REPORT ON EXECUTIVE INTERVIEWS FOR 2013 CEDS

ABOUT THIS MATERIAL

This report summarizes the findings from executive interviews conducted by David Rackey from April 2012 to January 2013 to gather views and opinions on the general business environment in the REX region.

ORGANIZATIONS SELECTED FOR INTERVIEWS

The Corporations interviewed for this study were selected based on several criteria. Most important was that a significant portion of their revenue comes from outside of the region. Employers serving only the local community such as lawyers, accountants and insurance brokers were excluded for two reasons. First, they are not as aware of differences between regions as those who serve a broader area, and second, they are less likely to move.

Those selected also represent different kinds of businesses, a cross section of employers, that are likely to experience the local business environment differently.

Finally, interviews were held with managers involved with organizations that exist to help our business community. These included people from Yale and from the University of Connecticut who focus on new business formation.

Here is a list of the organizations and individuals interviewed:

Alvine, Robert CEO, i-Ten Management Corp, Woodbridge, COB of Trustees, Jackson Laboratories, Farmington

Astram, Michael—President, Northern Designs, North Haven

Ballard, Slate and Janke, Ken—founders and managers, The Grove, New Haven

Berkowitz, Ben—CEO, SeeClickFix, New Haven

Bray, Wes—Lead mentor, Yale Entrepreneurial Institute, New Haven

Brincati, Jay—VP Operations, Foxon Park Beverages, Foxon
Burns, Kevin—President, Precision Combustion, Inc., North Haven
Candelora, Anthony—Vice President, Taconic Wire Inc., North Branford
Casey, Robert—Founder and COO, YouRenew, New Haven
Conlisk, Kevin—CFO and owner, Alinabal, Inc., Milford
Clupper, Jerry, SSI Consulting Group, Woodbridge
Crane, Jack, Director Growth Strategy, CONNSTEP, Rocky Hill
Ebert, Michael H, M.D.—Chief of Staff, VA Connecticut Healthcare System, West Haven
Froshauer, Susan, Director, Technology Exchange Portal, University Of Connecticut, Office Of Economic Development
Joyce, Roger—Executive Vice President—The Bilco Company, East Haven
Maloney, Michael—President, Maloney & Company LLC, Guilford
Potts, Jamila and Timothy, Dark Field Technologies, Orange.
Silverstone, David, President, Science Park Development Corporation, New Haven
Volcheck, Mark—Executive Vice President, Higher One, New Haven
Wilbur, Marna—Director, Corporate Communications and Public Relations, ASSA ABLOY, New Haven
Zucker, Lauren—Associate Vice President and Director of New Haven Affairs, Yale University, New Haven

INTERVIEW FORMAT

Each interview began with a description of the project and its goals. Interviewees were guaranteed anonymity so that they could feel free to provide candid answers. Thus, the source of individual responses has not been identified.

To avoid “planting” problems that are not significant, initial questions were of a general nature to identify issues the executive found most important for his or her particular business or organization. Subsequent
questions delved into topics that were not initially raised but that could be important such as the cost and availability of skilled labor, space, transportation, energy and other operating costs as well as issues involving the State, city or town. Careful notes were taken during each interview and subsequently reviewed to find common elements and patterns. Those elements and patterns were then condensed for this report.

SUMMARY OF FINDINGS

NOTABLE CHANGES FROM 2007

There were several observations worth noting when comparing the 2007 and 2012 interviews:

1. Perhaps most significant, the attitudes towards the State and local governments has improved in the view of most, but not all, executives. In 2007 there was palpable anger with State government among a significant number of senior executives. While some highly placed executives still use the terms like “punitive” and “dysfunctional” when describing State agencies most seem to view them as merely unconcerned, unresponsive or incompetent.

   Attitudes toward most town governments and New Haven’s government have improved, although some concerns about New Haven still exist. More on that below.

2. It was significantly more difficult to arrange interviews and executives were less willing to meet and share their views. Many do not know REX or the Council of Governments and some who may were less willing to spend the time.

3. There was surprisingly little change in the views of the basic local business environment. Many of the responses gathered were identical to those that surfaced in 2007.

4. After a relatively few visits with the business community the issues and problems identified were repeated by different executives in slightly different terms.
Several companies have moved manufacturing operations out of the region or the State so that issues they identified in 2007 were no longer relevant. Most, but not all, executives sounded somewhat more optimistic about the economy and its impact on their businesses. In 2007 the recession was near its beginning and executives were feeling the resulting pressures. Now they seem to have adjusted their business strategy, learned how to cope with the new reality, and recognized that they will survive.

Finally, there is currently more emphasis on starting new businesses then there was five years ago, and more resources in the region to help new enterprises to get off the ground.

MORE ABOUT VIEWS OF OUR STATE

Most smaller businesses, particularly those in the service industry which operate in offices as opposed to plants; companies such as software designers, insurance brokers, manufacturers representatives, and accountants, have little interaction with the State. Other than paying higher taxes than they might in other locations, they don’t give much thought to the role of the State or its impact on their business. Yet such firms are numerous and employ a significant number of people.

But those firms and executives who are forced to deal with the State government find it unresponsive and some describe them as having “a punitive attitude” toward business. Several mentioned that State employees often “sit on work” for long periods, don’t return phone calls, don’t answer emails, and take excessively long to respond to business needs.

The most senior executives were the most negative. They have a broader view of the State government, greater experience with other states, and say that they would be hesitant to expand local facilities such as building new plants or divisions. They also fear that the State budget imbalances will inevitably result in yet higher corporate and individual taxes and drive both businesses and highly paid executives to more welcoming states.

VIEWS ABOUT THEIR TOWNS AND CITIES

There were fewer complaints about unreasonable regulations, regulators and town officials than was voiced in 2007. Many towns seem to have
gotten the message and changed policies and employees who were unreasonably blocking business activities. Most executives see their towns as reasonably well managed. They seem to accept that those towns not wanting to encourage industrial development are not unreasonable.

INFORMATION ON SPECIFIC INDUSTRY SEGMENTS

MANUFACTURING

Our region, and Connecticut in general, has long been a hub of manufacturing, and while much of the industry has migrated out of the region to lower cost areas, it is still a vitally important source of employment. Those manufacturers interviewed identified a variety of challenges facing the industry in this and other regions in the State, but many still manage to survive and prosper.

The most commonly expressed, and most difficult challenges, surround costs. Taxes, wages, energy and real estate are all significantly more expensive than they would be in other regions.

Labor, and finding reliable and trainable employees is a challenge for some, but not all, employers. Those companies that offer the best jobs and most appealing work environment are able to attract the best people from a limited pool of available workers. Those that do not appear to prospective employees as among the best companies to work for have a more difficult job attracting the best candidates.

While employers don’t expect new hires to understand all aspects of their jobs, they need employees with the basic mathematical and communication skills required to complete the company training programs and work in their environment. These employees are harder to find than might be expected in a region with good education systems.

New capital intensive approaches to manufacturing, or “lean manufacturing” along with rising wages in Asia are facilitating the return of the function from overseas. But while this is a cause for optimism, there are few examples to look at in our region.

THE SERVICE INDUSTRY

Because they are less influenced by operating costs or regulations as manufacturing companies, managers in the service sector are more
influenced by proximity to markets and the quality of life the region offers. Many are here because they like living here.

Companies in the financial services industry face additional hurdles since they are required to test for drugs and find it difficult to find eligible candidates in some communities.

Many “new” industries such as software design and engineering tend to attract younger employees who may not favor this region. But the number of skilled specialists in this area seems to be increasing and may become less of a problem over time. Most companies seeking “office workers” without technical skills are able to find them.

HEALTH CARE

The healthcare industry has enjoyed particular success in this region serving patients from within and considerably outside the geographical area. Hospitals in particular employ a wide range of people from unskilled maintenance staff to highly trained and experienced physicians and surgeons. Most of the hospitals in the region are associated in some way with Yale New Haven and Yale University’s School of Medicine, and these offer a major attraction for doctors.

Most medical practices have little difficulty in hiring physicians and trained health care technicians if they can pay competitively and offer an acceptable work environment. Those that are forced to restrict pay levels or who don’t offer a satisfying work experience face more challenges.

BIOSCIENCES

This category includes organizations that specialize in pharmaceutical and other medical research, and firms that design and manufacture medical devices. Pay levels for employees in this industry are high and it provides a significant contribution to the region’s economy. But there is strong competition from other regions, including some in Connecticut, for research and investment dollars. Some believe that the industry will have a difficult time growing in this and other regions.

OTHER ECONOMIC FACTORS TO CONSIDER
QUALITY OF LIFE IN OUR REGION

While often overlooked as part of an economic discussion, one of the region’s greatest assets is the quality of life it affords those who value the amenities the region offers and who can afford to live here. Many executives would find it financially advantageous to move their entire company to lower cost areas but stay in the region because they and their families like living here.

Quality factors include good schools, well run towns, access to the seashore, a rich cultural life including world class music and theater, natural history and art museums, and a wide variety of high quality restaurants.

These quality factors also create a “critical mass” of people with higher education and earnings that provide an important social contingent for like minded people. Those social interactions and the close friendships that develop keep executives in this region.

Younger people, especially recent college graduates, have a mixed experience in the region. While New Haven provides an increasingly interesting life style for that cohort, it does not offer the level of excitement or the employment opportunities available in major US cites such as New York, Washington, Boston, or San Francisco, but it is more affordable.

Young people who are part of the “Yale Community” find it easier to network in both business and social circles than those who are excluded. Those who are not part of that community have a more challenging experience although there are concerted efforts by some employers to create more networking opportunities for them.

Young families voice concern about raising children in the city because of the perceived shortcomings of the school system and fear of crime. Many move to the adjoining suburbs. It often signals a turning point in their regional identity.

THE IMPACT OF YALE UNIVERSITY AND OTHER SCHOOLS ON THE ECONOMY

During the interviews executives mentioned directly or indirectly business, cultural, and social issues that are influenced by Yale
University. It would be difficult to overstate the importance of the education contingent, and particularly Yale University and its various schools, to the region’s economy:

- They are a major employer in the region of faculty, administrative staff, maintenance staff and security personnel.
- Their students bring substantial dollars to the region that are spent in retail stores and on professional services.
- Yale’s School of Medicine is the nucleus for the many hospitals in the area and many of the physicians who practice in those hospitals teach at the School of Medicine.
- Yale’s New Haven campus and its variety of modern and gothic buildings attract tourists to visit the City.
- In an effort to maintain or upgrade the various neighborhoods in New Haven, Yale has invested millions of dollars in purchasing, renovating or updating both commercial and residential buildings. Some have been resold to employees or to desirable buyers in the general market.
- Yale, and Yale New Haven Hospital have initiated home buying assistance programs for their employees facilitating more stable and financially secure neighborhoods.
- The Yale Entrepreneurial Institute helps to found, fund and nurture new businesses for its students and faculty.
- Yale’s research activities result in the development of new businesses in medical and other technical specialties.
- Yale’s museums, musical performances and theater bring scores of tourists to the region and add to the quality of life of its residents.

AVAILABILITY OF SKILLED EMPLOYEES

As stated earlier, executives vary on their view of the labor force. Some have little difficulty in finding competent employees. Others express an opposite view. The greatest shortage might be in hiring capable and motivated unskilled employees for functions like warehouse management, drivers and basic manufacturing. Higher up the scale, experienced engineers are often hard to find.
But professional level employees are easier to identify and reach, and often can be attracted to the area from other regions.

One potential problem identified by several employers is the aging of the regional work force. Too few qualified young people stay in the region and as older employees reach retirement age there may not be a readily available supply of trained younger workers to replace them.

**TRANSPORTATION**

Those executives who must travel nationally and internationally would like to see expanded service from New Haven and Hartford–Springfield airports, and better transportation to the New York airports.

Many express concern that the major highways can be congested during rush hour and are particularly frustrated with limited public transportation in the region and limited parking in New Haven. This exacerbates the challenges for those employees who must commute to work on public transportation.

But they also see improvements in the system including the I 95–I 91 interchange in New Haven and some expansion of airline services at Tweed.

**ENCOURAGING NEW BUSINESS FORMATION**

There has been a significant increase in activities to help found and nurture new businesses in the region. The Grove on New Haven’s Orange Street, Yale’s Entrepreneurial Institute (YEI) and groups of experienced business executives provide advice, funding, space and expertise on business formation. Yale focuses primarily on helping its students form new enterprises and it’s faculty to bring their technical innovations to market. Many see this as a cultural change and not just an increased effort.

But new enterprises are tenuous and most fail. Several of those that have been successful plan to move out of the region to take advantage of areas with a larger and less expensive a skilled work force, and attractive and reasonably priced space. Still, some, like Higher One, will stay and grow.
GENERAL CONCLUSIONS

Viewed from 40,000 feet, although not fully recognized by all business executives, the local business environment is improving. While sometimes congested, executives understand that the area enjoys an extensive web of highways, rail, air and marine transportation facilities matched by few U S cities. While, operating costs may be high relative to the mid–west, south or even rural northeast, they are significantly lower than comparable areas closer to major cities such as New York or Boston.

Manufacturing and labor intensive companies driven primarily by cost considerations are unlikely to settle and expand in the area. This includes publically traded corporations who’s shareholders demand ever increasing quarterly earnings, and privately held companies who’s owners don’t value the lifestyle offered in this region.

Better suited to this region are companies that enjoy high profit margins, particularly those which serve demanding markets in the northeast where proximity is important. Also well suited are companies that employ highly paid professionals who are not as concerned with high living costs.

Executives prefer to locate in areas where their industry and the supply of skilled employees has reached a “critical mass” . This makes recruiting and sharing ideas and even resources more feasible and also attracts suppliers and subcontractors, training and trade schools and other supporting organizations and services. Perhaps the medical and health care industry has reached that “critical mass” in this region, but few other industries have achieved that level of saturation.

While there are a number of organizations that are equipped to provide assistance to local businesses, they are not well recognized by local managers and may be under utilized. Managers are often “hunkered down running their businesses” and do not learn what helping agencies can provide.

Perceptions drive decisions, and this region and the State could do more to increase the awareness of the region’s advantages for a wide range of existing businesses.

SUGGESTIONS FOR REX AND OTHER REGIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS
Perhaps the most important change that can be made is to bring executive perceptions of the area into line with the reality.

Many see the State government as, at best, uninterested in the success of businesses, and that’s clearly not the case. While marketing outside the State is important, most growth is likely to come from within. An effort to reach managers who have little regular interaction with the towns and the State could help, and changing the nature of those points of contact with State agencies and businesses is crucial.

There is an apparent disconnect between the work of organizations designed to encourage business and job creation and management’s perception of them. This may partially stem from managers focusing solely on the day-to-day pressures of their businesses and their lack of awareness of what help is available or what the organizations are doing behind the scenes. This may also be the result of how governmental funding of such organizations is directed.

This leads to three suggestions:

1. First, conduct a study of what kinds of help that REX and other organizations could and should provide companies that executives would find most useful. This could initially be qualitative, consisting of interviews by experienced business managers of local senior executives. If it is necessary to broaden the survey universe, the information collected could be used to structure a statistically valid survey of a broader population. The people managing the study should be independent of any existing organizations to guarantee objectivity.

2. Some thought should also be given to creating an omnibusmen who's function is to help existing employers solve regional problems. This could include putting company executives in touch with existing resources in the area and providing feedback to those local help organizations so that they can improve their offerings. Another function could be to sponsor a networking venue for executives to meet with peers in an informal structure to discuss mutual problems. As one senior executive put it “I would like to be able to find and meet with other managers of companies like mine and people like me”. This is currently hard to do if your industry is not a common one in the region.

3. Finally, businesses need help dealing with the State bureaucracy. The most senior and influential executives feel helpless when dealing with the State. While most are willing to abide by State laws
and regulations they need quicker responses from the where those responses are required.