Pikes Peak Region 2015 Business Climate Survey Summary Report

Cheyenne Mountain Civic Solutions

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Peering into the future before it becomes present

Cheyenne Mountain Civic Solutions

Cheyenne Mountain Civic Solutions is a micro nonprofit organization with projects focused on creating greater economic vitality, building capacity in the nonprofit sector and bringing new ideas forward to address issues of poverty and marginalization in the Pikes Peak Region. The 2015 Colorado Springs Business Climate Survey is the fourth in a biennial series it has undertaken in partnership with Summit Economics.

Focus & Methodology

Past Surveys

- 2009 -- Focused on Establishing a baseline
- 2011 -- Focused on Economic Vitality, comparisons to 2009, and drilled down on perceptions of regulations.
- 2013 – Focused on the elements of a world-class business climate

2015 Survey

- Asks previous questions to collect trend data
- Attempts to better penetrate the entrepreneurial sector in order to assess the

Entrepreneurial Ecosystem

Raw data from the survey may be obtained by contacting Tom Binnings at tom@summiteconomics.com. This may be helpful in understanding some of the response categories.

Collection Methodology

The survey was conducted between September 27th and October 9th. Approximately 35 business groups and media outlets were invited to distribute the survey via an e-mail link. Some of the groups were entrepreneur specific. The survey was also advertised on Facebook and LinkedIn with a low click-through rate.

276 people started the survey and 85% completed most of the questions asked. Of the respondents, 45% self identified as "business owner, executive, or area manager of a regional, national, or international organization" 38% indicated they are entrepreneurs or self employed, and 17% responded "Other". The breakout of "Other" was 36% managers or supervisors, 32% salary workers, 24% either retired or unemployed.

The business climate survey is subject to response bias as it is not a random survey, but assuming some randomness of respondents, the survey provides a 95% confidence level +/- 6%.

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Respondent Demographics

INDUSTRY	2015 Survey	2013 CBP	2013 Survey
Professional, scientific, and technical services	18.4%	15.6%	19.9%
Finance and insurance	7.3%	6.8%	10.2%
Other services (except public administration)	11.9%	9.5%	9.2%
Real estate and rental and leasing	9.6%	6.4%	9.0%
Construction	11.5%	9.8%	6.2%
Arts, entertainment, and recreation	4.2%	1.6%	6.0%
Health care and social assistance	7.3%	11.7%	5.6%
Retail trade	6.9%	12.4%	5.6%
Manufacturing	4.6%	2.8%	5.4%
Accommodation and food services	2.7%	8.2%	5.2%
Information	4.2%	1.8%	5.0%
Educational services	4.6%	1.8%	4.6%
Utilities	0.8%	0.1%	2.0%
Management of companies and enterprises	0.4%	0.5%	1.8%
Administrative and support and waste management and remediation services	1.5%	5.8%	1.4%
Wholesale trade	1.9%	3.2%	1.2%
Agriculture, forestry, fishing and hunting	0.0%	0.1%	0.6%
Mining, quarrying, and oil and gas extraction	0.8%	0.1%	0.4%
Transportation and warehousing	0.0%	1.7%	0.2%
Industry Overrepresented			
Industry Underrepresented			
Source: Summit Economics, US Census			

What industry is your organization in?

Compared to 2013 County Business Patterns (CBP) and Survey

Respondents by Size of Firm

Organization Size	2015 Survey	2013 CBP Census	2013 Survey	2011 Survey	2009 Survey
1-9	53%	76%	54%	57%	46%
10-24	20%	13%	18%	16%	20%
25-99	17%	9%	15%	17%	18%
100-499	7%	2%	8%	8%	11%
500+	3.7%	0.2%	5.2%	2.3%	4.9%
County Business Patterns estimated for 10-24 and 25-99					
US Census Bureau, Summit Economics					

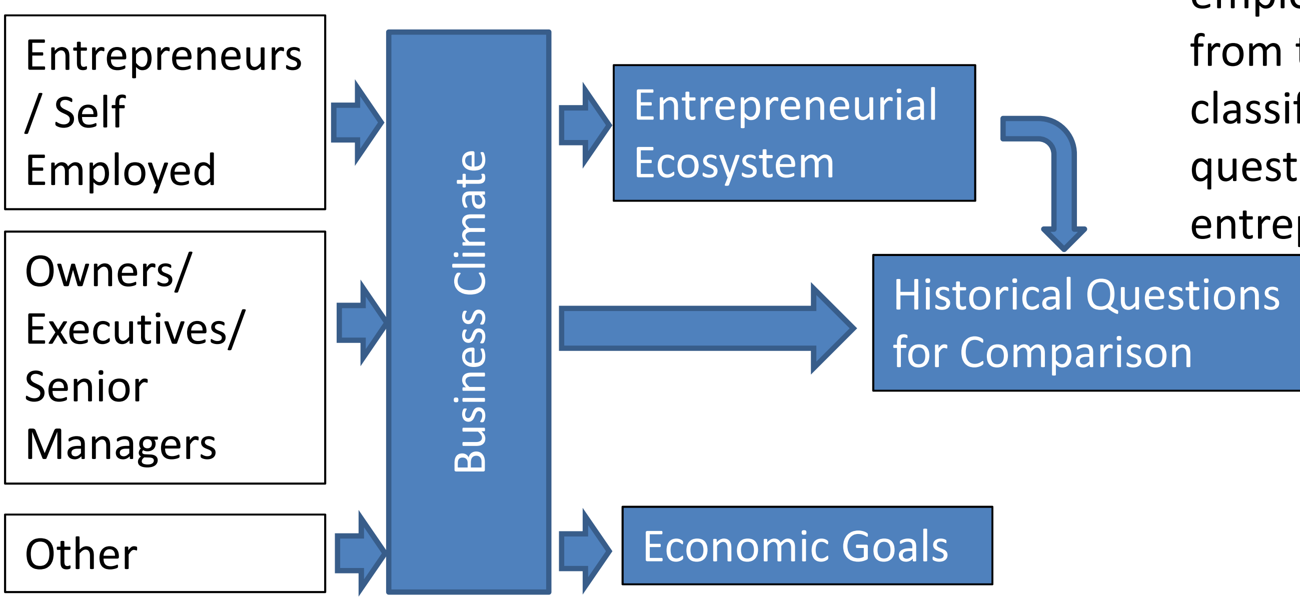
With the exception of the 2009 survey, the distribution of survey respondents is consistent from year to year. In all years the survey is biased to larger firms when compared to the 2013 Census Bureau's count of firms by number of employees.

Respondents by Type

Which of the following best describes you	
Answer Options	Response Percent
Entrepreneur or self employed	37.7%
Business owner, executive, or area manager of a regional, national, or international organization	45.5%
Other	16.9%
answered question	*231*

All surveys since 2009 have sought responses from business owners, executives, and area managers of regional, national, or international organizations. In 2013, people who did not meet that classification were added and this year people self-identifying as entrepreneurs or self employed were broken out from the two prior classifications and asked questions regarding the entrepreneurial ecosystem

Survey Flow by Respondent Type



Economic Contribution to Community

Exports as a Percent of Revenues by Firm Size			
Size	2015	2013	Average
1-9	31	40	36
10-24	39	44	42
25-99	45	54	49
100-499	41	42	42
500+	41	45	43
Total	36	43	40
Summit Economics			

All economies are based on exports bringing incomes into a community from the rest of the world. Firms with local sales indirectly rely on the export sector.

Approximately 40% of all organizational revenues in the Pikes Peak Region are from exports. Small firms tend to be less export based. Firms with 25 to 99 employees tend to receive a larger percentage of revenues from exports. The table DOES NOT conclusively indicate that the percent of sales from exports dropped from 2013 to 2015.

Pikes Peak Region Business Climate

How would you rate your satisfaction with the overall business climate in the Pikes Peak Region ?

	Oct-15	Sep-13	Oct-11	Apr-09
Very satisfied	3.8%	3.9%	2.4%	4.3%
Satisfied	26.1%	16.6%	15.7%	21.0%
Somewhat satisfied	48.7%	38.8%	43.7%	39.2%
Not very satisfied	21.4%	40.4%	38.0%	35.5%
No opinion	0.0%	0.7%	0.3%	0.0%
answered question	234	415	390	186

For the first time since 2009 the business community has become more satisfied with the overall business climate in the region. Satisfaction levels were consistent among all respondent types.

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How would you rate the local business climate in the Pikes Peak Region compared to two years ago?

	Oct-15	Sep-13	Oct-11	Apr-09
Much Better	12%	3%	1%	0%
Better	52%	32%	17%	3%
About the Same	29%	39%	41%	20%
Worse	6%	21%	33%	55%
Much Worse	2%	6%	8%	22%
Respondents	235	393	383	182

There is a clear trend over the last six years with more respondents seeing the business climate getting better. The improvement is especially notable in the last two years.

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How would you rate the business climate in the Pikes Peak Region related to the following.

	2015	2013	
Opportunities for work force outside of work (quality of life,recreation, and education)	1.39	1.15	Leverage Point
Access to finance for organizational growth	0.22	(0.17)	Constraints to Improve
Skilled work force	0.17	0.26	
An entrepreneurial culture, programs, and mentorship supporting business start-ups	0.03	NA	
Local regulatory environment (non-federal) that supports business creation in the area	(0.06)	(0.43)	
Infrastructure (utilities, transportation, and telecommunications)	(0.15)	0.05	
Ability to attract young professionals and technical workers	(0.52)	(0.63)	Problem

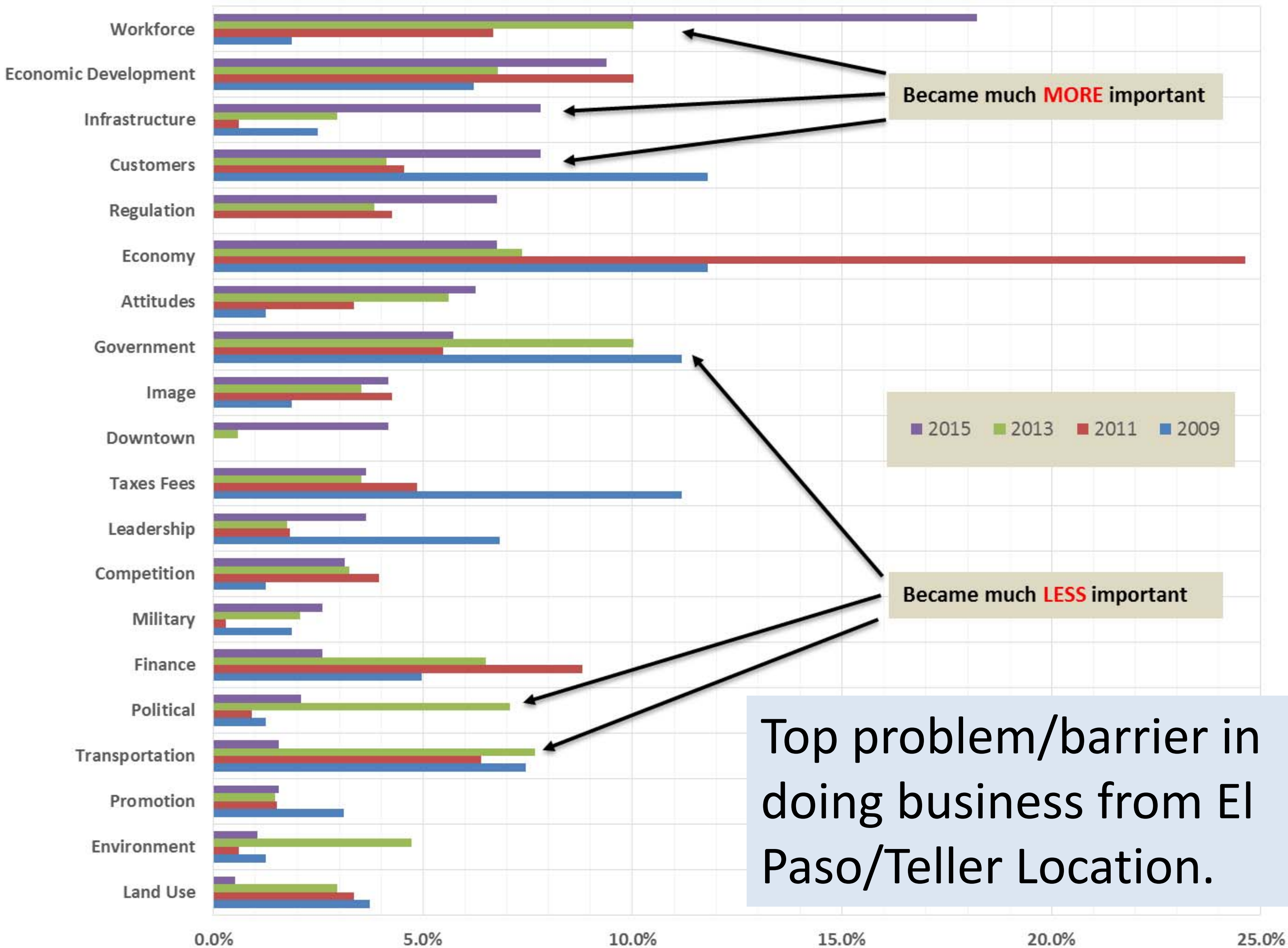
Half of the indicators show improvement (Gold) while one got worse (Blue).
Scores can range from 2 to -2.

In your opinion, what is the top problem/barrier your organization faces in doing business from an El Paso or Teller County location?

1 Thing on their Mind

2015

2013



Top problem/barrier in doing business from El Paso/Teller Location.

A few examples

Customers

- Clients business future uncertain
- Customer base not affluent. Middle class and retired people not spending on discretionary
- Lack of potential clients that can afford services
- Sense of isolation from the business markets in the northern part of the state
- The inability to attract new businesses to the region limits our customer base.

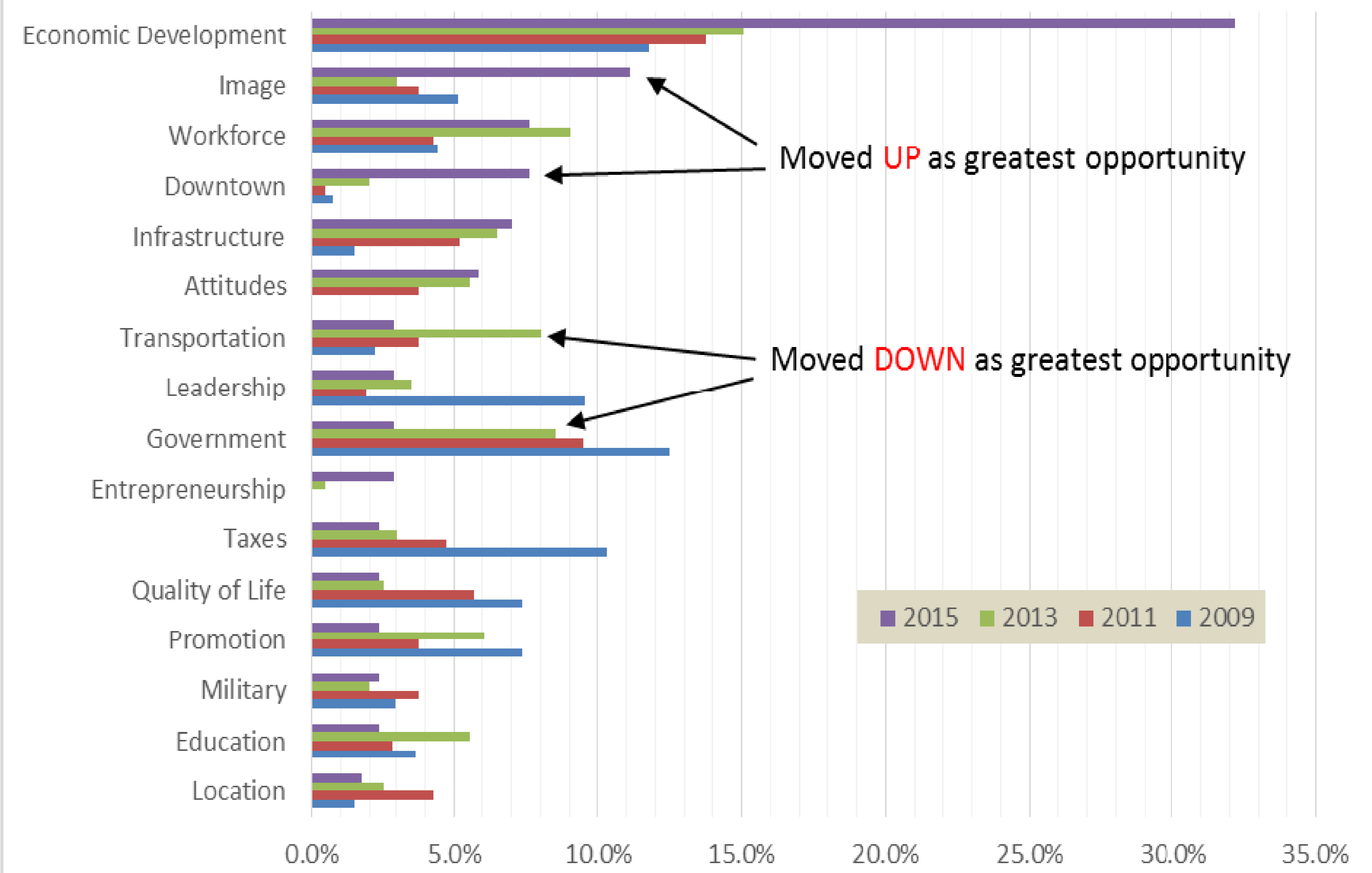
Transportation

- Lack of east/west thoroughfare
- Traffic issues
- Lack of public transportation
- Lack of direct airline service.

Where is the greatest opportunity for El Paso and Teller Counties to improve to a World Class Business Climate?

2015

2013



Greatest opportunity to improve to world class business climate

A few examples

Economic Development

- Provide tax breaks and credits to business like Alabama does.
- Attract attractive companies to the region
- Attracting businesses that will hire skilled workers
- Building on USOC
- Create a competition for young entrepreneurs with a sizable financial incentive

Image

- Be attractive to entrepreneurs.
- Creating an environment to attract and keep young people in our community.
- If our community adopted a more liberal stance (including more support for the LGBT community)
- Invest in the city and start of change the perception that we're a second rate city

Other Comparative Questions

Pick what you think the TOP FIVE economic development goals should be for the P.P. Region

Top Economic Development Goals	2015	2013
Create new jobs with above average wages and salaries	53%	53%
Focus on retaining and attracting younger workers (under 40) to the community	40%	46%
Focus on developing a climate which promotes entrepreneurship	37%	40%
Focus on redeveloping declining neighborhoods and commerical areas	34%	30%
Revitalize Downtown Colorado Springs	32%	34%
Minimize local government barriers to business to promote growth	29%	32%
Focus on income growth for existing residents	29%	19%
Be known for local government that is highly efficient and effective	26%	34%
Be economically diverse	24%	43%
Increase the "coolness factor" of the community	24%	14%
Be known as having a world class business environment	21%	34%
Focus on maintaining the defense industry in the area	21%	21%

Top 12 preferences among 38 and 122 respondents in 2015 and 2013 respectively who were **NOT** an entrepreneur, self-employed, a business owner, executive, or top local manager for a regional, national, or international operation. Respondents were largely other managers, supervisors, and salaried workers.

50% of 185 Respondents indicated their organization experienced difficulties matching job requirements with qualified job applicants. The percentage has not significantly changed since 2013.

Sales/marketing	25%
Semi-skilled professionals	19%
Professionals	19%
Supervisor/managerial	15%
Healthcare professionals	12%
Computer programmers and analysts	10%
Clerical/administrative	10%
Manufacturing	9%
Customer support	9%
Unskilled	9%
Engineers/scientists	6%
Computer technicians and operators	5%
Researchers and analysts	4%
Lab/tech personal	2%
answered question	*146*

Positions most difficult to fill with qualified candidates

The healthcare sector was underrepresented in the survey.

Employer comments on positions needed

Growth prospects in coming two years

Very promising high growth	17%
Modest growth	50%
Maturing and staying about the same	25%
Modest decline	6%
Sharp decline	2%
Don't Know	1%
answered question	*188*

Growth Drivers

"the elements – individuals, organizations or institutions – outside the individual **entrepreneur** that are conducive to, or inhibitive of, the choice of a person to become an **entrepreneur**, or the probabilities of his or her success following launch."

ENTREPRENEURIAL ECOSYSTEM

Origin of Questions

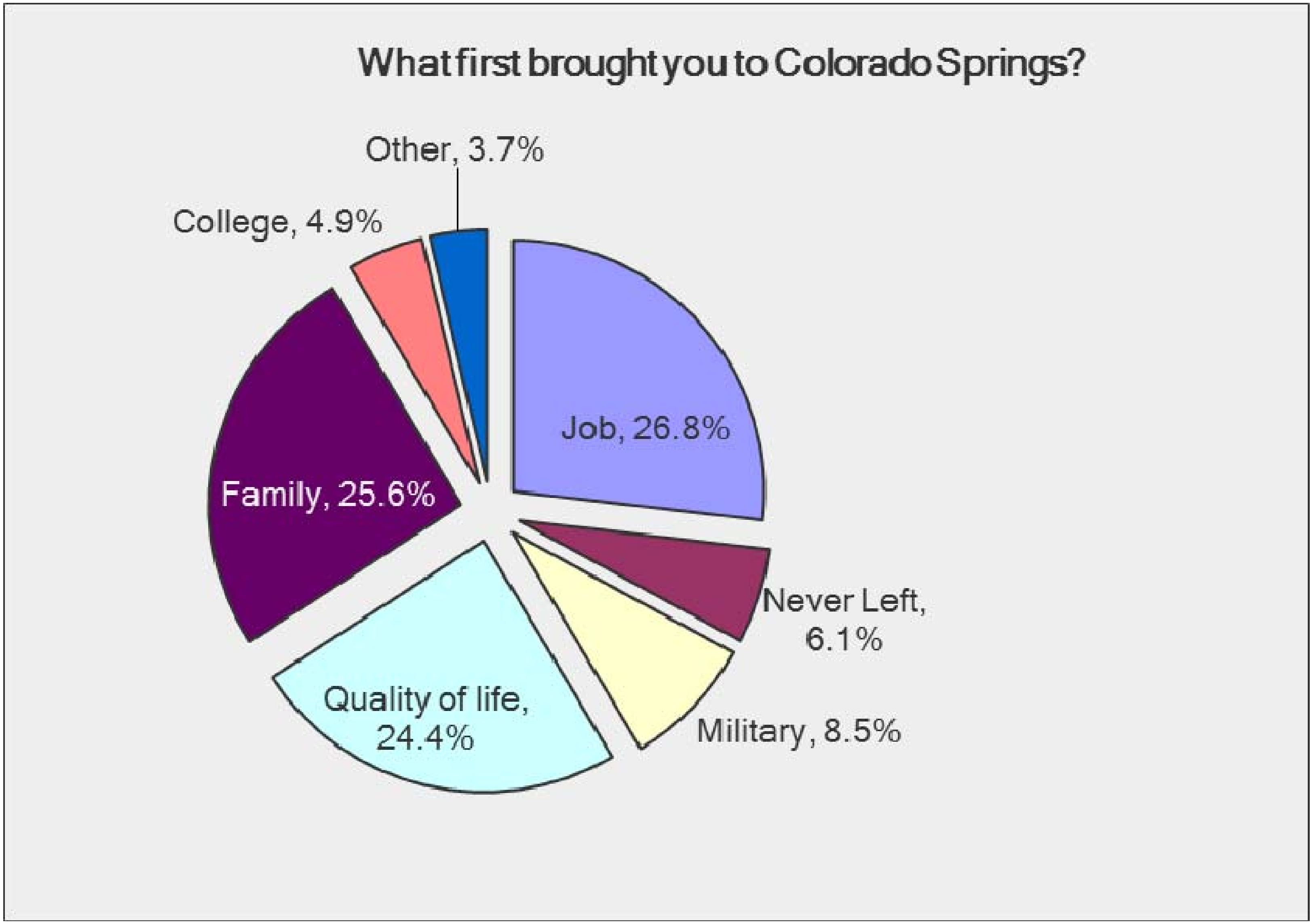
A survey of research, studies, and articles; especially the Kaufmann Foundation on Entrepreneurship and Endeavor Insight

Mission is, "to deepen understanding of how high-impact entrepreneurs and scale-ups contribute to job creation and long-term economic growth"

What attracts Entrepreneurs?

- Entrepreneurs usually decide where to live based on personal connections and quality of life factors many years before they start their firms.
- High-growth entrepreneurs value a pool of talented employees more than any other business-related resource.
- Access to customers and suppliers is the second most valuable business-related resource cited.
- Favorable tax and regulatory environment are barely mentioned.

Once they choose a location and start-up a business, they seldom move.



Entrepreneurs did not move here to start a business.

Propensity to Start a Business

Almost 98% of respondents who were "entrepreneurs or self-employed" started at least 1 business and 37% started 3 or more businesses.

How many businesses have you started	
	Response Percent
None	2.4%
1 to 2	61.0%
3 or more	36.6%
answered question	*82*

When ALL respondents were asked how many family, friends and associates started a business in the last two years or plan to start on in the next two years, the average response was 2.7.

In the BCS, where do entrepreneurs differ

- More likely to be involved with real estate or the internet.
- More likely to say the business climate has gotten worse in last 2 years (11% vs 3%)
- Far more likely to be a smaller business (78% vs 33%) in the under 10 employee group.
- Fewer problems matching job requirements with applicants (40% vs 57%)
- Greater need for clerical and administrative employees (16% vs 6%)

95% confidence level that entrepreneurs differ from others.

Please rate the following on a scale of -3 to 3 RELATED TO THE ENTREPRENEURIAL ECOSYTEM (the individuals, organizations, or institutions that create a thriving entrepreneurial culture) IN THE PIKES PEAK REGION

Rating the Entrepreneurial Ecosystem	Rating 3 to -3	% Finding Support
Community acceptance and encouragement of entrepreneurs	0.83	72%
Formal support programs and institutions (incubators, co-working, entrep. groups, etc...)	0.75	68%
Educational resources available to start or grow your business	0.69	58%
Availability of mentoring and coaching	0.46	60%
Availability of financing for entrepreneurs and start-ups	-0.75	28%
Political encouragement for entrepreneurship and an entrepreneurial culture	-0.93	27%

** Higher rating is better

Successful entrepreneurial communities have been described as "competitively collaborative". How would you rate the Pikes Peak entrepreneurial community on

Answer Options	Response Percent	Response Count
Highly collaborative with friendly competitiveness	21.8%	17
Competitive with little or no collaboration	47.4%	37
Non-collaborative with antagonistic competitiveness	30.8%	24
Care to comment?		16
	answered question	78

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Entrepreneurial Funding

What best describes the financing of your most recent business start-up? (Check all that apply.)	2015	2013 *	Average
Funded through cash on hand	71%	69%	70%
Funded through retirement savings	17%	16%	17%
Funded with secured debt such as a home mortgage	14%	9%	12%
Funded with unsecured credit card or other debt	12%	18%	15%
Funded through venture or angel capital	9%	13%	11%
Other (please specify)	12%	11%	11%
answered question	*78*	*55*	

* In 2013 question was answered by 19% of respondents whose businesses were less than 5 years old and based in the Pikes Peak Region

Data is very consistent between 2013 and 2015 even though the respondent groups were different. In 2015, respondents who considered themselves entrepreneurs or self-employed answered the funding question while in 2013 owners and executives whose businesses were less than 5 years old and were based in the Pikes Peak Region answered the question. This implies similarity between the two groups.