Ohio Mid-Market Business Study
Summer 2011

Prepared by The Ohio State University Fisher College of Business
and the Center for Human Resource Research
Executive Summary

What can be done to improve the competitive environment of Ohio businesses? This report provides an in-depth look at answers from Ohio’s Mid-Market companies. Mid-market companies, which are businesses with more than 20 workers and over $5 million in yearly sales, are the key to understanding the economy of Ohio since they employ the majority of the state’s workforce.

There was steady growth from 1990 until the recession in 2008 for overall U.S. employment. The number of jobs in Ohio, however, grew only until the year 2000. During the early and mid-2000s the rest of the country experienced robust job growth that bypassed Ohio.

This study was conducted in order to examine how mid-sized companies can become more prosperous, potentially provide more jobs for the state of Ohio, and ideally retain Ohio business leaders in the state of Ohio. We want to understand how executives view the business climate in Ohio, whether they are expanding or contracting, and what they see as the important factors that influence the success of their company.

Conclusion

After analyzing our survey responses from multiple choice options, free response items, and the option to address additional concerns, several common themes emerged:

Approximately 25 percent of business executives indicated that they would consider relocating outside of Ohio. Critical issues for business executives include taxation and the need for an improvement in business environments.

Business executives indicated the incongruence of agenda, at times, between government officials and corporate employees. This sentiment is echoed in executives’ responses of skepticism at all levels of government.

While mid-sized companies foresee continued problems with unemployment, many are optimistic regarding their own growth, including continued hiring of more staff, and the ability to meet outside pressures that the companies continue to face.
This study was conducted as joint project through The Ohio State University Fisher College of Business and the Center for Human Resource Research. The intent was to provide an opportunity for business executives to speak (indirectly) to the governor about problems faced by the executive’s company, and what the state might be able to do to respond to these problems.

Through scientific methods, we sampled a wide range of business executives across various industries throughout the state of Ohio. We interviewed owners, CEOs or other chief officers (i.e. Chief Operating Officer, Chief Financial Officer) who are knowledgeable about the company’s revenues, plans and business outlook. Our total sample size of qualified mid-size corporate responders was 267.

### Ohio Versus National Data

Based on Census and Ohio administrative data, Ohio firms are comparable to national averages in...

#### Employment and revenue...

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percent Total Employees</th>
<th>Percent Total Revenue</th>
<th>Percent Total Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>Ohio</td>
<td>U.S.</td>
</tr>
<tr>
<td>1-4</td>
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<td>5</td>
</tr>
<tr>
<td>5-9</td>
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<tr>
<td>10-19</td>
<td>7</td>
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<td>5</td>
</tr>
<tr>
<td>20-99</td>
<td>17</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>100-499</td>
<td>14</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>500+</td>
<td>50</td>
<td>52</td>
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</tr>
</tbody>
</table>

...and industry composition.

<table>
<thead>
<tr>
<th>Industry – 1 Digit NAICS</th>
<th>U.S.</th>
<th>Ohio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, and Hunting</td>
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<td>0.5</td>
</tr>
<tr>
<td>Mining</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Construction</td>
<td>12.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Utilities, Transportation, and Warehousing</td>
<td>2.9</td>
<td>3.1</td>
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<tr>
<td>Wholesale Trade</td>
<td>5.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>12.2</td>
<td>10.7</td>
</tr>
<tr>
<td>FIRE</td>
<td>9.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Services</td>
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<td>47.9</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
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<td>0.2</td>
</tr>
<tr>
<td>Nonclassifiable</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>
Some Perspectives on Conducting Business in Ohio

We asked business executives whether or not they would consider relocating their business to someplace outside of Ohio. We asked them to specify where they would move and reasons for leaving Ohio.

- Approximately 25 percent of executives reported that they have considered relocating outside of Ohio at some time over the last 5 years.
- When asked about a potential business relocation outside of Ohio, the most frequent response was a move to the southern region of the United States. “The cost of living is cheaper. Those states are willing to support and give breaks to businesses,” was a common response to this question.
- Of the responses from those willing to relocate to the southern states, the predominant concerns specific to conducting business in Ohio are the increasing tax burden and perceptions of Ohio being less business friendly compared to other states. “Ohio is (or has been for quite a while) one of the least business friendly states in the U.S.,” was a common response to this question.
- A few respondents indicated that they were willing to consider a move outside of Ohio, without mention of a specific state or country. Once again, taxation problems and the perception of an overall less business friendly environment throughout Ohio were salient concerns of conducting business at their current location.

Business executives who indicated that they would consider relocating from Ohio were more likely to disagree with the following statements:

- Local government has their company’s best interest in mind
- Federal agencies have their company’s best interest in mind
- Industry regulators have their company’s best interest in mind

Business executives who indicated that they would consider relocating from Ohio were more likely to specify a moderate to high level of difficulty with:

- Navigating the Ohio tax structure
- Taking advantage of Ohio tax breaks

In addition, companies with fewer employees were more likely to consider a move out of state in comparison to larger firms. Interestingly, there does not appear to be a strong association between companies that would and would not consider a move outside of Ohio regarding thoughts on the state government having companies’ best interest in mind.
Growth Orientation

Questions from this section assessed the general direction of growth for each company. More than 40 percent of executives (42.8 percent) indicated that they considered their company to be in a stable phase of business. Almost as many respondents (40.2 percent) indicated that they were in a growth period. Questions focused on the most recent financial crisis and the period that followed, as well as the company’s outlook for the near future.
Of these business leaders:

- 26% are in manufacturing, the highest percent reported among all categories
- 27% have considered relocating outside of Ohio sometime within the past 5 years
- 24% consider maintaining regulatory compliance to be a high challenge
- 36% consider the complexity of government to be a high challenge
- 37% consider the cost of navigating tax structure to be a high challenge
- 45% of those who said they would hire in the next 6 months, plan to hire 10 or more employees
Regulation and Policy

These questions focus on the extent and the ways that companies are affected by government regulations. Many responders indicated that they were in some way negatively impacted by each level of government, in particular with regard to the Federal Government.

When prompted about specific problems due to industry regulators, the majority of responders reported that they are not currently experiencing problems in this area. Of those who did respond, common themes were issues related to labor, the environment, and politics. You were asked:

• When prompted about specific challenges from government policies, the majority of responders indicated general business taxes were their biggest concern. You were asked:

- [Bar chart showing agreement levels for the government having the company's best interest in mind across federal, state, and local levels.]

- [Pie chart showing agreement levels for industry regulators having the company's best interest in mind.]
• There was a considerable range of challenges elicited when prompted about government policies that affect their company.

![Most Important Challenges to Your Business as They Relate to Government Policy](image1)

• When asked an additional question about financial challenges, common concerns included:
  - receiving timely payment from customers
  - availability of long-term funding
  - availability of credit
  - cash flow management issues

• When prompted about plans to secure capital, most respondents indicated either that there were no significant challenges at the time or that there were no immediate plans to secure additional capital.

**Managing Change**

What are some of the critical outside challenges that companies face? The majority of respondents indicated that competition was the biggest challenge at hand. Specifically, an increase in the number of competitors and competitive pricing were often reported.

However, the majority of responders reported being satisfied with their ability to meet outside challenges that they faced. Business executives attributed their ability to meet these challenges to: knowing what they need to do to be successful, being able to cope, doing what they need to do to stay ahead of the competition, and being able to keep up with challenges that they face.

![Satisfaction in Coping With Challenges](image2)
Corporate Attitudes

Another means to gauge potential business prosperity is to assess the outlook of business leaders regarding important issues such as the economy, unemployment, demand for their products and services, and government debt.
Additional Business Concerns

Of those who did respond to a request to provide any additional concerns, most cited the category of governmental problems. In particular, some perceive there to be a lack of individuals with a strong business background in the current administration. Responses indicate the incongruence between government officials’ agenda and that of business leaders. Comments included:

“The political situation is a significant concern to virtually every business owner I know.”

“Officials need to step back and look at things that have worked in the past.”

“What they are doing in the country isn’t working.”

Other government issues occasionally mentioned by respondents include wasted money and an intrusion of government. Other respondents were concerned with being able to continue to hire talented staff. Finally, several respondents cited concern for the future of their industry.