

Business Expansion Strategic Trends Iowa

*Iowa Competitive Capacity
Report*

Executive Summary

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Business Expansion & Strategic Trends of Iowa

BEST of Iowa

Iowa Competitive Capacity Report

Executive Summary

BEST of Iowa (Business Expansion & Strategic Trends) is a strategic partnership of Aquila Inc., Alliant Energy-IPL, Iowa Area Development Group and MidAmerican Energy Company in collaboration with the Iowa Department of Economic Development to provide a state-wide existing business strategy.



The BEST of Iowa Competitive Capacity WhitePrint is the first public discussion of what has been learned from nearly 1,300 executive interviews conducted in 128 Iowa communities in 41 counties by dozens of economic development partners.

Competitive capacity is a measure of a region's ability to compete for private sector investment to support the community's economic health. Competitive capacity uses a defined set of criteria to document the condition of the community's product as well as the business base essential for attracting investment.

Competitive capacity analyzes Iowa's competitive position along three different metrics:

- Portfolio (vibrancy of the economic base)
- Product Assessment
- Workforce Assessment

Portfolio

Iowa has a powerful economic engine – the vast majority of area companies are positioned in the high value and high growth segment. This cluster will provide many Iowa communities positive growth in the years ahead.

The number of companies in the high value/high growth quadrant of the Iowa Portfolio analysis (scatter plot) makes more concrete the need for Iowa to have a strategy and commit resources to helping high value/high growth companies maximize their potential in Iowa.

While the average value and growth potential of Iowa's companies is "in-range" with national and Midwest KPI there are a couple of significant differences. Iowa companies ranked high are approximately 6% below national peers and companies ranked low are 6% higher. These individual company assessments are highly dependent on interview

quality. Low quality interviews will lower a company's assessment. Interview quality has no impact on other elements of the competitive analysis.

In Iowa, there is an elevated perception of increasing mergers and acquisition (M&A) activity. Iowa has a significant competitive disadvantage to national as well as Midwest peers. M&A is a risk factor because integration frequently creates winners (expansions) and losers (closures) to eliminate duplicate capacity and increase efficiencies. However, **this clue does reinforce the importance of the organized corporate executives outreach conducted by the Iowa Department of Economic Development. This program creates an opportunity to determine corporate plans and the impact on Iowa facilities.**

Product Assessment

Using the Synchronist System KPI, the strengths attributed to Iowa's product paint a positive picture of the relationship between businesses, the communities and the state overall.

- 13 Major strengths
- 3 Minor strength
- 7 Major weaknesses
- 6 Minor weakness

The legislative environment in Iowa is a state of extremes. Iowa has a competitive disadvantage regarding adverse legislative and regulatory issues, a significantly higher KPI than the nation and the Midwest KPI. On beneficial legislative/regulatory issues, Iowa executives see more opportunities that could benefit their business.

Strength and weakness questions are open-ended. Responses must be categorized for analysis. After categorization, they can be ranked on frequency or the number of times the issue is identified as a strength or weakness by an executive. The first look at strengths and weaknesses is an overview of the general responses within each category.

Not all community and regional weaknesses are alike. Some impact executives' investment decisions. Others have no impact on their investment decisions. Frequency, the traditional measure, does not take this critical difference into consideration.

Viewing the issues from the perspective of their impact on business investment drawn from Iowa's Synchronist data, the impact is clear. Two issues ranked low as general weaknesses (land availability, and cost of doing business) move to the top five issues! This is a critical difference which clearly impacts economic development decision-making and resource allocation.

Workforce Assessment

Employers rate Iowa's workforce as very strong. The comparisons with the North American Data Study KPI show significant competitive advantages for Iowa's availability, quality, and stability assessments. Productivity, on the other hand, is a competitive disadvantage.

Many Iowa employers do have trouble attracting workers. Employers are clearly voicing their challenge in attracting workers as a community weakness, and more importantly as a barrier to growth (21% all categories), and a reason for some not to expand (20% all categories). In spite of the noise, Iowa's workforce is extremely competitive both nationally and within the Midwest.

Iowa employers believe the source of their recruitment problems in Iowa are a community issue, not an industry issue. This is a clear competitive disadvantage for Iowa, especially when compared to the Midwest.

Next Steps

With the official release of the *Iowa Competitive Capacity Report*, the BEST of Iowa Management Team will:

- Ask PDI's President to appoint a Competitive Capacity Review (CCR) Task Force to review the *Iowa Competitive Capacity Report*
- Provide PDI's CCR Task Force:
 - The *Iowa Competitive Capacity Report*
 - The unattributed comments from businesses on legislative and workforce issues
- Ask the CCR Task Force to identify issues and recommendations for the PDI legislative committee.
- Provide PDI the Executive Summary of the *Iowa Competitive Capacity Report* for distribution to PDI members.
- Work with PDI and the State to vet and implement recommendations as they are developed.
- Continue to support and encourage partner participation in the statewide BEST program and improve the quality of interviews and resulting information.
- Embark on a series of training sessions to:
 - Encourage direct personal engagement with existing employers (business retention and expansion).
 - Demonstrate short and long-term benefits of participation.
 - Share statewide findings and their implications.
 - Help partners better utilize the Synchronist System tools.
- Work toward a 2nd statewide analysis for the 2nd quarter of 2009.

The complete *Iowa Competitive Capacity Report* will not be distributed to individuals or organizations that have not contributed interview data.

BEST of Iowa

HOW IT WORKS

BEST OF IOWA utilizes periodic surveys and interviews along with customized software with a matrix analysis. The technology allows the local development organizations to:

- Identify growth companies
- Predict companies that are at risk for downsizing or closing
- Forecast economic investment
- Generate quantifiable facts to support business attraction marketing initiatives
- Provide a vehicle to identify issues to incorporate into the local program of work



BENEFITS

Through confidential meetings with local business leaders, the development organizations obtain comprehensive information on issues and opportunities facing business in the community. After the confidential meeting, the economic development professional will coordinate the appropriate resource team to address the business needs.

BEST OF IOWA WILL

- Assist the community to identify trends and develop long-term strategies in collaboration with the utilities and Iowa Department of Economic Development.
- Identify and evaluate the perceptions of local organizations.
- Identify the infrastructure, financial, technological, and workforce needs of existing companies.

For information about BEST OF IOWA (Business Retention & Strategic Trends) contact a management team member.

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