which state is the best place for a business like theirs, 21% of executives say Michigan is the best for their technology business, followed by California (14%), and Texas (11%). Additionally, 21% are unsure of where the best place to operate a technology business would be.



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 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.

The Detroit Regional Chamber is made up of about 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.

The MIT Enterprise Forum - Great Lakes Chapter is one of 28 worldwide chapters. Together, they act as the global voice of entrepreneurship. Collaborating to connect technology entrepreneurs with resources to make the commercialization of technology faster and easier. The Great Lakes Chapter is home to the Savvy Entrepreneur Series. For more information, please visit www.mitgreatlakes.org

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 more information, please visit www.automationalley.com.

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