

# *The Business Climate Survey*

## Executive Summary

### Introduction

In April, 1996, The Applied Social Research Unit (ASRU) of Illinois State University was commissioned by the Illinois Department of Commerce and Community Affairs (DCCA) to conduct a telephone survey of Illinois businesses eliciting market research information to support program planning activities. The goals of “The Business Climate Survey” were to obtain information about companies’:

- experience and plans regarding the export of goods and services;
- use and evaluation of DCCA’s current export and business support services;
- need for and projected utilization of export and business support services;
- opinions about tort reform legislation and barriers to doing business in Illinois;
- use of Internet services;
- interest in partnering with DCCA to facilitate business development goals.

A total of 549 businesses, representing both DCCA clients and organizations which have not used the agency’s services, participated in “The Business Climate Survey”.\*

Businesses were surveyed within regions that were identified conceptually rather than geographically, according to presumed broad similarities of experiences and needs. Regions (based on counties) identified for this study are:

1. Chicago City (Cook County)
2. Chicago Metropolitan (DeKalb, Dupage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will counties)
3. Declining Metro-like (Macon, Rock Island, Henry, LaSalle, Adams, Knox and Vermilion counties)
4. Stable or Improving Metro-like (Peoria, Tazewell, Woodford, Champaign, McLean, Livingston, Menard, Sangamon, Clinton, Jersey, Madison, Monroe, St. Clair, Boone, Ogle, Winnebago and Logan counties)
5. Rural (all other Illinois counties)

To facilitate analysis of survey results, these companies were also categorized by type, size, and age.

### Survey results

#### *Experience and plans regarding the export of goods and services*

The majority of surveyed businesses are engaged in export activities. More than half of these companies are located in the Chicago and Chicago Metro regions. A roughly equivalent number are manufacturers. Most Illinois exporters sell in Canada and Mexico. South America

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\* All clients of DCCA programs offering export support services were selected to participate in “The Business Climate Survey”; non-clients were randomly selected from DUN’s Marketing Identifiers information supplied by the Illinois Occupational Information Coordinating Committee.

and the United Kingdom are the next most common export markets, followed by Germany and Australia. Surveyed companies reported doing the least business in Russia and Vietnam. Businesses already involved in exporting would like to increase sales in all areas to which they currently export except Canada.

Most of the companies not currently involved in exporting have no plans to begin selling outside of the United States. The most commonly mentioned reasons for this lack of interest were lack of a market for the company's goods and/or services, the difficulty in arranging export sales, and the cost of becoming involved in exporting. Of non-exporters who were interested in beginning export activities, the largest number would like to start selling in Canada, followed by the United Kingdom, Mexico, and Australia.

#### *Use and evaluation of DCCA's current export and business support services*

Most of the exporters surveyed had heard about the Illinois Foreign Trade Offices (IFTOs), although only about one-quarter had used them. Nearly half of the companies using the IFTOs are located in Chicago. Less than one-fifth of companies using the IFTOs were in the smallest size range (with fewer than ten employees). Surveyed businesses were most likely to have used the Illinois Foreign Trade Offices located (in descending order) in Mexico, Hong Kong, and Brussels; they were less likely to have used the IFTOs located in Hungary, Japan, and Poland. Most services provided by Illinois Foreign Trade Offices received below average ratings.

Approximately half of surveyed businesses had heard of the International Trade Centers (ITCs), while about one-sixth had used them. Businesses used the ITCs most for information about international markets, and rated this service above average. Worker training about international business received the highest rating, but was one of the least used services offered by the ITCs.

Two-fifths of companies surveyed had heard of the NAFTA Opportunity Centers (NOCs), while approximately one-tenth had used them. The NOCs are most frequently used as a source of information about international markets and ways of doing business in specific foreign countries. All services offered by the NOCs received above average ratings.

#### *Need for and projected utilization of export and business support services*

Businesses would be most likely to take advantage of export support services including provision of trade leads, information about export procedures, arrangement of appointments with foreign ministries and businesses, and identification of markets in foreign countries. They are least interested in having an agency arranging financing, set up mentoring relationships associated with exporting, and make travel arrangements.

Over half of the company representatives interviewed considered important most of the business support services specified in the survey questionnaire. Approximately three-quarters thought financing for business development was important, while more than three-fifths indicated that business infrastructure assistance, business expansion assistance, and help with energy efficiency and recycling were services which should be offered by the state. Over half of the businesses surveyed (the majority of them manufacturers) considered important assistance with

environmental issues and enhancement of manufacturing technology, while two-fifths thought training for workers was important.

Nearly three-quarters of surveyed businesses would welcome the services of a contact person for state-level business support services. Two-thirds would use a low-cost Internet link and a service matching producers and suppliers. Approximately half are interest in obtaining advice about computers and telecommunications, while 44 percent report that they would use mentoring programs.

Despite this positive response, few of the businesses surveyed reported taking advantage of the support services currently available. At 19 percent, assistance with environmental issues was most used. Approximately three-quarters of the small number of companies (15%) that reported using state-offered services for worker training during the past three years had over 50 employees and were involved in manufacturing.

#### *Opinions about tort reform legislation and barriers to doing business in Illinois*

Surveyed businesses reported making a variety of decisions in response to issues associated with product and service liability. Three-quarters of them bought insurance; approximately half of companies making this decision were engaged in manufacturing. Over half of the companies surveyed decided not to put certain products or services on the market because of liability issues. Two-fifths reported that liability kept prices high, while a nearly equivalent number retained more legal counsel in response to this issue. Three-fifths of surveyed businesses indicated that limits on liability settlements would have an impact on their organizations. About half said that a \$500,000 cap on liability settlements would be about right, with two-fifths indicating that this amount was too high and one-tenth indicating that it was too low.

Companies responding to “The Business Climate Survey” viewed property and state income taxes and worker’s compensation as the biggest barriers to doing business in Illinois. Other issues specified, including sales taxes, money for training, a skilled workforce, incentives for doing business, access to capital, environmental and safety regulations, and transportation, were given below average ratings as barriers to doing business.

#### *Use of Internet services*

Half of the businesses surveyed use the Internet. Most of these companies have more than 50 employees. One-third of Internet users are located in the Chicago region, with one-quarter and one-fifth respectively located in the Improving Metro and Chicago Metro regions. Three-fifths of Internet users log-on for e-mail and research services. However, more than half currently advertize products and/or services *via* the Internet -- a number which is bound to grow very quickly. Approximately one-quarter of users access the Internet to obtain information about state government programs or participate in discussion groups.

#### *Interest in partnering with DCCA to facilitate business development goals*

Approximately half of the businesses surveyed are interested in participating in an Internet discussion group to share ideas about business and economic development issues in Illinois. An equal number want to partner with DCCA to support their efforts to market their products and

services. Large businesses (with more than 50 employees) are most interested in partnering with DCCA, followed by those with between ten and 49 staff members and small firms with one to nine employees.

### Conclusions

“The Business Climate Survey” collected information that can be used to adapt and enhance current DCCA programs to meet the needs of Illinois businesses. Services which are popular with clients, but little used (e.g., the Procurement Technical Assistance Centers and the NAFTA Opportunity Centers’ worker training about international business) might be better marketed. Services that are comparatively well used, but given average ratings by clients (e.g., the International Trade Centers’ provision of sales leads), might be improved. Services that are neither well used nor popular with clients (e.g., those provided by the Illinois Foreign Trade Offices) might be reorganized and better delivered or scrapped.

In addition, survey results suggest a range of services Illinois businesses would use if offered by DCCA. Exporters are particularly interested in trade leads and information about export procedures; businesses generally are interested in developing an ongoing relationship with a state agency contact person to obtain support services, access to the Internet, and a service matching producers and suppliers. Significant numbers of businesses are interested in partnering with a state agency to facilitate their own development and growth.