



THE STATE OF OUR BUSINESS

A PERSPECTIVE FROM
INDIANA EXECUTIVES



**BUTLER
UNIVERSITY**

A collaborative effort by Inside Indiana Business, Ice Miller LLP and Butler University to discover the opinions and attitudes of Indiana's business leaders.



What does it take to start, grow and sustain a business in Indiana? How important is foreign competition? What's the state's role in economic development and what initiatives offer the greatest growth opportunities?

For scholars, executives, elected officials and reporters covering the business community, these questions create a dialogue and a foundation on which we can help build a strategic plan to drive our state's economy. It is also an opportunity to hear directly from Indiana executives about their challenges and the issues that impact their businesses, from health care costs and corporate reputation to customer loyalty and retention.

To that end, Butler University's College of Business Administration, Inside INdiana Business and Ice Miller LLP collaborated to develop, implement and conduct a survey of Indiana's business executives. The 18-month project allowed MBA students at Butler to incorporate relevant, real business experience into their curriculum, part of the college's on-going emphasis on experiential learning. It was also an opportunity for Ice Miller to better understand what drives business decisions and what issues are of greatest importance to decision makers. The outcome culminated, among all the project partners, in a better understanding of the overall business climate in Indiana.

We identified several themes to examine in greater detail in the survey including: CEO challenges and issues, the state's economic stability, the state's role in economic development, human resources and diversity issues, education, technology and CEO work habits.

We found many of the results insightful. We were surprised to learn that "foreign competition" appears not to be a major concern of the respondents. The respondents reaffirmed our assumptions, however, that quality of life issues are critical to Indiana's future economic development with "improving education" the number one issue. We were also perplexed to learn that fewer than half of the respondents feel confident in monitoring key IT leadership or staff members.

We hope to benchmark the results from the 2007 survey so that we can continue to monitor, discuss and analyze the state's progress.

Finally, we would be remiss if we didn't thank the hundreds of Indiana executives who participated in this important project. Their input is invaluable and the totality of their responses will likely shape our state's future.

We hope you find the results as enlightening as we did. We remain optimistic that we have the right resources and talent to grow Indiana!

Sincerely,

Russ Kershaw
Dean, College of Business Administration
Butler University

Gerry A. Dick
President
Inside INdiana Business

Byron Myers
Managing Partner
Ice Miller LLP

Executive Summary

This project represents a collaborative effort by Inside INdiana Business, Ice Miller, and Butler University to discover the opinions and attitudes of Indiana's business leaders. Ice Miller and Inside INdiana Business identified a total of over 1,050 CEOs and other executive officers as potential respondents. Of those contacted, 210 responded to a comprehensive online survey designed by Butler graduate students.

Study highlights include the following:

Section 1: CEO Challenges and Issues

- Respondents rate corporate reputation and customer loyalty/retention as the two most important issues to their companies.
- They rate growing the business internationally and keeping pace with global competition as being the least important.
- They plan to add jobs during the next 18 months.
- They find having enough time, rising customer expectations, and keeping up with technology to be extremely challenging.

Section 2: Indiana's Economic Climate

- Compared to neighboring states, respondents rate cost of living as being a strong advantage for Indiana while the education system is seen as being a strong disadvantage.
- They support the state's initiatives regarding life science and information technology, and expect these two areas to grow over the next few years.
- They would like to see the state focus more on health care and mass transit.

Section 3: State's Role in Economic Development

- Respondents think the state does a better job of developing business than it does of retaining business in Indiana.
- They believe improving education is the most critical issue in determining Indiana's future economic development.

Section 4: Human Resources and Diversity

- Respondents report high demand for sales/marketing, information technology, and administrative/clerical workers in the next five years.
- They are greatly concerned about acquiring talented managers, and not very concerned about immigration issues.
- They agree that diversity at the highest levels is absent from Indiana companies.

Section 5: Education

- Respondents rate public and private universities in Indiana as very strong, and public primary education as weak.
- They provide similar ratings regarding these levels of education as adapting to the changing business climate.

Section 6: Information Technology

- Nearly two-thirds of respondents report their companies as having a formal policy regarding use of the Internet at work, but less than one-third report having a policy regarding employee-authored blogs.
- Fewer than half the respondents feel confident in evaluating or monitoring key IT leadership or staff members.

What We Learned

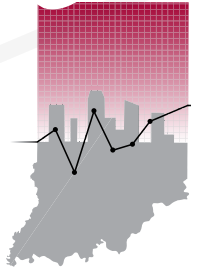
The full report gives you insight and understanding about how the business executives in Indiana feel about their companies, their challenges and what can make Indiana a great place to do business.

Our goal is to offer some viewpoints that may be different than your own and a greater understanding of what makes Indiana's business community tick. We welcome your comments and suggestions as you review the complete report.

This study will be administered annually so that emerging trends and changes over time are monitored.

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Background of the Project

Introduction

The opinions and attitudes of Indiana's business leaders affect us all. Their thoughts on issues such as state economic policies, the Indiana workforce, the relative attractiveness of Indiana as a state in which to conduct business, major challenges on the horizon, and key business trends they foresee drive their decisions – and those decisions collectively impact all Hoosiers. Yet until now, we have never had access to a comprehensive picture of what our business leaders are thinking about these and other topics.

The objective of this project is to identify key issues of Indiana's business leaders and establish a baseline to track these issues over time. Key issues addressed in this project include:

- General challenges of doing business,
- Indiana's economic climate,
- The role of government in economic development,
- Human resource and diversity issues,
- Indiana's educational system, and
- Planning, managing and accessing information technology.

This report summarizes results of the first survey of this group. Our plan is to conduct a similar survey annually.

Methodology of the 2007 Online Indiana Executive Survey

The findings reflect both qualitative and quantitative methods. Qualitative research is useful for understanding the domain and relative importance of issues from the perspective of the target population, for identifying relevant vocabulary, and for uncovering truly new information. Quantitative research is useful for making inferences from a sample to an entire population of interest, for determining how widespread opinions or traits are within the population, and for uncovering potential relationships among all the variables measured. The research process included these key steps:

1. Butler University MBA students collected and analyzed secondary and qualitative data.
2. An online survey was designed and pretested.
3. Over 1,050 Indiana business leaders were asked to participate in the survey, and over 210 CEOs and other executive officers responded.

A detailed description of the methodology can be found in Appendix 1 at the end of this report.

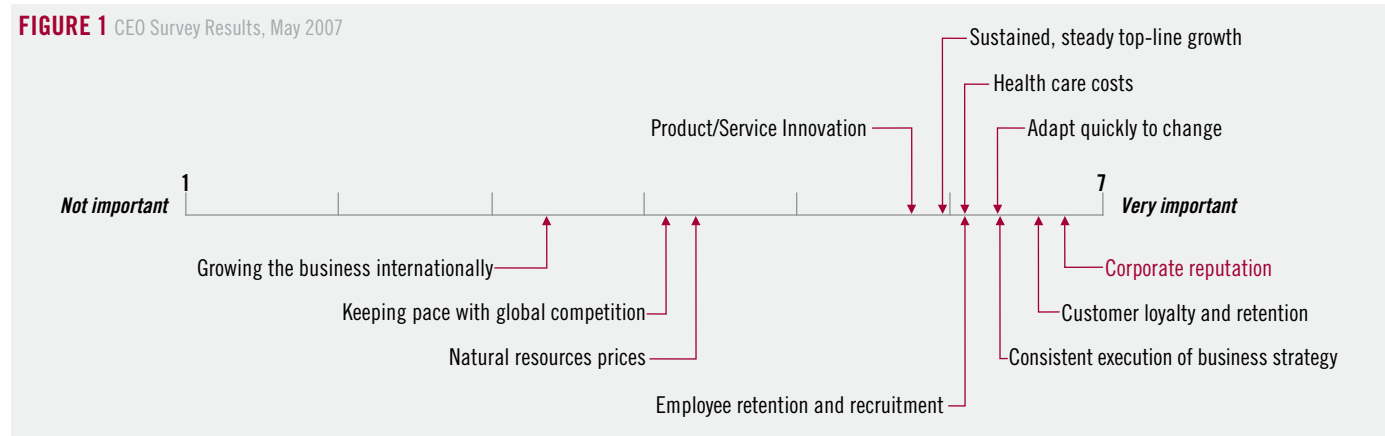
Results of the 2007 Online Indiana Executive Survey

Section 1: CEO Challenges and Issues

The first section of the questionnaire deals with several general issues raised during the qualitative data gathering process. In the first question, respondents are asked to rate the importance of eleven issues on a seven point scale ranging from “not important” to “very important” (Figure 1).

1. Please rate the following issues in terms of their importance to you and your company.

FIGURE 1 CEO Survey Results, May 2007



Eight of the issues are rated as being very important by the majority of respondents, with “corporate reputation” and “customer loyalty and retention” having the highest mean responses.

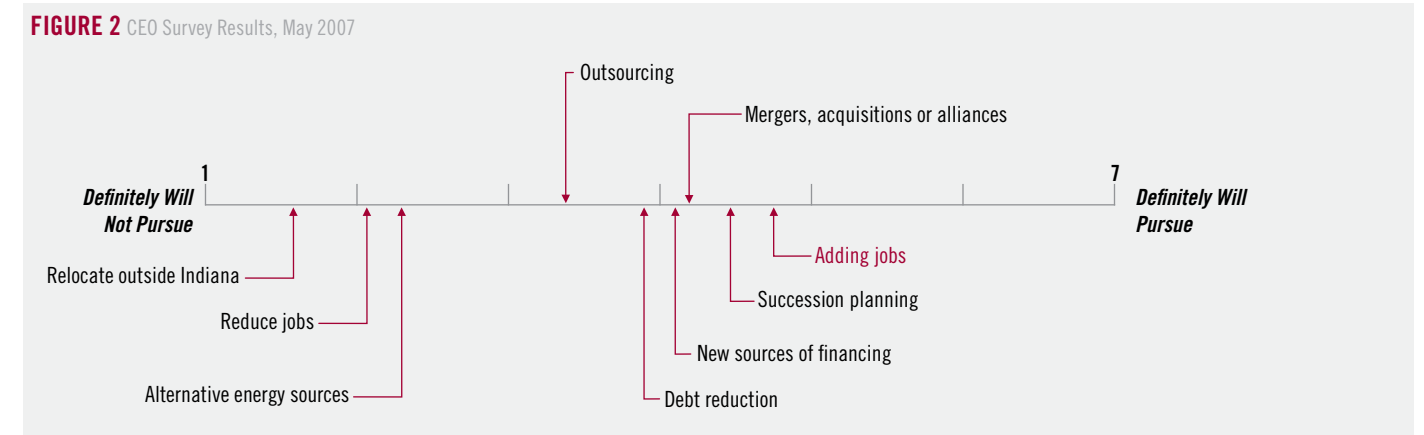
The three remaining issues appear near the middle of the importance scale: “natural resources prices,” “keeping pace with global competition,” and “growing the business internationally.” However, the “natural resources prices” pattern of responses differs significantly from that of the two global issues. Respondents are spread out evenly across the importance scale for “natural resources prices,” indicating a broad range of opinions about this issue. We would expect that these responses are closely related to the relative magnitude of energy usage across industry categories. The pattern of responses to the two global issues is clearly bi-modal, meaning that relatively large numbers of executives view the issue as being either very important or not important, with relatively few responding in the middle of the scale.

Preliminary analysis reveals that larger companies are more concerned about global issues than are smaller companies, that companies outside central Indiana are more concerned than companies in central Indiana, and that more highly educated executives are more concerned than are less highly educated executives.

The second question of this section asks about an organization’s likelihood of pursuing several possible activities during the next 18 months (Figure 2).

2. Please rate how likely your company is to pursue each of the following in the next 18 months.

FIGURE 2 CEO Survey Results, May 2007



Among these nine potential activities, “adding jobs” has the highest average score and also has the largest number responding with a “7” (“definitely will pursue”). In fact, over half the respondents (55%), indicated they are likely to pursue adding jobs by responding with a “5,” “6,” or “7.” Only 26% of respondents indicate they will likely not add jobs by responding with a “1,” “2,” or “3.”

Interestingly, “succession planning” has the second highest average response, again with 55% indicating at least some likelihood of engaging in this activity.

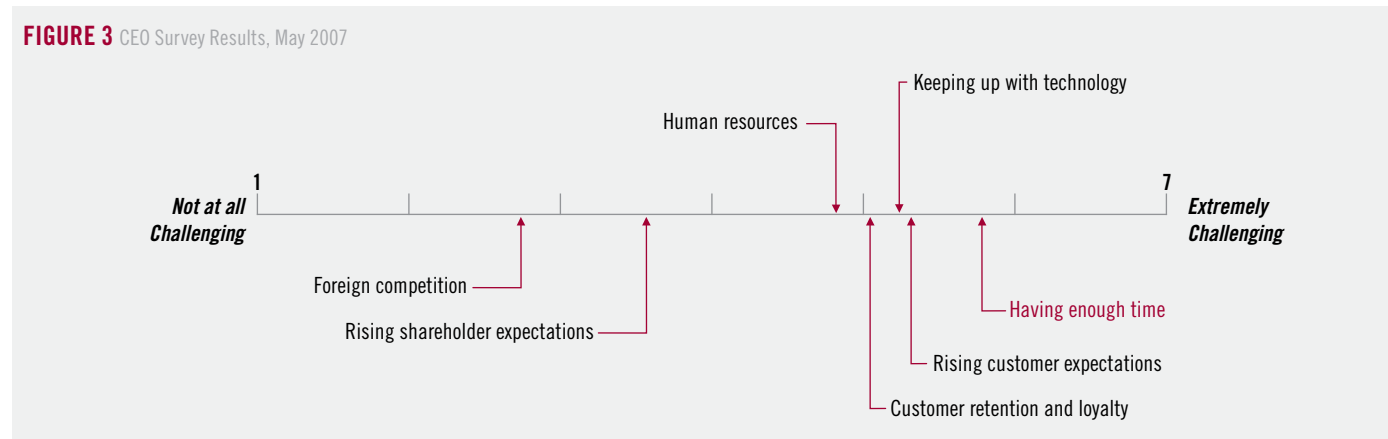
Among those activities least likely to be pursued are, “alternative energy sources,” “reducing jobs,” and “relocating outside Indiana.” Indeed, only 8% indicate any likelihood of relocating outside Indiana, 11% indicate a likelihood of reducing jobs, and 16% indicate a likelihood of pursuing alternative energy sources.

A question for further analysis relates to the relationships among “adding jobs,” “outsourcing,” “reducing jobs,” and “relocating outside Indiana.” Preliminary evidence appears to be counterintuitive: “adding jobs” has a small but statistically significant positive relationship with both “outsourcing” and “relocation.”

The news that companies are likely to add jobs is tempered by the evidence that some of these jobs are probably to be added elsewhere and/or contracted out to other firms. On the other hand, “reducing jobs” does not appear to be significantly related to either “outsourcing” or “relocating outside Indiana.”

The final question of this section asked about “how challenging” each of several issues are to executives and/or their firms (Figure 3).

3. Please indicate how challenging you or your company finds each of the following:



“Having enough time” has the highest average response, with 45% indicating this issue is “extremely challenging.”

The next four issues – “rising customer expectations,” “keeping up with technology,” “customer retention and loyalty,” and “human resources” – all receive average responses around “5” on our 7-point scale. These issues are all considered challenging by our respondents, with relatively few responding near the bottom of the scale for any of these issues.

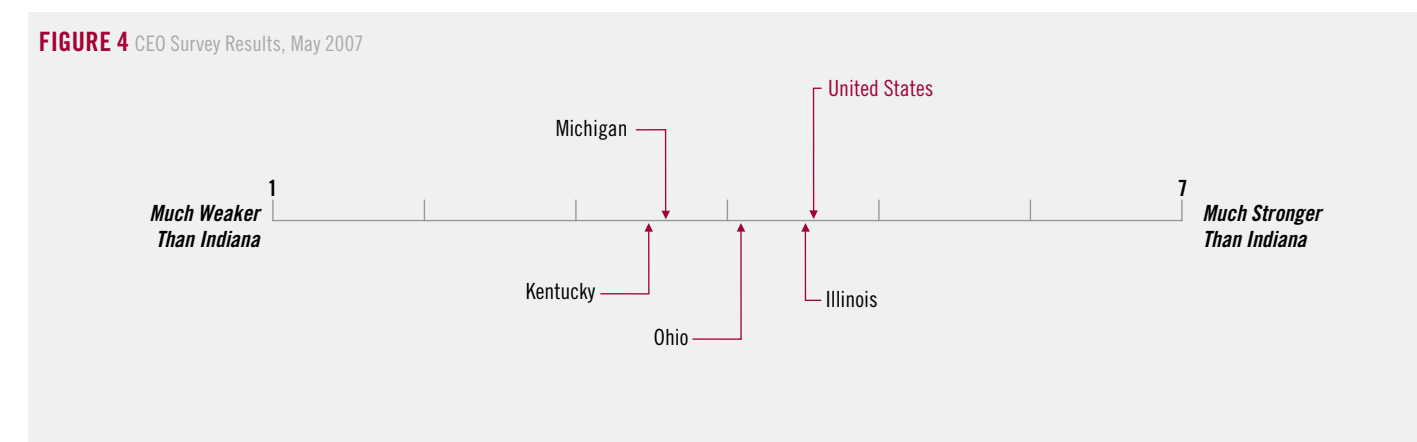
Although “rising shareholder expectations” receive significant press coverage in general, that issue is not considered very challenging by respondents to this survey. The reason the issue is rated so low in this study may be because shareholder expectations are not perceived as rising by our respondents, or because our respondents feel they are able to respond to those rising expectations, or for of some other reason.

Finally, “foreign competition” once again appears not to be a major concern of our respondents. As one might expect, there is a high and significant correlation between this issue in question #3 and the two related issues (“growing the business internationally” and “keeping pace with global competition”) in question #1.

Section 2: Indiana’s Economic Climate

The second section of the questionnaire deals with the economic and general business climate of the state. The first question of this section (question #4) simply asks respondents to rate the relative business climates of Indiana versus those of several surrounding states and the United States as a whole (Figure 4).

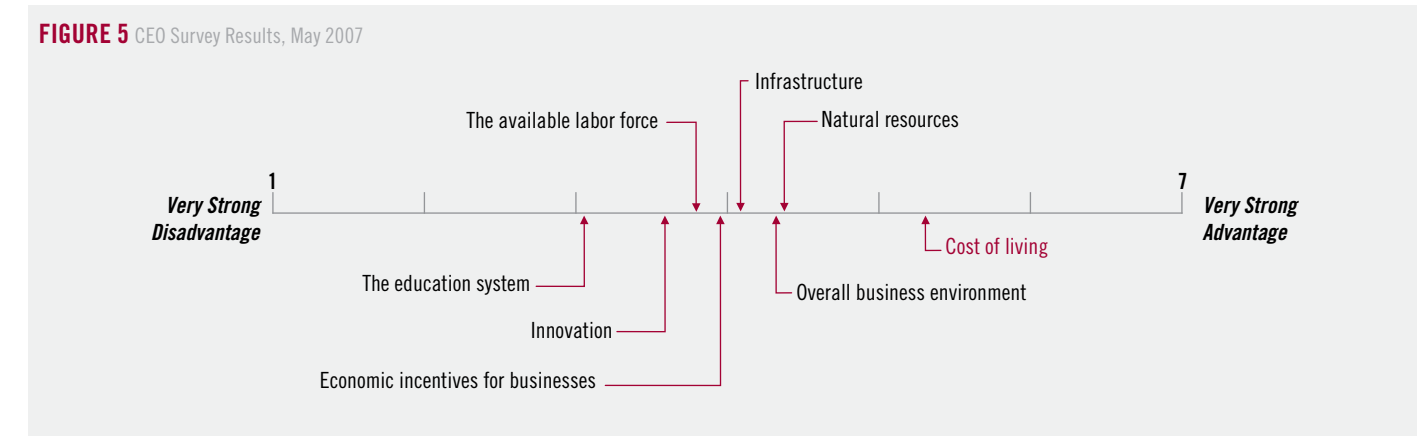
4. Please rate your impression of the business climate in the following places, compared to Indiana’s:



Note that a response of “4” would indicate that a place is perceived to have a business climate very similar to that of Indiana. Briefly, respondents to this survey perceive Ohio to have a business climate very similar to the business climate of Indiana. Indiana’s business climate is thought to be slightly better than those of Kentucky and Michigan, and slightly worse than those of Illinois and the United States as a whole. The differences between Indiana and the other places, except Ohio, are statistically significant.

The second question of this section, question #5, asks about the areas in which Indiana has a relative advantage or relative disadvantage compared to neighboring states (Figure 5).

5. Compared to neighboring states, would you say that Indiana is at an advantage or disadvantage in the following areas:

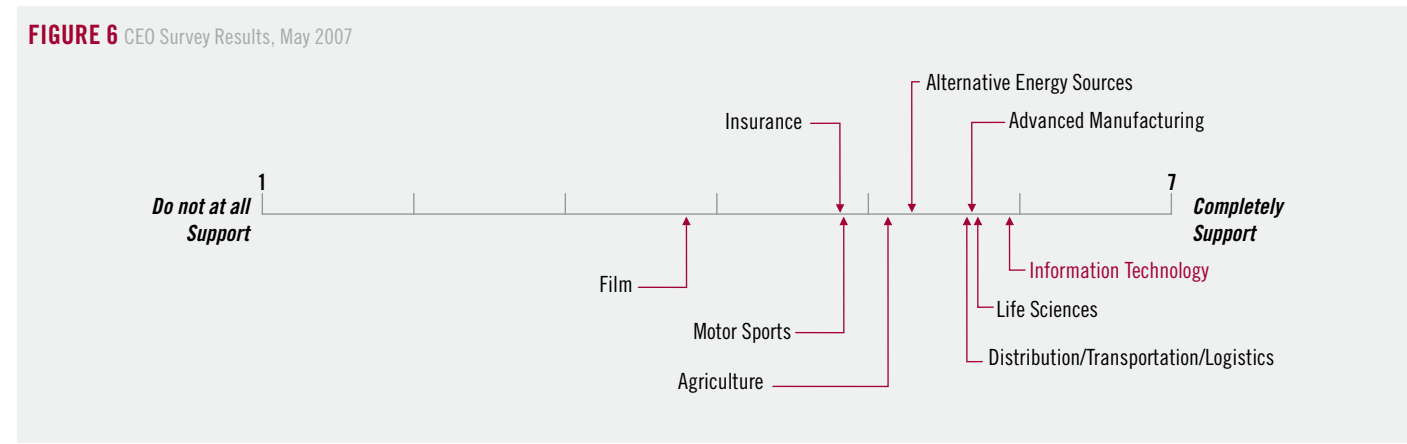


From Figure 5, it appears that our respondents view Indiana’s “cost of living” as a strong advantage, and view Indiana’s “education system” as a strong disadvantage. If the scale midpoint of “4” is thought of as being “similar to other states,” there is a statistically significant difference for all the areas except “economic incentives for business” and “infrastructure.” However, the two extremes of “the education system” and “cost of living” are the only areas likely to be of practical significance.

Indiana's cost of living is thought to be the state's largest relative advantage compared to other items on the list. In fact, only 5% of the respondents rate this area as being a disadvantage at all (by responding with a "1," "2," or "3"). One obvious implication of this advantage is the potential of attracting employees to the state, or paying employees less for a given standard of living. Exactly how Indiana's executive officers attempt to use this advantage remains an open question. However, both common sense and popular press coverage suggest that Indiana's education system would be a significant barrier to overcome for attracting employees to the state.

Respondents were next asked (question #6) to indicate their personal level of support for several state development initiatives (Figure 6).

6. The State of Indiana has identified the following economic development initiatives for Indiana. Please indicate how much you personally support these areas of focus:

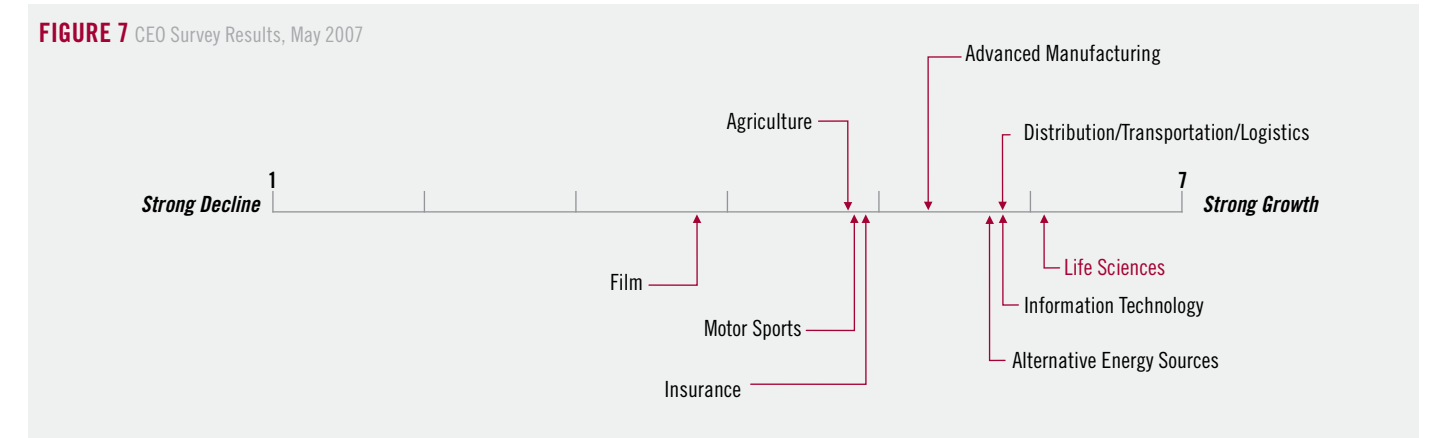


Respondents express at least moderate support for all economic development initiatives presented. Even film, the initiative with the least support, only had 10% of the executives in this survey respond with a "1," indicating no support at all. The top four initiatives, "information technology," "life sciences," "advanced manufacturing," and "distribution, transportation, and logistics," all have similar levels of support with average scores ranging from 5.6 to 5.8. In fact, these four, along with "alternative energy sources," "agriculture," and "motor sports," each have "7" ("completely support") as their modal response category.

Two issues seem noteworthy here. First, support for the seemingly "traditional" industry of "distribution, transportation, and logistics" is as strong as is support for the more "high tech" industries of "information technology," "life sciences," and "advanced manufacturing." There are many possible explanations for this finding which could be the subject of future analysis. Second, support for "alternative energy sources" seems relatively high given the low level of importance placed on "natural resource prices" in question #1 and the lack of interest in pursuing "alternative energy sources" expressed in question #2. Perhaps executives recognize that energy will become an issue in the more distant future compared with the more immediate time frame context of the first two questions.

In a related question, respondents were next asked their expectations regarding the growth or decline of these industries over the next few years (Figure 7).

7. Please indicate how much you expect the following industries to grow or decline over the next few years.

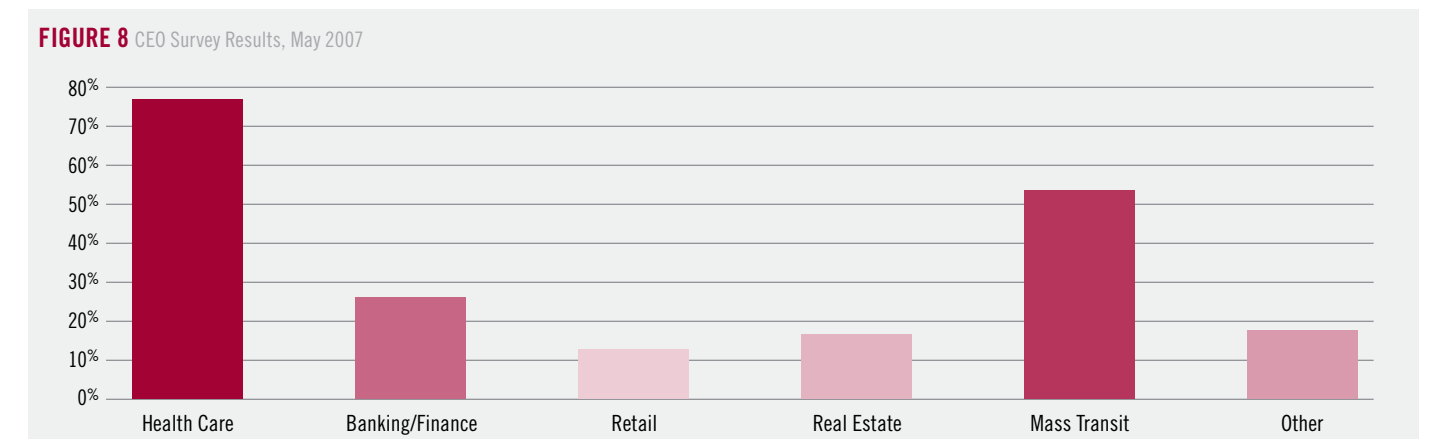


Not surprisingly, there is a strong relationship between those initiatives which respondents support and the relative growth respondents expect each initiative to exhibit over the next few years. The correlation coefficient for the average responses for these two questions is 0.92, which is considered to be very high.

There are, however, two interesting differences between the two questions. First, "alternative energy sources" moves even higher in question #7 indicating respondents expect this industry to grow strongly. Second, "advanced manufacturing" falls out of the top group of four industries when it comes to expected growth. This means that while executives in our sample support advanced manufacturing initiatives, they do not expect it to grow as quickly as other initiatives they support.

The final question in this section, question #8, asks executives which initiatives should be added as an area of focus for the state of Indiana (Figure 8).

8. Which of the following initiatives, if any, do you think the State of Indiana should add to its focus? (select all that apply)



There seems to be broad support among our respondents for the state to add "health care" to its focus areas for economic development. Somewhat surprising may be the widespread support of executive officers for "mass transit" initiatives as well. "Banking and finance," "real estate," and "retail" also received support from significant minorities of survey respondents.

Section 3: State's Role in Economic Development

The third section of the questionnaire is closely related to the previous section and deals with respondents' evaluation of the state in terms of economic development. The first two questions of this section ask respondents to rate the effectiveness of the state government in developing and retaining business in the state (Figure 9).

9. How do you rate the effectiveness of the state government in developing business in Indiana?

10. How do you rate the effectiveness of the state government in retaining business in Indiana?

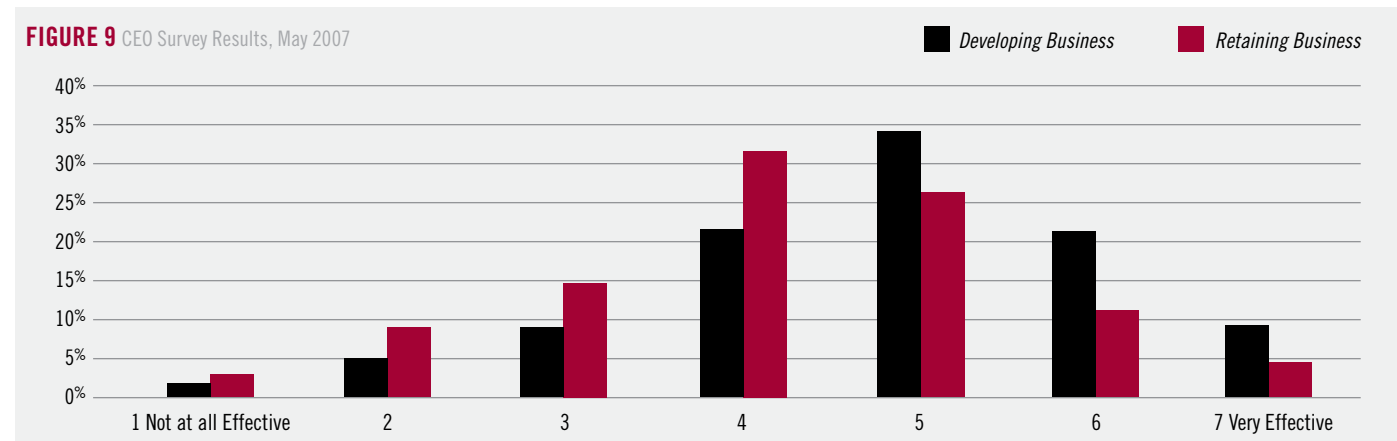


Figure 9 illustrates responses to each question for each response category. Though the distribution of responses to each question has a similar pattern, respondents rate the effectiveness of the state in developing business as being significantly better than they rate the effectiveness of the state in retaining business.

Surprisingly, there is no relationship between either of these questions and responses to three items from question #2: "relocation (outside Indiana)," "adding jobs," or "reducing jobs." In other words, how executives rate Indiana's effectiveness in developing or retaining business is not related to their plans to relocate outside Indiana, add jobs, or reduce jobs. However, there are weak but statistically significant relationships between the effectiveness ratings and perceptions of Indiana's relative advantages and disadvantages as expressed in question #5.

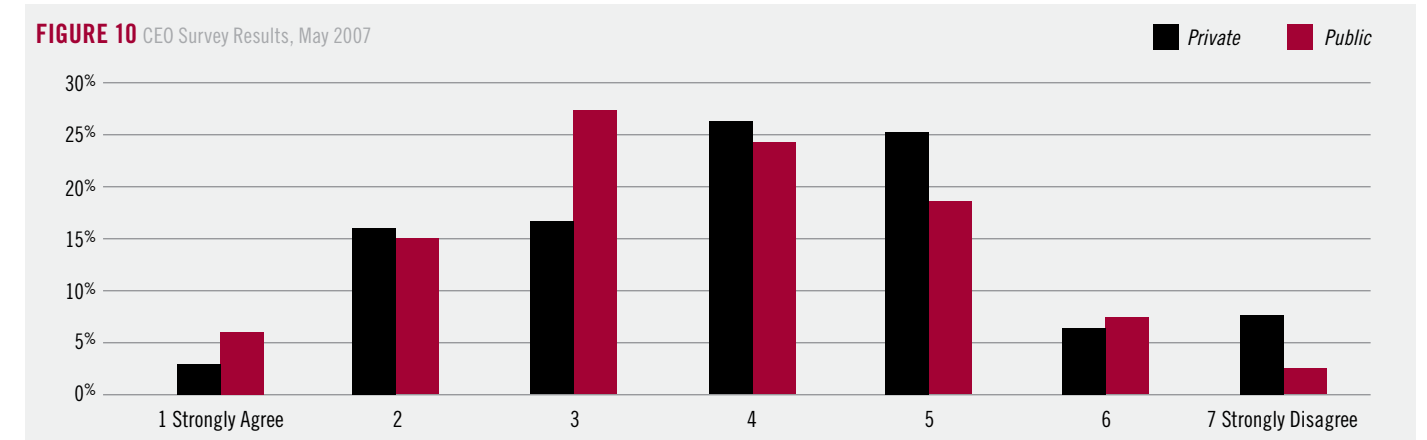
Briefly, those executives who rate Indiana's effectiveness more positively are more likely to perceive relative advantages for Indiana compared to neighboring states in all areas except for the areas of education and cost of living.

The next question asks respondents about their perceptions of the availability of public and private financial resources to help businesses succeed (Figure 10).

11. Please rate how much you agree or disagree with the following statements:

a. Sufficient public resources are available in Indiana to help businesses succeed.

b. Sufficient private resources are available in Indiana to help businesses succeed.



NOTE: Respondents were provided with some clarification of what is meant by public and private resources.

Again, though the distribution of responses to each statement has a similar pattern, respondents rate the availability of private resources as slightly higher than the availability of public resources.

As might be expected, those who rated state government as more effective in questions #9 and #10 are slightly more likely to agree that sufficient resources are available in Indiana.

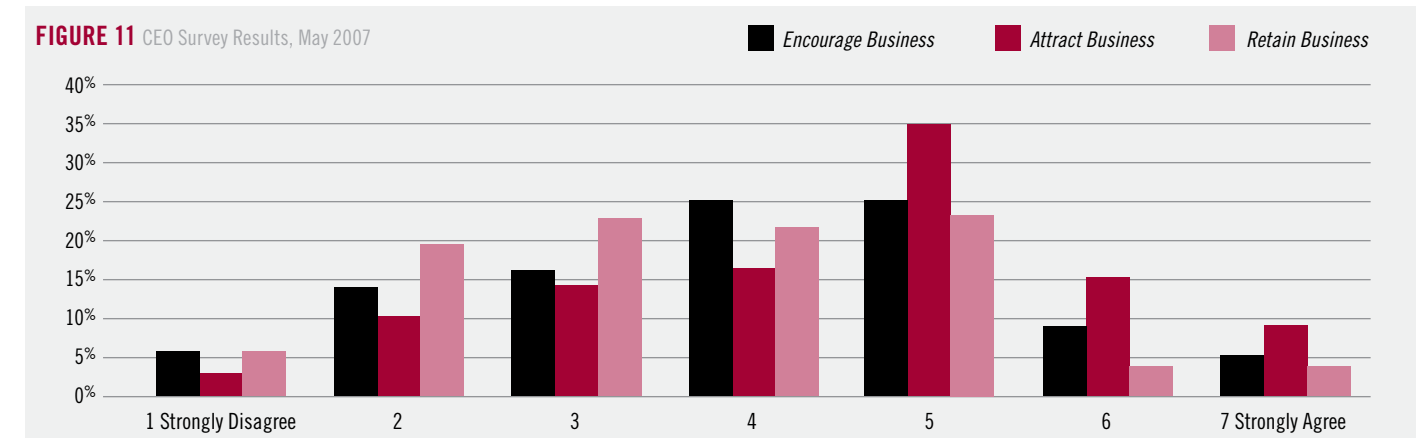
Question #12 asks respondents their relative agreement with a series of statements about whether the state has done enough to encourage business growth, attract businesses to the state, and retain business in the state (Figure 11).

12. The Government in Indiana has done enough to...

a. encourage business growth

b. attract businesses to the state

c. retain businesses in the state

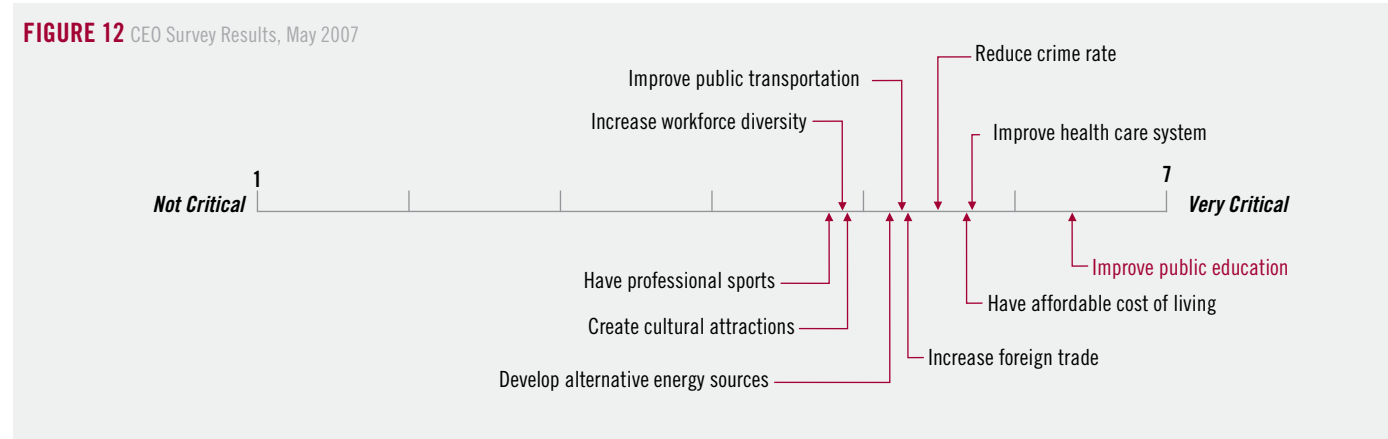


Respondents clearly agree to a different extent with each of these statements. Specifically, respondents are significantly more likely to agree that the state has done enough to attract businesses to the state than they are to agree with either of the other two statements.

In short, executives agree state government is doing enough to attract business to the state, they are neutral in their assessment of the state government in encouraging business growth, and they disagree that the state government is doing enough to retain business in the state.

The final question in this section asks respondents to rate how critical each of several public policy issues are in Indiana's future economic development (Figure 12).

13. Please rate how critical you believe each of the following is to Indiana's future economic development.



Quality of life concerns top the list of issues critical to Indiana's future economic development, with improving education the number one issue. In fact, 68% rate "improving education" a "7," nearly twice the number rating the second most critical issue, "improving health care system," a "7." Section 5 addresses education in depth. The other top two quality of life issues are "having affordable cost of living," the issue perceived as a strong advantage for Indiana in question #5, and "reducing crime rate."

The mid-range cluster of issues includes "increase foreign trade," "improve public transportation," and "develop alternative energy sources." Again, the foreign trade and alternative energy issues seem to be low on priority lists for individual companies but relatively high on the list of issues executives want the state to address. Interestingly, the average rating for "improve public transportation" does not appear to differ by region of Indiana (central Indiana versus outside central Indiana).

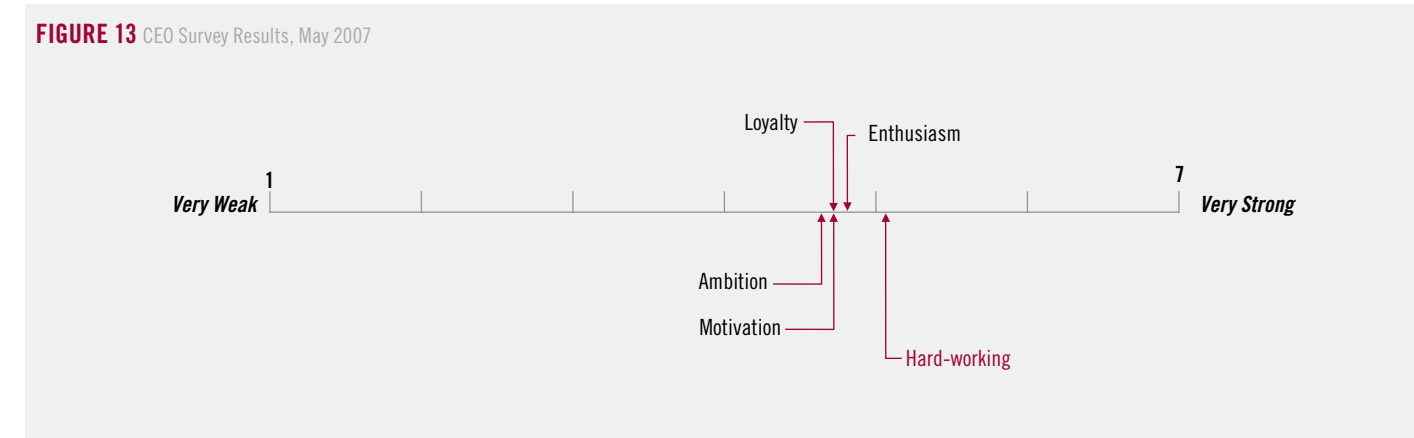
The relatively low-range cluster of issues includes "create cultural attractions," "increase workforce diversity," and "have professional sports." While these three issues seem to receive attention in the popular press, they are perceived as being least critical of the issues presented. Two of these, professional sports and cultural attractions, have been identified as being important for attracting a talented workforce to an area so it may be a bit surprising to see them ranked where they are. Workforce diversity is one of the key areas addressed in the next section.

Section 4: Human Resources and Diversity

The fourth section of the questionnaire asks respondents their opinions about the work ethics of Indiana's labor force, the demand and availability of specific types of workers, employee-related areas of concern, and workplace diversity.

The first question of this section, question #14, asks for evaluation of several specific elements of the state labor pool's work ethics (Figure 13).

14. Thinking of the labor pool available to your company, please indicate how strong you believe the following work ethics are in the labor pool:

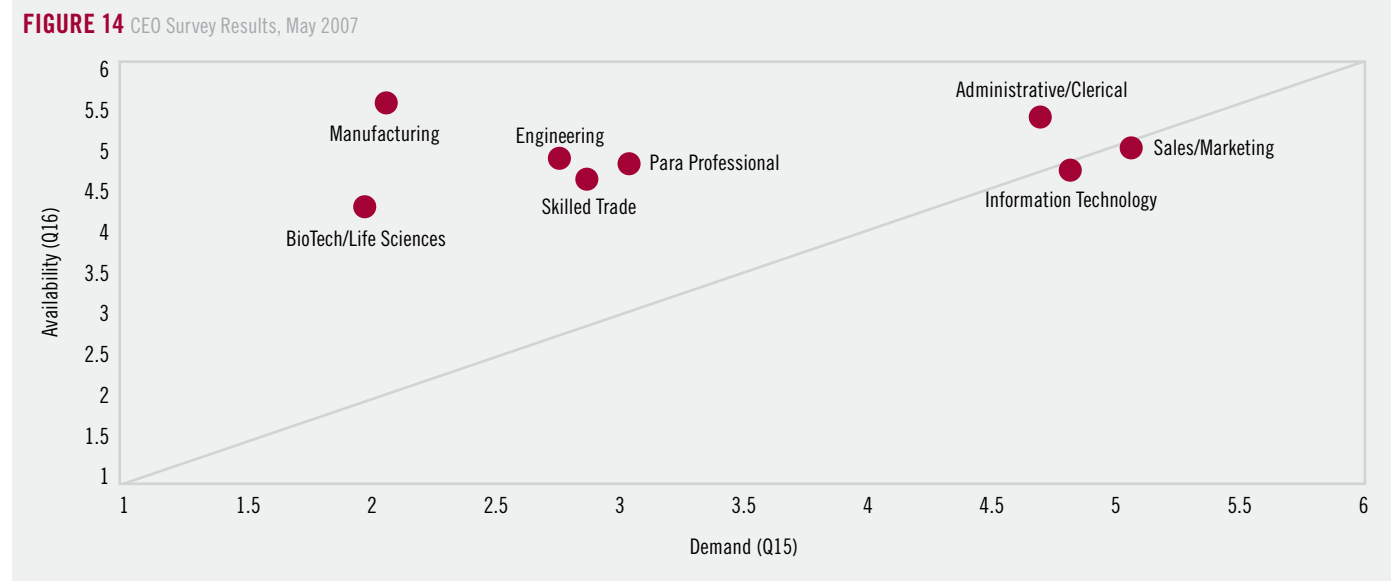


Executives in this survey rate the labor pool's work ethics as slightly positive, with virtually no difference in the perceived levels of "ambition," "loyalty," "motivation," or "enthusiasm." Respondents do rate the labor force as being a bit higher on the attribute "hard-working."

The next two questions ask about the demand for and availability of specific types of workers (Figure 14).

15. In the next five years, how much of a demand do you anticipate your company will have for the following types of workers?

16. How would you rate the availability of the following types of workers?



The responses to question #15 regarding demand appear on the horizontal axis while responses to question #16 regarding availability appear on the vertical axis. The presentation of responses to both questions in a single graph provides the ability to simultaneously assess perceptions of demand and availability. However, it is worth emphasizing that the questions are somewhat asymmetrical in that question #15 asks about demand for a type of worker by the respondent's organization specifically, not demand for that type of worker in general, whereas question #16 implies a more general availability for that type of worker.

The diagonal line represents an exact match between perceptions of demand and availability. Worker types above the line would represent those for which perceptions of availability exceed perceptions of demand, while those below the line indicate the opposite.

It should be apparent that availability for all types of workers is perceived to be relatively high, ranging from means of about 4.3 (bio-tech/life sciences) to about 5.5 (manufacturing). However, there is significantly wider variability in perceived demand, ranging from a low of about 2.0 (bio-tech/life sciences) to a high of about 5.1 (sales/marketing).

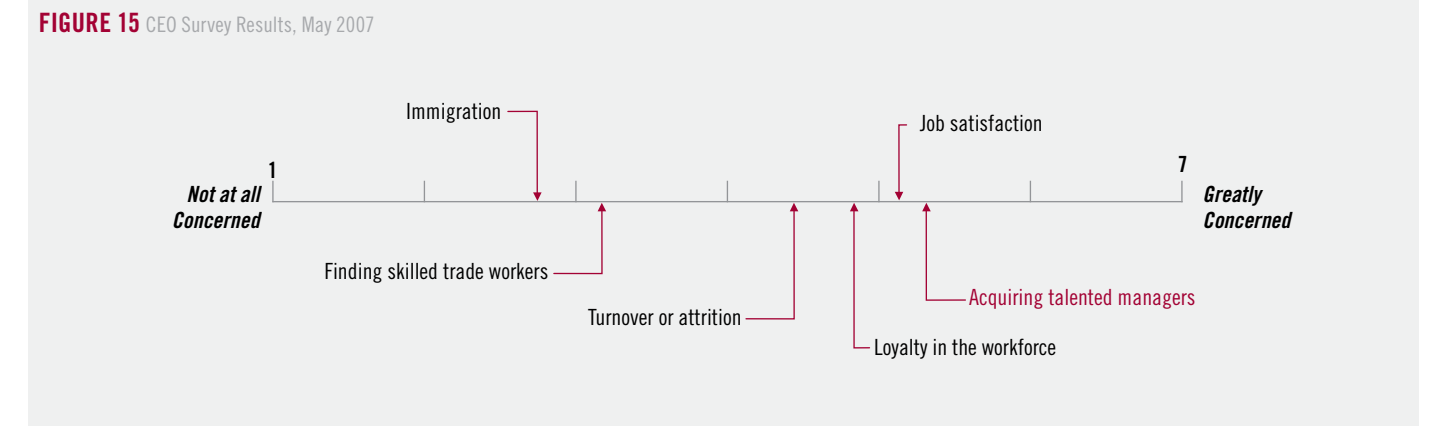
For the three types near the diagonal line—administrative/clerical, information technology, and sales/marketing—we may conclude that perceived demand and perceived availability are similar among the respondents. That is, there is perceived to be a “match” between supply and demand.

There is a cluster of three types slightly above the line: para professional, skilled trade, and engineering. For these three types of workers, respondents believe availability will exceed their organization's demand.

For bio-tech/life sciences workers and manufacturing workers, demand by respondents to this survey is thought to be relatively low while perceived availability is expected to be relatively high. This apparent “mismatch” may be due to a variety of factors including a potential under-representation in our sample of organizations that are likely to employ either of these types of workers. In other words, one should definitely not conclude that within the state as a whole, there will be a surplus of manufacturing or bio-tech/life sciences workers.

The next question, question #17, asks executives to rate their level of concern with each of several issues that might impact the organization and its workforce (Figure 15).

17. Please indicate how concerned you are about the following issues, as they impact your company and its workforce.



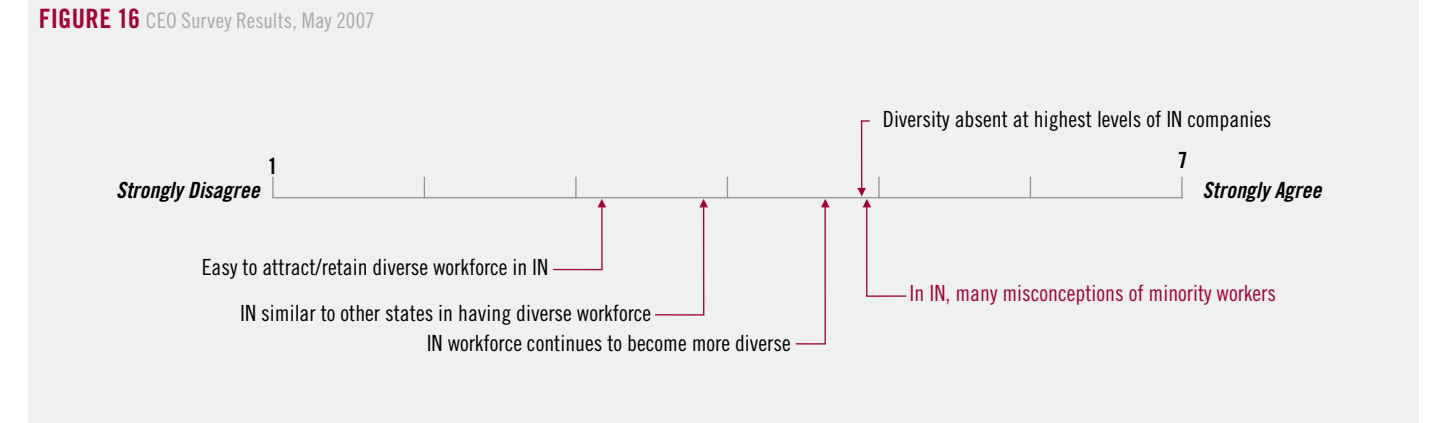
Respondents express a wide range of levels of concern with these six issues. The top issue is the acquisition of management talent, a perennial issue of concern throughout the business world. The level of concern does seem to vary by industry, with respondents from health care and logistics expressing higher levels of concern.

The next three issues, “job satisfaction,” “loyalty in the workforce,” and “turnover or attrition,” all seem to be related to retaining workers. These three issues all have mean scores above the scale mid-point indicating a high level of concern.

The final two issues, “finding skilled trade workers” and “immigration,” are both relatively low on the concern scale. “Finding skilled trade workers” may be low either because the organizations represented in the survey do not require many skilled trade workers, or because the executives expect there to be a large supply of such workers (Figure 14). “Immigration” does not seem to be an issue of concern to these respondents perhaps because it is not seen as a workplace issue by them.

The final question in this section addresses diversity (Figure 16).

18. How much do you agree or disagree with the following statements about diversity?



NOTE: These statements are paraphrases of original statements.

Respondents express moderate agreement with the top three statements, and slight disagreement with the two lower statements. Collectively, the top three statements seem to indicate respondents believe Indiana organizations are making some progress in terms of diversity, but that they still have a way to go in terms of minority representation at upper levels of management and general perceptions of minority workers. Executives seem to believe it is not easy to attract and retain a diverse workforce in Indiana, and that the situation in Indiana may be slightly worse than in other states in terms of having a diverse workforce.

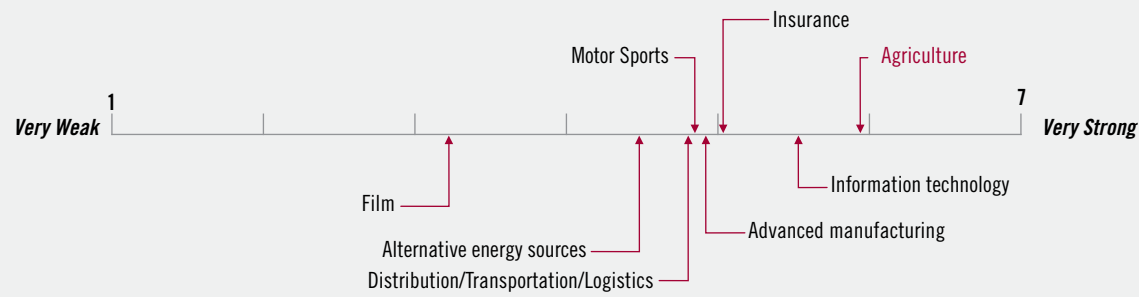
Section 5: Education

The fifth section of the questionnaire asks respondents their opinions about education both in a general way and in terms of its ability to serve the needs of the business community.

The first question of this section, question #19, asks about the strength of educational programs that train people to work in specific industries (Figure 17).

19. How would you rate the strength of educational programs in Indiana that train people for work in the following industries?

FIGURE 17 CEO Survey Results, May 2007



Respondents rate Indiana’s training for “agriculture” and “information technology” as being relatively strong, the first most likely reflecting Indiana’s long tradition of agricultural excellence and the second reflecting Indiana’s heavy educational investment in this area.

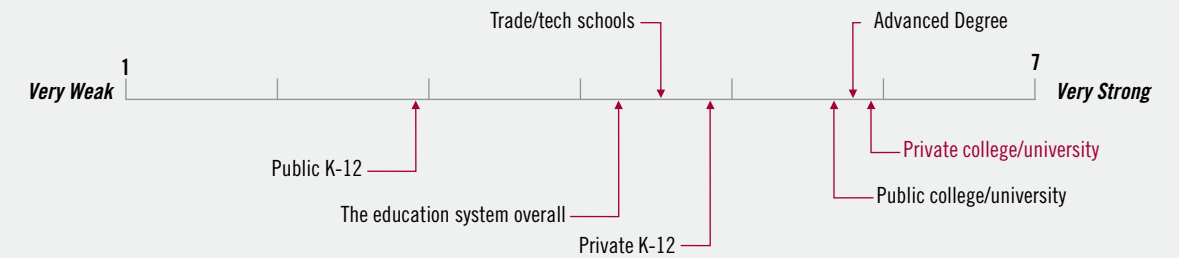
At the other extreme, respondents rate Indiana’s educational programs in film as being relatively weak. The remaining industries—“insurance,” “advanced manufacturing,” “motor sports,” “distribution/transportation/logistics,” and “alternative energy sources”—are all perceived to be moderately strong.

It should be noted that executives were given the option of responding “not sure” regarding the educational programs for each of the industries mentioned in this question, and that relatively large numbers of respondents took advantage of this option for some of the industries. For example, 50% responded “not sure” regarding educational programs for the film industry, and 40% responded “not sure” regarding educational programs for motor sports. A low of 12% responded “not sure” to the question regarding information technology. Thus, the ratings presented in Figure 17 reflect the averages of those who expressed an opinion, not the ratings of the entire sample.

The next question asks respondents to rate the various levels of Indiana’s educational system on a scale from “very weak” to “very strong” (Figure 18).

20. How would you rate Indiana’s educational system at the following levels?

FIGURE 18 CEO Survey Results, May 2007



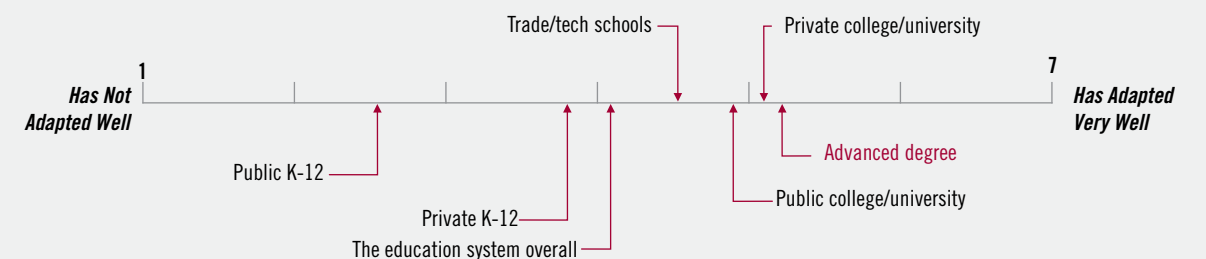
There is obviously wide variance in the average ratings of Indiana’s different educational levels. Undergraduate and graduate education, both public and private, are perceived to be very strong. Public elementary and secondary education is perceived to be weak. Private primary and secondary education, as well as trade and technical education, is rated near the middle of the scale.

When asked to rate the “education system overall,” it appears that respondents were most heavily influenced by their perceptions of public primary and secondary education. This may be due to the large amount of publicity this level of education has received over the past several years as ISTEP and other No Child Left Behind initiatives have been implemented. Most coverage in mass media has focused on performance problems of city school systems, and such coverage may be driving these perceptions. On the other hand, there are no statistically significant differences between those from central Indiana versus those outside central Indiana for any of the levels tested.

The next question, question #21, asks respondents to rate how well these same educational levels have adapted to the changing business climate in recent years (Figure 19).

21. How well do you feel that Indiana’s educational system at the following levels has adapted to the changing business climate in recent years?

FIGURE 19 CEO Survey Results, May 2007



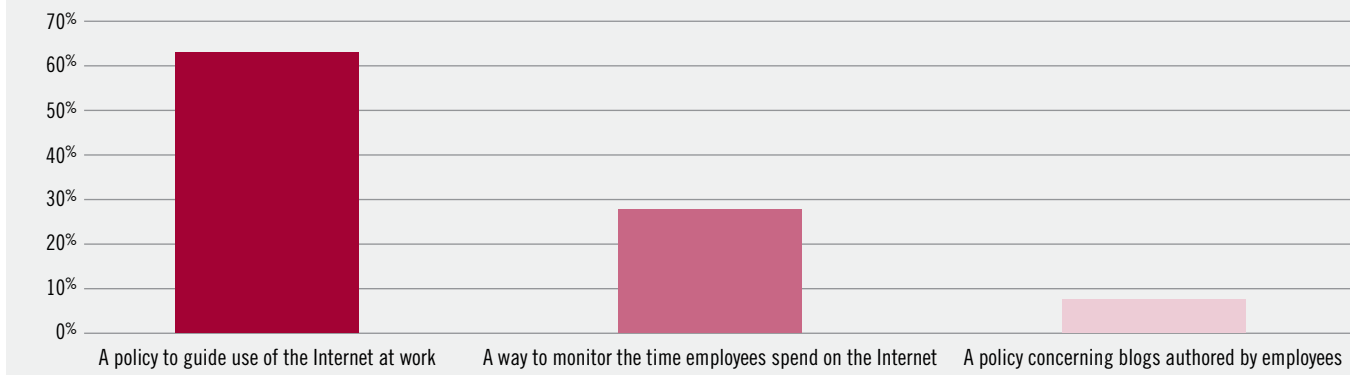
As might be expected, respondents offered similar ratings for each educational level to this question. Once again, primary education, especially public K through 12 education, receives the lowest ratings. And once again, college and university education is rated higher. It should be noted, however, that at all levels ratings of adaptation are a bit lower than are general ratings. It appears that executives in the survey believe the educational system as a whole is not really keeping pace with the adaptations required by a changing business climate.

Section 6: Information Technology

The final topical section of the survey focuses on technology. Questions focus broadly on management of information technology functions and likelihood of outsourcing those functions in the future. Question #22 asks about company policy regarding the Internet (Figure 20).

22. Does your company have any of the following in place regarding use of the Internet?

FIGURE 20 CEO Survey Results, May 2007



While over 60% have a policy that guides use of the Internet at work, less than three in ten have a way to monitor the amount of time employees spend on the Internet. It is unclear whether respondents do not feel the need to actually monitor employee use of the Internet or whether they would like to be able to monitor Internet use but just do not know how. A small minority of respondents (14.3%) report having a policy relating to blogs authored by employees.

All three of these statements are affected by organization size (as measured by either revenue or number of employees), with larger organizations being significantly more likely to answer “yes” to each question.

The next question asks about information system security, productivity, and evaluation (Figure 21).

23. How much do you agree or disagree with the following statements about information technology at your company?

FIGURE 21 CEO Survey Results, May 2007



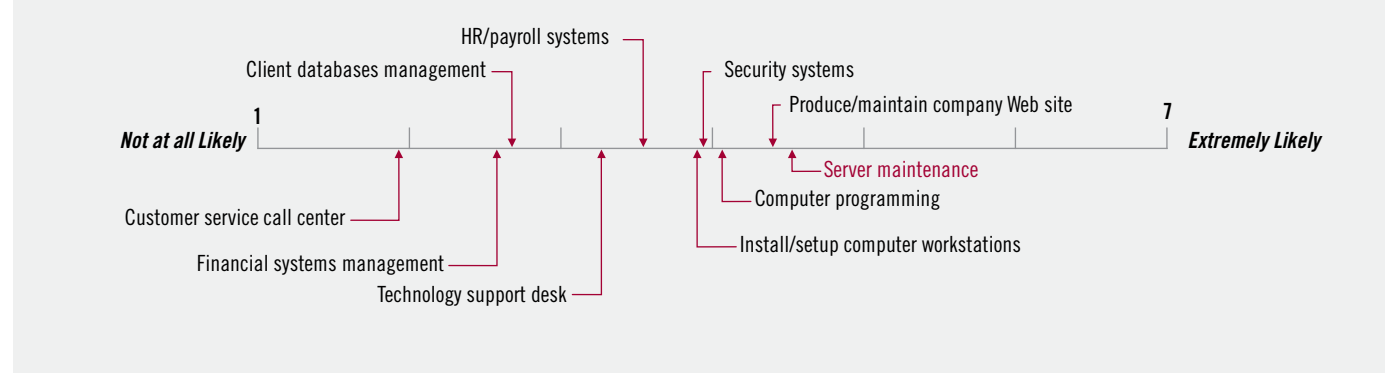
In general, it appears executives trust the security protocols for data and information systems at their organizations. Interestingly, only about a third feel confident in their ability to monitor the productivity of their IT staffs, and only about half feel they are competent to monitor their key IT personnel.

Interestingly, these responses do not vary based on organization size. Thus, executives in general do not feel confident in managing IT functions within their organizations.

The final question in this section asks about the likelihood of outsourcing various specific information technology functions within the next year and a half (Figure 22).

24. Over the next 18 months, how likely is your company to outsource the following information technology functions?

FIGURE 22 CEO Survey Results, May 2007

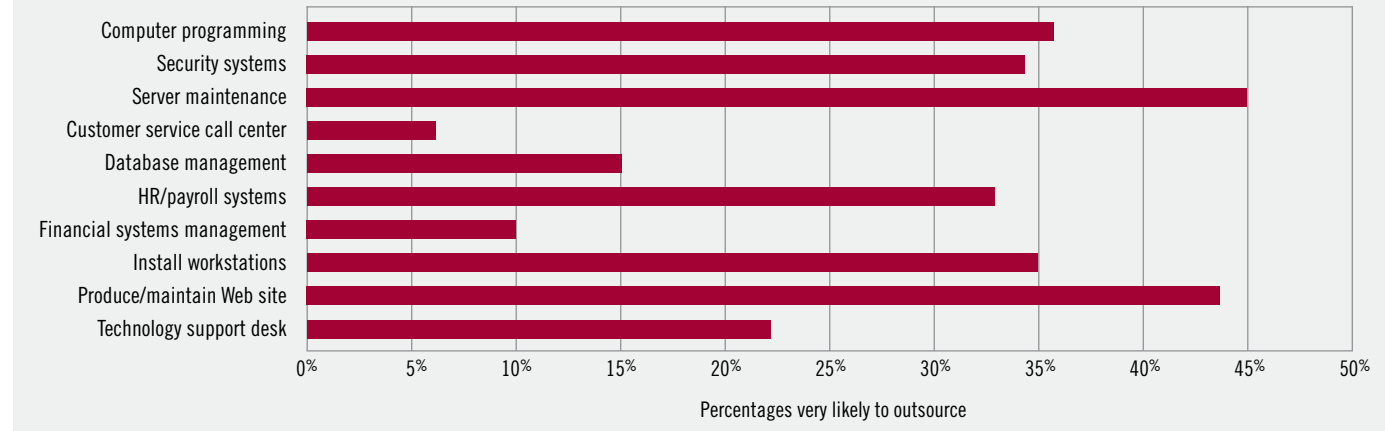


According to our respondents, based on mean responses, few of the functions contained in this question are likely to be outsourced during the next year and a half. In fact, only server maintenance has a mean which is statistically significantly above the scale midpoint, indicating a very weak likelihood of outsourcing for the sample as a whole.

However, the distribution of responses for most of these functions is bi-modal which suggests that, while average responses are relatively low, there are significant numbers of executives interested in outsourcing specific functions. In fact, large minorities rate six of the ten functions as either a “6” or a “7,” indicating a high likelihood of outsourcing those functions (Figure 23).

25. Over the next 18 months, how likely is your company to outsource the following information technology functions? (Shown are the percentages who responded with a “6” or a “7.”)

FIGURE 23 CEO Survey Results, May 2007



NOTE: These statement are paraphrases of original statements; see original questionnaires for actual wording.

According to Figure 23, over 40% of executives in this survey are very likely to outsource their server maintenance and/or production/maintenance of their company Web site. About one third are very likely to outsource computer programming, security systems, workstation installations, and/or HR/payroll systems.

There seems to be very little interest in outsourcing customer service call centers, perhaps because those who were interested have already done so, perhaps because of the negative press coverage often given to such outsourcing, or perhaps because this issue is irrelevant to some organizations.

Description of the Respondents and Their Organizations

The final section of the questionnaire solicited additional information which describes the respondents and the organizations for which they work. In other words, this section provides an overview of our sample. *Detailed results of this section of the survey may be found in Appendix 2 (Organizational Characteristics) and Appendix 3 (Respondent Characteristics).*

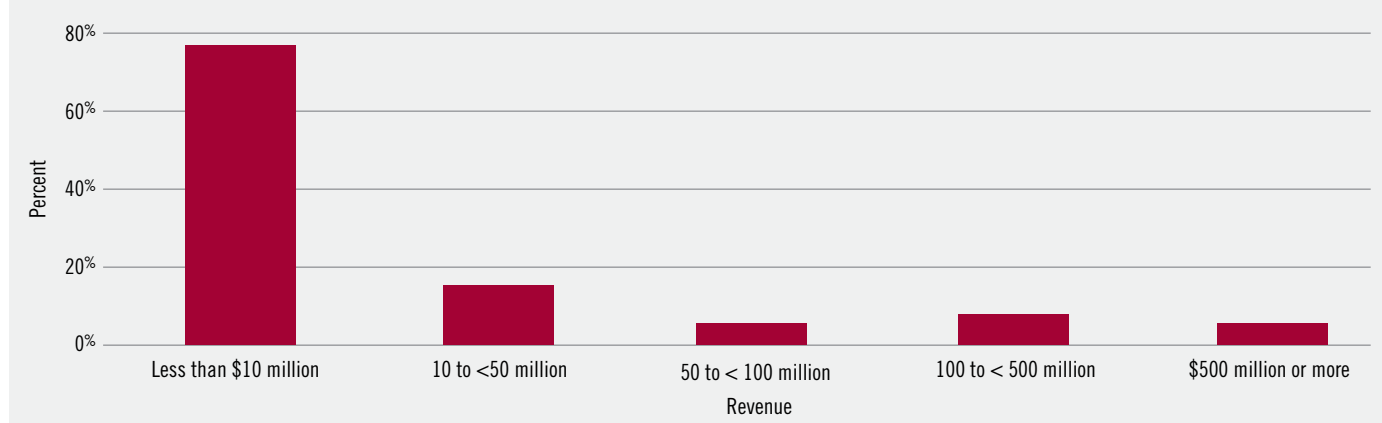
Respondents represent a wide range of industries but a relatively concentrated geographic area. Key industries represented include manufacturing (13.3%), health care (11.0%), information technology (9.5%), insurance (6.2%) and life sciences (5.7%). No other industry was represented by more than 5% of our respondents.

Slightly over 70% of respondents are from organizations headquartered in central Indiana. Only 1.4% of the sample is from northwestern Indiana, indicating a potential for geography-based bias in the results reported here.

About two-thirds of our respondents are from organizations with revenues of less than \$10 million, while about 5% have revenues exceeding \$500 million. See Figure 24.

26. What was your company's 2005 revenue?

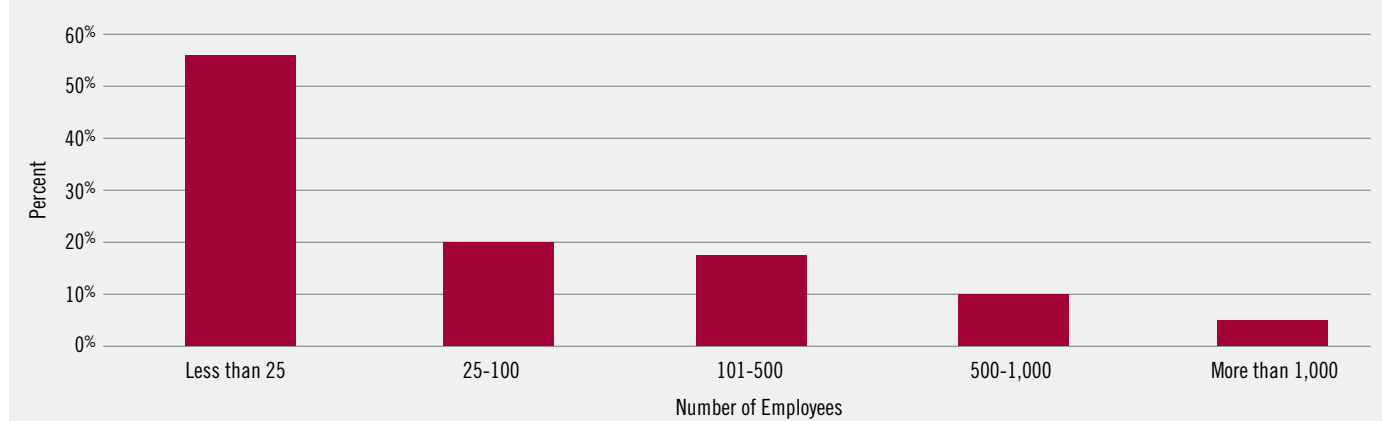
FIGURE 24 CEO Survey Results, May 2007



A similar pattern emerges when looking at number of employees: slightly over half have fewer than 25 employees and about 5% have more than 1000 employees.

27. How many people does your company employ?

FIGURE 25 CEO Survey Results, May 2007



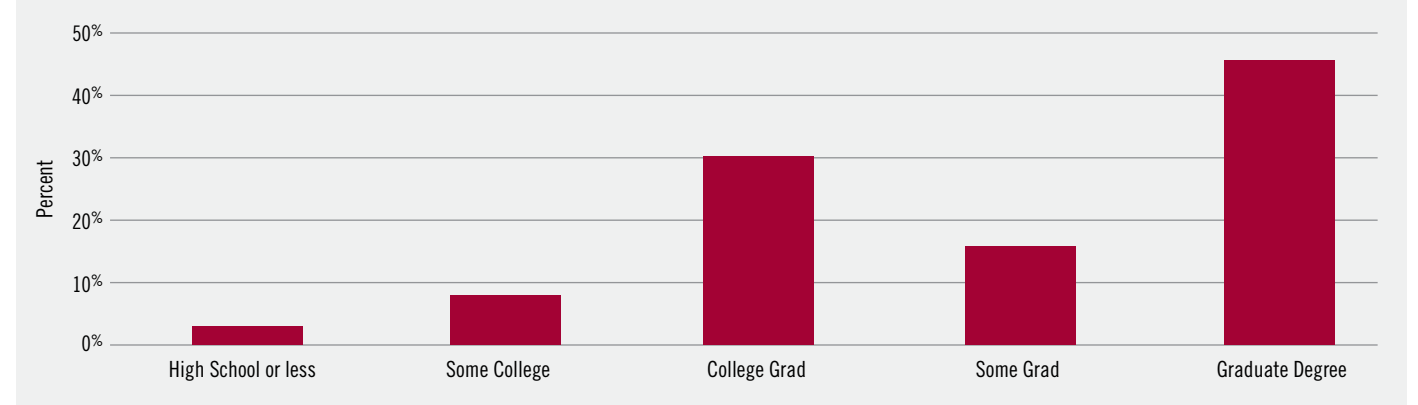
Respondent Characteristics

Individual respondents primarily have job titles associated with chief executive status such as CEO, President, or Owner (79.6%). Small minorities are in positions titled Managing Director or Partner (3.8%) or Chief Operating Officer (3.8%). Nearly half (44.6%) have held their position for more than 10 years, while about one quarter (24.7%) have held their position for less than 5 years. More than three quarters are male (76.3%).

The group is highly educated. Nearly half (45.7%) have graduate degrees, 15.6% have completed at least some graduate schooling, and 30.1% have completed an undergraduate degree as their highest level of education.

28. What is your highest level of education?

FIGURE 26 CEO Survey Results, May 2007



Respondents report working just over 50 hours per week on average, with 29% working more than 60 hours per week. Respondents also report taking at least some vacation days with the majority taking between 6 and 15 business days off per year. Sixty-nine percent report having a commute time of less than 20 minutes.

Future Plans

We plan to repeat this survey annually so that we may identify and track changes over time. While the basic structure and content of the survey will remain constant, we plan to make the project even more useful by implementing a few modifications.

First, we plan to increase the sample size by expanding the number and variety of sources containing required contact information. A larger sample will enable us to conduct more robust subgroup analyses.

Second, we will increase the geographic representation of the sample. This will enable us to assess more accurately the degree to which there are or are not significant and systematic regional differences within the state of Indiana.

Third, we will make a few alterations to the questionnaire itself. Some will reflect new issues as they arise, and others will provide more useful information by altering response categories to reflect actual variations in the population.

Conclusion

Although key attitudes, opinions, concerns and other information from Indiana's business leaders have been revealed and clarified in this report, it is only the beginning.

Many of these opinions need to be measured over time. The state, the business community and the media can move us toward positive goals and necessary changes that our business leaders have identified to make us more competitive.

The opinions of the key executives who responded will serve as a catalyst to make Indiana grow, prosper and become the driving and thriving economic force it can be.

We thank those who took the time to give us their opinions. We thank those of you who are reading this report. And we especially thank those of you who will take action or do something differently as a result of this survey.

Qualitative Research

MBA students at Butler University conducted the qualitative research needed to focus and develop the study. These students analyzed two CEO weblogs hosted by Ice Miller and Inside INdiana Business, observed a quarterly CEO roundtable discussion, and conducted in depth interviews with Indiana CEOs. The information gathered was used to identify issues of concern to Indiana executives.

Simultaneously, students gathered secondary information about the Indiana business environment from a variety of governmental and private sources. This information included descriptive information of companies, (e.g., number of employees, revenues, etc.) as well as information about industry classifications and geographic distribution of organizations.

Quantitative Research

Once the survey was designed it was pre-tested online. Sixty-five members of the target population were contacted and asked to complete the survey. They were also asked to comment on any questions which they found confusing. Minor modifications were made to the survey instrument following this pretest.

A total of 1,058 CEOs and executives of Indiana-based organizations were identified and comprised the sample frame for this project. Potential respondents were identified from a variety of sources. Inside INdiana Business contacted each potential respondent by email, requested their participation in the project, and provided a link to the online survey.

Of the 1,058 usable email addresses, we obtained 210 responses yielding a response rate of 19.8%.

Most of the 210 who responded to the request to participate completed the survey. One hundred eighty six respondents answered all questions.

Several caveats are necessary for interpreting survey results. First, the original sample frame was not a complete and accurate listing of all CEOs of Indiana-based organizations and thus the resulting convenience sample may not provide an accurate representation of all CEOs of Indiana-based organizations. As the project expands in future years, the sampling frame will become more complete and thus the sample should become more representative over time.

Second, because the sample may not be technically representative in a statistical sense, computations of statistical significance are presented for illustrative purposes only. A formal discussion of statistical significance in this context appears below.

Finally, we have not conducted a formal assessment of nonresponse bias associated with the obtained sample, so those who responded may be systematically different from those who did not.

Despite the limitations of this first iteration of the Indiana CEO/Executive Officer Survey, we believe the results will prove useful in multiple regards. First, the project provides a "snapshot" of issues of concern to Indiana's corporate leaders. Thus, it can provide a platform for discussion and analysis of a wide variety of topics critical to the economic future of the state.

Second, while there may be large error ranges around reported parameter estimates, the relative rankings of key variables are probably accurate. For example, while the reported mean importance rating of 6.8 for “corporate reputation” may actually be higher or lower in the total population, it is clear that “corporate reputation” has a higher importance level than does “natural resource prices” to Indiana CEOs and other executive officers.

Third, this is envisioned as the first in a series of annual reports focused on Indiana CEOs. One key strength of this endeavor is the ability to track changes over time and thus to focus future discussions on trends rather than on one-time observations. This should make the project more valuable to policy-makers and strategists.

Technical Notes on Statistical Significance

The term “statistical significance” is often misunderstood by managers and other policy-makers. This misunderstanding seems to be rooted in two sources: confusion about the technical statistical meaning of the term and confusion surrounding the word “significance.”

First, the term statistical significance simply refers to information obtained from a sample which we have reason to believe is different from information that we may have obtained by chance alone. For example, if we say that high revenue companies are statistically significantly more likely than are lower revenue companies to pursue alternative energy sources (Question #2 in the survey), we are saying two things:

- 1) in our sample, the mean response for high revenue companies is higher than it is for low revenue companies, and
- 2) that this difference is likely due to a *real* difference between high and low revenue companies. In other words, we are not just “unlucky” in our choice of who to talk to in each group and therefore have obtained results which are really not true. Several factors influence statistical significance including how sure we want to be that we are finding real differences or real relationships, how large the sample is, and the actual survey results.

Statistical significance is thus about making inferences from a sample to a population. To make such inferences accurately, we need to have a randomly selected sample from a population of interest. In this project, our sample is not random because we did not have access to an accurate listing of all Indiana CEOs (an accurate population listing). Thus, it is not possible to determine statistical significance in a formal sense. However, we have reported “statistical significance” for our results as if we had obtained a truly random sample in order to highlight results which we believe have a higher likelihood of being “real.”

Second, there is a difference between “statistical significance” and “managerial significance.” Managers often think that if a difference is “statistically significant,” it is somehow necessarily important and deserving of managerial attention. This may or may not be true. We use the term “managerial significance” to mean that a manager ought to consider the information in making some decision. While a piece of information must be statistically significant before it can be considered to be managerially significant, not all statistically significant information is of managerial significance. For example, if we were using an extremely large sample, even small and relatively meaningless differences would be “statistically significant.”

In many circumstances, it would be a mistake for managers to make decisions based on such information because although it is “real,” it is too small to be of practical value. In short, a piece of information needs to be statistically significant before it can be considered managerially significant, but not all statistically significant information is managerially significant. Managers must exercise judgment in deciding when to use or ignore statistically significant information.

Table 1: Corporate Revenue

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than \$10 million	127	60.5	68.3	68.3
	10 to < 50 million	29	13.8	15.6	83.9
	50 to <100 million	9	4.3	4.8	88.7
	100 to < 500 million	12	5.7	6.5	95.2
	\$500 million or more	9	4.3	4.8	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 2: Number of Employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25	101	48.1	54.3	54.3
	25 - 100	37	17.6	19.9	74.2
	101 - 500	30	14.3	16.1	90.3
	501 - 1000	9	4.3	4.8	95.2
	More than 1000	9	4.3	4.8	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 3: Respondent Job Title

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CEO/Pres/Owner	148	70.5	79.6	79.6
	CFO	1	.5	.5	80.1
	COO	7	3.3	3.8	83.9
	Managing Director/ Partner	7	3.3	3.8	87.6
	Other	23	11.0	12.4	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 4: Respondent Time in Current Job

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	46	21.9	24.7	24.7
	5 - 10	57	27.1	30.6	55.4
	More than 10	83	39.5	44.6	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 5: Respondent Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	44	21.0	23.7	23.7
	Male	142	67.6	76.3	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 6: Respondent Education Level (Highest Obtained)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School or less	4	1.9	2.2	2.2
	Some College	12	5.7	6.5	8.6
	College Grad	56	26.7	30.1	38.7
	Some Grad	29	13.8	15.6	54.3
	Grad Degree	85	40.5	45.7	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 7: Respondent Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	31 - 40	25	11.9	13.4	13.4
	41 - 50	58	27.6	31.2	44.6
	51 - 60	66	31.4	35.5	80.1
	61 - 70	31	14.8	16.7	96.8
	> 70	6	2.9	3.2	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 8: Respondent Average Commute Time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 10 min.	58	27.6	31.2	31.2
	10 to < 20 min	71	33.8	38.2	69.4
	20 to < 45 min	41	19.5	22.0	91.4
	45 min plus	16	7.6	8.6	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

Table 9: Respondent Average Hours Worked per Week

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 40	8	3.8	4.3	4.3
	40 - 49	47	22.4	25.3	29.6
	50 - 59	77	36.7	41.4	71.0
	60 - 69	43	20.5	23.1	94.1
	70 or more	11	5.2	5.9	100.0
Total	186	88.6	100.0		
Missing	System	24	11.4		
Total		210	100.0		

Table 10: Respondent Number of Vacation Days Taken per Year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	none	5	2.4	2.7	2.7
	1 - 5 bus days	31	14.8	16.7	19.4
	6 to 10 bus days	54	25.7	29.0	48.4
	11 to 15 bus days	51	24.3	27.4	75.8
	16 to 20 bus days	33	15.7	17.7	93.5
	More than 20 bus days	12	5.7	6.5	100.0
Total	186	88.6	100.0		
Missing	System	24	11.4		
Total		210	100.0		

Table 11: Respondent Planned Retirement Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	40 - 44	1	.5	.5	.5
	45 - 49	2	1.0	1.1	1.6
	50 - 54	11	5.2	5.9	7.5
	55 - 60	37	17.6	19.9	27.4
	> 60	135	64.3	72.6	100.0
Total	186	88.6	100.0		
Missing	System	24	11.4		
Total		210	100.0		

Table 12: Respondent Planned Retirement Location in Indiana

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	99	47.1	53.2	53.2
	No	24	11.4	12.9	66.1
	Unsure	63	30.0	33.9	100.0
	Total	186	88.6	100.0	
Missing	System	24	11.4		
Total		210	100.0		

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