



2014 Survey of
**Connecticut
Businesses**

Introduction

BlumShapiro and CBIA proudly present our 2014 *Survey of Connecticut Businesses*. Now in its 13th year, this collaborative research effort details business leaders' views on the economic outlook, hiring expectations, business technology, international trade, and public policy priorities.

This year we heard from 460 companies throughout the state, averaging 43 years in business and representing more than 20 industries.

Respondents included woman-owned, veteran-owned, and minority-owned companies; family businesses; S corporations; and LLCs.

Aside from a sharp, weather-related winter bump that impacted travel, forced business closures, and hurt consumer spending, Connecticut's economy saw sustained moderate growth since our last statewide survey.

Key Findings

We queried executives about seven major areas: business challenges, growth, innovation, investment, exporting, workforce, and the state's economic competitiveness.

Key findings include:

- ▶ Three times as many companies are growing (35%) than contracting (11%).
- ▶ Innovation is strong. Nearly half of the surveyed companies added a new product or service, and at least as many expect to do so within the next 24 months.
- ▶ Investment in technology and employee training is strong. Businesses are also investing in facilities/properties and other capital assets.
- ▶ Three-quarters of manufacturers surveyed are exporting.
- ▶ One in four respondents faces a wave of retirements over the next decade, with at least 40% of their workforce aged 55 or older. Consistent with our survey findings in recent years, there is a slightly greater forecasted demand for mid-level employees than entry-level or line workers.

Contents

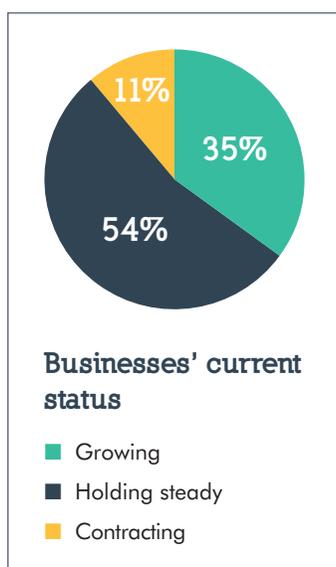
Introduction	2	Interdependence: Large and Small Businesses	6	About the Survey	
Key Findings	2	Exporting	6	▶ Methodology & Demographics	9
Investing: Growth and Innovation	3	Workforce	7	About BlumShapiro	10
Challenges	4			About CBIA	12
Move Connecticut Up: CT20x17	5				

- ▶ Many companies employ apprentices (34%), interns (57%), and temps (58%), and 79% plan to hire these workers for permanent positions.
- ▶ The state's economy remains the single greatest business challenge.
- ▶ Respondents say that to improve Connecticut's standing across a range of national business climate rankings, the state must address its high taxes and regulatory burden.

Investing: Growth and Innovation

While most businesses surveyed (54%) are holding steady, the ratio of companies growing to contracting is more than three to one.

In a changing economy, and in a high-cost state such as Connecticut, innovation is critical to growth and profitability. Over the past year, 46% of Connecticut businesses surveyed added a new product or service, and 47% expect to do so in the next year. Nearly one in three



businesses investing in research and development (29%) say tax incentives factor into their decisions to invest—an important finding for policymakers.

Among manufacturers in particular, lean and continuous improvement processes are

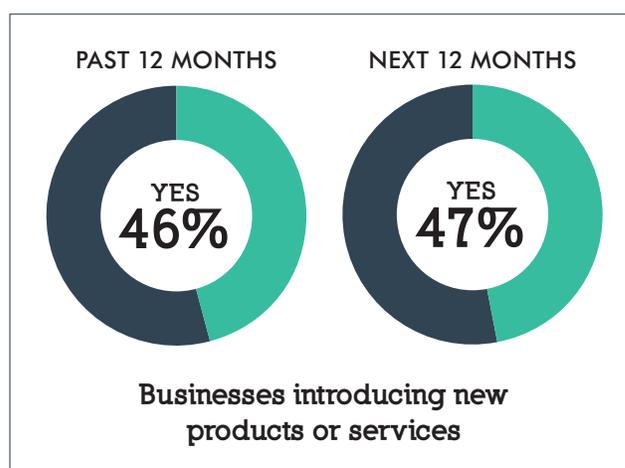


“This year’s survey shows Connecticut companies are making information technology a key component of their business strategy. As the single largest investment area, technology is no longer considered a cost of doing business, but a strategic business advantage enabling companies to find efficiencies, increase productivity, and gain a competitive advantage.”

Brian A. Renstrom | Partner, BlumShapiro

business-critical. Most widely used are Kaizen (62% of manufacturers), 5S (56%), Kanban (54%), cellular manufacturing (51%), and Six Sigma (37%).

Twenty-seven percent of businesses overall say their greatest single investment is technology, and 30% identify technology as the single most important area of

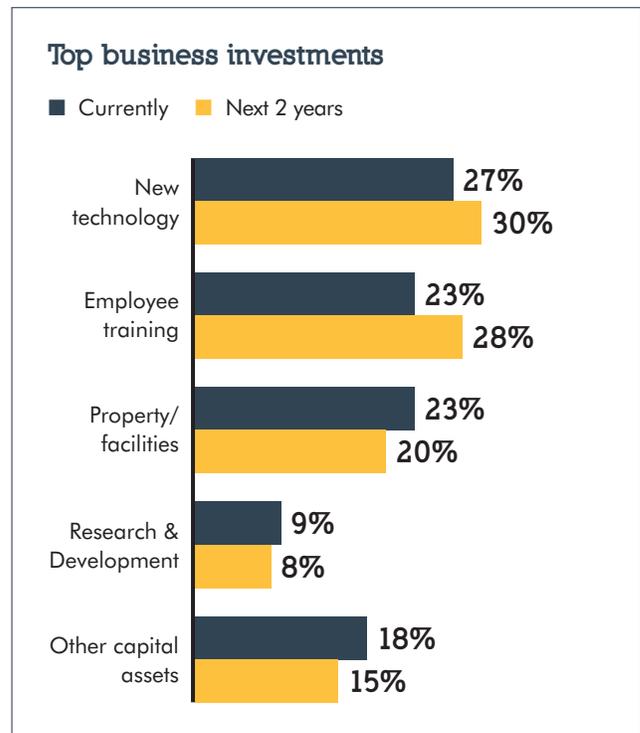


investment over the next two years. Employee training and business property/facilities are tied for second, with 23% of companies saying these are their greatest investment priorities now. Over the next two years, however, employee training takes on slightly greater significance (28% of respondents), and property/facility investments become somewhat less of a priority (20%).

As part of the Jobs Bill passed during the 2011 special legislative session, Connecticut’s Department of Economic and Community Development created the Small Business Express Program (EXP), which provides loans and grants that allow businesses with fewer than 100 employees to expand, hire workers, and make capital investments. The program is aimed at helping companies that are creating new jobs within Connecticut’s economic base industries, such as precision manufacturing, bioscience, business services, green and sustainable technology, and information technology.

While 11% of the businesses we surveyed this year say the EXP does not apply to them, 13% report that it has been somewhat or very important to their company.

More than two years after its launch, however, two-thirds



of Connecticut businesses surveyed are unaware of the program.

Challenges

Although businesses are confident about their future, they are not nearly as optimistic about Connecticut’s economy overall.

Indeed, the business community’s overarching concern is the state’s economy (34% say it is their single greatest concern), followed by U.S. economic conditions (18%), healthcare costs (16%), the tax burden (11%), and the cost of regulatory compliance (10%). A weak lending climate dropped off the list as a top concern.

More than one in five respondents indicate that their company is considering moving or shifting significant



“We launched the CT20x17 campaign to make Connecticut one of the best places to do business. Improving our economic competitiveness is essential to creating a better future for everyone in our state.”

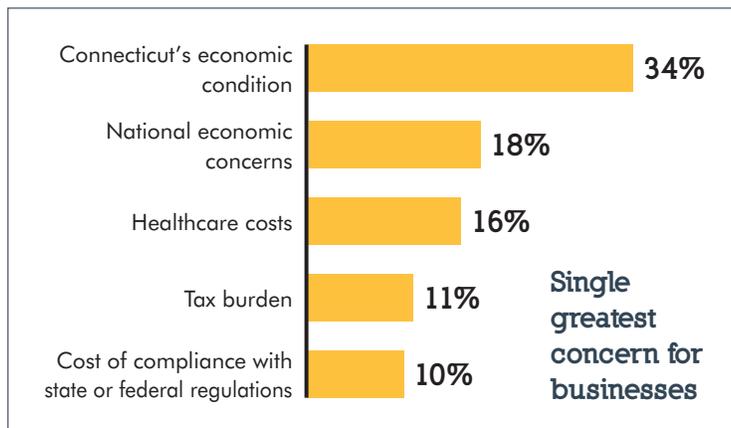
John R. Rathgeber | President & CEO, CBIA

production to another state within the next five years, and 29% are considering expanding elsewhere over that same period. These findings underscore the need for Connecticut policymakers to focus on making the state more competitive and more responsive to the business community.

Move Connecticut Up: CT20x17

For Connecticut to become more economically competitive and move up in national business climate rankings, our government leaders must do a better job of embracing policies that will make the state a leader for business investment, a place where companies want to locate, expand, create jobs, and become vital contributors to their communities.

We asked executives in an open-ended question to name the most important thing policymakers can do to increase Connecticut’s economic competitiveness. Responses were very strong in two areas: reduce taxes (52%) and pass regulatory reform (24%). In this past legislative session, the General Assembly did, in fact, pass a regulatory reform bill—HB 5049 (PA 14–187): An Act Eliminating



“After a lot of lean years, this year’s survey provides positive news on the growth and profitability fronts aided by investments in technology and employee training. Connecticut’s well-developed network of business relationships between large and smaller firms has benefited both, and has been a critical factor in creating an environment that nurtures the launch and development of new firms, which are a major source of net new jobs.”

Dr. Susan Coleman | Professor of Finance, Barney School of Business, University of Hartford

Unnecessary Government Regulation—that cut 1,000 pages of arcane or redundant regulations. Although this is a good first step, more work needs to be done to ease the regulatory burden on businesses, including streamlining and speeding the regulatory adoption process.

Other recommendations from survey respondents were to curb government spending (11%), increase tax incentives (7%), and improve infrastructure (6%).

Many independent national reports rank our state’s overall business climate among the bottom 10 in the U.S. This year, CBIA and its partners launched CT20x17, a multiyear campaign aimed at moving Connecticut into the top 20 states for business by 2017.



“The latest survey results show the need to improve our business climate; they reveal the real difficulties of trying to run a business here in the state. Needless to say, it’s a day-to-day challenge for most of my clients given rising healthcare costs and the higher costs of state government, which are outpacing our ability to pay for it. In that respect, fiscal discipline seems to have become somewhat of an anachronism.”

Don Klepper-Smith | Chief Economist & Director of Research, DataCore Partners LLC

The campaign promotes a framework of commonsense policies to make the state one of the best places to do business by reducing costs where possible, ending the recent cycle of budget deficits, reducing the state’s massive long-term debt, improving our transportation infrastructure, and enhancing Connecticut’s strengths.

CBIA and BlumShapiro’s annual *Survey of Connecticut Businesses* will be an important tool as we measure progress in these areas.

Interdependence: Large and Small Businesses

When it comes to innovation, information-sharing, supply needs, and financial and technical mentorship, neither small nor large businesses operate in a vacuum.

Connecticut’s small, midsize, and large multinational businesses are interdependent, and our survey results bear that out—for example, 58% of respondents are somewhat or highly dependent on relationships with larger firms in the state.

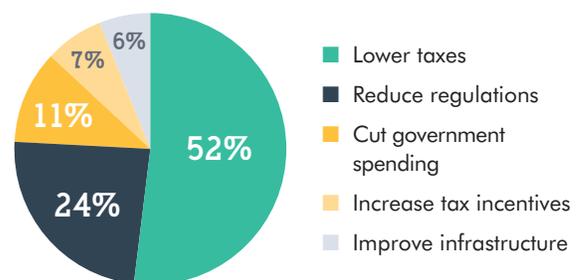
“Each is deeply embedded in the overall U.S. economy with extensive connections to each other,” says Matthew Slaughter, associate dean at the Tuck School of Business at Dartmouth, on the subject of small and large businesses. Research that Slaughter conducted with the Business Roundtable in 2010, for instance, shows that the average American multinational corporation buys roughly \$3.27 billion worth of goods and services from more than 6,000 small U.S. businesses.

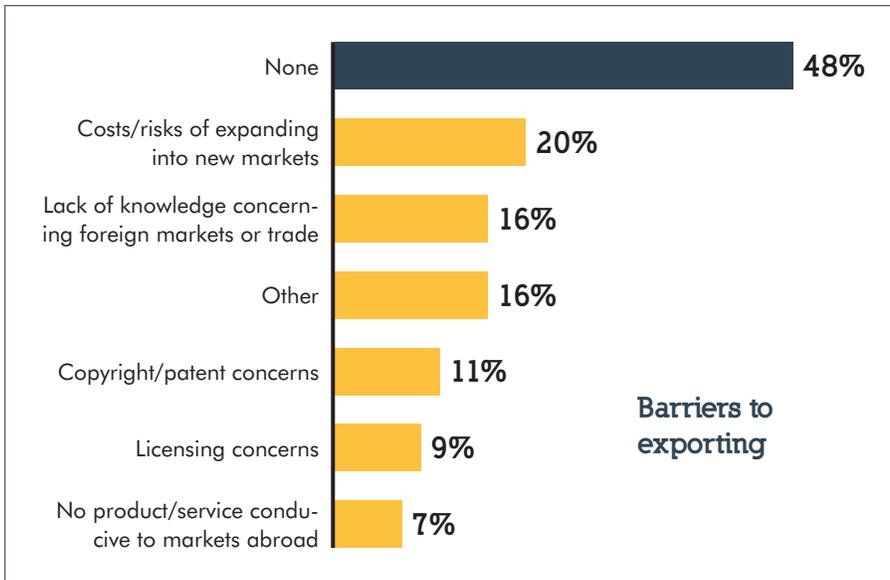
Exporting

Three-quarters of the manufacturers participating in this year’s survey engage in exporting, and 14% have received state or federal export assistance.

The greatest barriers to exporting are perceived costs and risks of expanding into new markets (identified by 20% of respondents), lack of knowledge of foreign markets (16%),

Single most important action policymakers can take to enhance business





Among businesses of all types, workforce demand through 2015 is concentrated on mid-level employees (33% of companies say this is their area of greatest demand) followed by entry-level employees (29%), line workers (28%), managers (8%), and executive leadership (2%).

Among manufacturers, advances in automation have not replaced manual labor or reduced the need for skilled workers in the majority of cases (63% of respondents).

and copyright/patent concerns (11%). Forty-eight percent of manufacturers report no barriers to international trade, and 55% of exporters attribute more than 10% of their sales to exports.

Ninety-four percent of companies engaged in foreign trade export to countries in North America, which they also identify as the area with greatest export potential for the future. Other markets include western Europe (56% of exporters responding), Asia/Pacific Rim (53%), South Asia (32%), South America (30%), eastern Europe (26%), and Australia/New Zealand (25%).

Workforce

Imagine if two out of every five workers in your company reached retirement age within the next decade.

That's the reality for 25% of the companies we surveyed.

In fact, 78% of executives who took our survey are over the age of 50; of those, half are 61 or older.

To attract qualified workers, respondents offer competitive benefits packages (70%), good compensation (69%), training (45%), and growth opportunities (40%).



“Connecticut’s workforce is aging, with 53% of our respondents reporting that 20% or more of their workforce is 55 or above. This, coupled with businesses struggling to find qualified workers, highlights the need for our state to continue to invest in training and development programs while creating an environment that retains and attracts new talent into our state.”

Joseph A. Kask, CPA | Office Managing Partner, BlumShapiro

While 38% offer flexible work hours, only 8% offer telecommuting. One in four respondents also has specific practices or policies designed to attract and retain younger workers, including internships, tuition reimbursement, high entry-level wages, apprenticeships, and school/college recruitment programs.

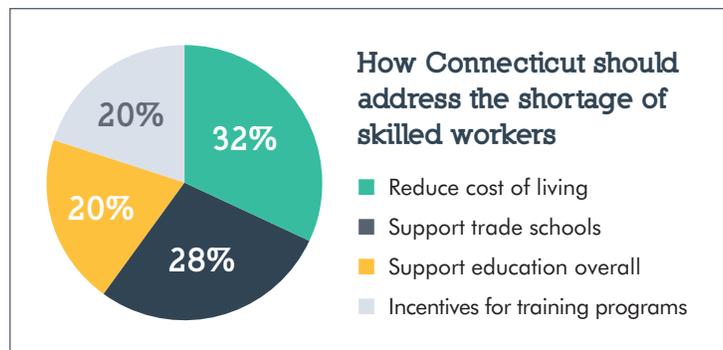
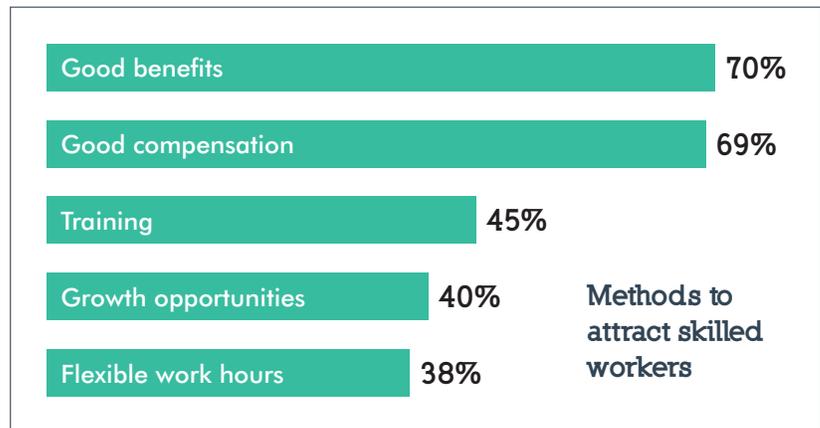
More than half of the businesses we surveyed employ temporary workers (58%) and interns (57%), and one-third use apprentices (34%)—all of which provide sources of well-vetted permanent hires. Indeed, the vast majority of respondents (79%) use apprentices, temps, and interns with the intention of making them permanent employees.

In an open-ended question, businesses recommend that the state address its skilled workforce shortage through policies that reduce the cost of living and with investments in education, particularly in technical and vocational schools.



“Connecticut firms plan on increasing the number of employees over the next 12 months, which is encouraging. Nearly 60% of respondents report using temporary help and interns—most of whom ultimately become permanent, full-time workers.”

Todd Martin | President, Todd P. Martin Economic Services



About the Survey

Methodology and Demographics

The 2014 Survey of Connecticut Businesses was distributed in June to 4,562 top executives of Connecticut companies across the state. We received 460 responses, for a return rate of approximately 10% and a margin of error of +/-4.3%. All figures are rounded to the nearest whole number and may not total exactly 100%. Nearly one-third of the businesses participating in this survey were manufacturers, the vast majority of which have production facilities in Connecticut (93%). In addition, 23% have production facilities in other states, and 17% have facilities in other countries.

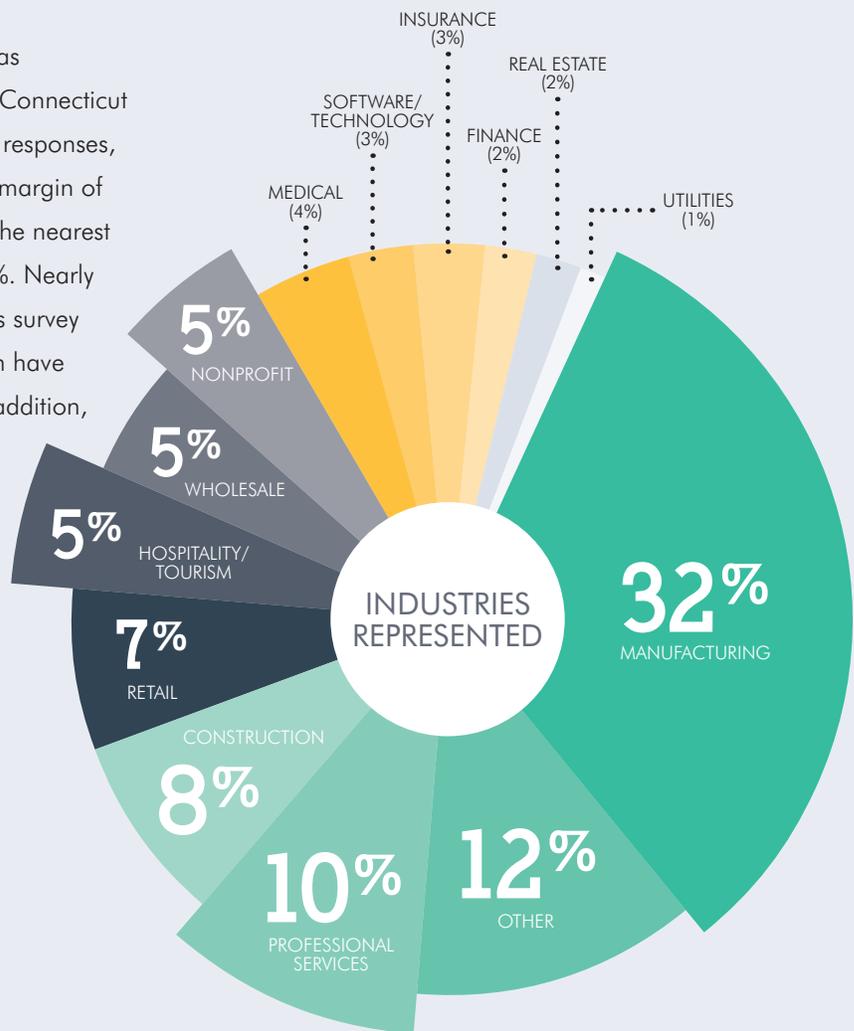
For more information or additional copies of the report, please contact:



Tom DeVitto
Chief Marketing Officer, BlumShapiro
860.561.6851
tdevitto@blumshapiro.com
blumshapiro.com



Peter Gioia
Vice President & Economist, CBIA
860.244.1945
pete.gioia@cbia.com
cbia.com | [@CTEconomist](#)



About BlumShapiro

BlumShapiro is the largest regional accounting, tax and business consulting firm based in New England with offices in West Hartford and Shelton, CT; Boston, Newton and Quincy, MA; and Providence, RI. We have nearly 400 professional and administrative staff, making us the 56th largest public accounting firm in the United States. Our size has allowed us to develop specialized industry knowledge and dedicated staff who focus on a broad range of businesses in Manufacturing, Distribution, Retail, Healthcare, Education, Government, Non-Profit, Construction, Automotive, Professional Services, Hospitality and Real Estate.

BlumShapiro Has Changed the Playing Field for Professional Service Firms

We act as personal advisors to our clients, and, as such, we are personally committed to the success of each and every client we serve. Our philosophy of establishing local offices within the markets we serve, with our people living, working and actively giving back to their communities, has been welcomed by our clients and recognized as important values we share.

Because of BlumShapiro's size, focus and client service philosophy, we have successfully attracted and retained some of the best talent in the country. Our team has the

national experience and industry expertise to assist our clients in meeting their most challenging business issues.

The BlumShapiro team provides clients additional value through the continual development of turnkey solutions that address the changing needs of their businesses.

We compile best practice information through the collective knowledge of our professionals and secondary resources to build state-of-the-art solutions to serve the operational and financial needs of our clients.

By providing these solutions, we help our clients quickly and economically address many of the business issues and opportunities they face.

Resources Available Worldwide

BlumShapiro is an independent member of Baker Tilly International, a leading global network of high-quality, independent accounting and advisory firms. Baker Tilly International is one of the world's leading accounting networks and is represented by 161 firms in 137 countries. Through our close affiliation with our member firms, we have the unique ability to seamlessly service the international requirements of our clients.

Accounting and Auditing

- ▶ Audits and Reviews
- ▶ Budgeting and Cash Forecasting
- ▶ Employee Benefit Assurance

Tax Services

- ▶ Federal Tax Planning and Compliance
- ▶ Executive Tax and Financial Planning
- ▶ Tax Structuring Related to Mergers

Acquisitions and Divestitures

- ▶ IRS Representation
- ▶ Unclaimed Property Matters
- ▶ State and Local Tax Planning and Compliance
- ▶ Real Estate Cost Segregation Studies
- ▶ Estate and Trust Planning

Consulting Services

- ▶ Management and Operational Consulting
- ▶ Process and Controls Consulting
- ▶ Business Solutions Consulting
- ▶ Financial Solutions Consulting
- ▶ Project and Portfolio Management
- ▶ Litigation and Valuation Services
- ▶ Technology Consulting

For further information on how we can assist your business, please contact:



Carl R. Johnson

Firm Managing Partner, BlumShapiro
860.561.6819
cjohnson@blumshapiro.com
blumshapiro.com

About CBIA

Connecticut Business & Industry Association

CBIA is Connecticut's leading business organization, with 10,000 member companies. Our public policy staff works with state government to help shape specific laws and regulations to support job creation and make Connecticut's business climate competitive. Our councils, committees, and roundtables give our members forums for influencing the legislative and regulatory processes.

CBIA is dedicated to improving Connecticut's economic competitiveness through the CT20x17 campaign. With the support of more than 50 leading business and professional organizations from across the state, CT20x17 is a broad-based, multiyear campaign aimed at moving Connecticut into the top 20 states for business by 2017. Learn more at ct20x17.org.

One of CBIA's most important functions is to provide our members with information to help them better manage their businesses. We conduct training seminars and workshops; arrange for consulting services; and hold conferences on environmental regulations, safety and health, human resources, compensation and benefits, taxes, energy, economic conditions, and healthcare. Our free telephone consulting service gives members



access to our experienced staff of professionals on a wide range of business topics.

Many CBIA members take advantage of our employee benefits plans, discount programs, and group purchasing opportunities. These include innovative health and dental insurance programs through CBIA Health Connections—CBIA's private-sector health insurance exchange—as well as other insurance lines, retirement plans, a COBRA continuation program, group energy purchasing, and member discounts on everything from packaging materials to background checks.

Learn more at cbia.com.    

BlumShapiro

Accounting | Tax | Business Consulting

West Hartford and Shelton, CT | Boston and Quincy, MA | Providence, RI | blumshapiro.com



350 Church St., Hartford, CT 06103-1126 | 860.244.1900 | cbia.com